

FORM D

PRIOR NOTICE OF A TRANSACTION

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

By

**TRILOGY HEALTH INSURANCE, INC.**  
Name of Registrant

On behalf of following insurers

RECEIVED  
WISCONSIN COMMISSIONER  
OF INSURANCE  
22 PM 11:42

Name:

Address:

**Trilogy Health Insurance, Inc.**

**18000 West Sarah Lane, Suite 310  
Brookfield, WI 53045**

Date: **October 22, 2013**

**Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:**

**William D. Felsing  
Trilogy Health Insurance, Inc.  
18000 West Sarah Lane, Suite 310  
Brookfield, WI 53045**

**ITEM 1. IDENTITY OF PARTIES TO TRANSACTION**

**Furnish the following information for each of the parties to the transaction covered under s. 617.21 (2), Stats., and s. Ins 40.04 (2), Wis. Adm. Code:**

- (a) Name;**
- (b) Home office address;**
- (c) Principal executive office address;**
- (d) The organizational structure, i.e., corporation, partnership, individual, trust, etc.;**
- (e) A description of the nature of the parties' business operations;**

**(f) Relationship, if any, of other parties to the transaction to the insurer filing the notice, including any ownership or debtor/creditor interest by any other parties to the transaction in the insurer seeking approval, or by the insurer filing the notice for the affiliates;**

**(g) Where the transaction is with a non-affiliate, the name(s) of the affiliate(s) which will receive, in whole or in substantial part, the proceeds of the transaction.**

Trilogy Health Insurance, Inc. (the "Insurer"), with its home office and principal executive offices at 18000 West Sarah Lane, Suite 310, Brookfield, WI 53045, is a Wisconsin domestic insurance company currently with a Certificate of Authority granted January 2, 2007 from the State of Wisconsin Office of the Commissioner of Insurance (OCI) to engage in Disability Insurance. The Insurer intends to change its business plan and in connection therewith its Certificate of Authority to engage in business as a domestic health maintenance organization with a focus on Medicaid and providing services to BadgerCare Plus and Medicaid Supplemental Security Income (SSI) eligible members.

Concurrent with the change in business plan and change in its Certificate of Authority, the Insurer intends to spin-off its non-insurance network business in a series of transactions to a new Wisconsin business corporation to be formed pursuant to Chapter 180 of the Wisconsin Statutes named Trilogy Health Solutions, Inc. ("Solutions").

Solutions will be owned by the same ownership group as the Insurer (prior to taking effect to the changes described in the Form A filing described below).

## **ITEM 2. DESCRIPTION OF THE TRANSACTION**

**Furnish the following information for each transaction for which notice is being given:**

**(a) A statement as to whether notice is being given under s. Ins 40.04 (2) (a), (b), (c), (d), (e) or (f);**

**(b) A statement of the nature of the transaction; and**

**(c) The proposed effective date of the transaction.**

This Notice is being provided under s. Ins. 40.04 (2)(a). As described briefly in Item 1 above, the Insurer intends to change its business plan from engaging in business as a domestic health insurance company to engaging in business as a domestic health maintenance organization. The Insurer is seeking approval from the State of Wisconsin Department of Health Services ("DHS") to provide health services to BadgerCare Plus and Medicaid SSI eligible members. The transactions described herein are subject to such approval by DHS. The Insurer has applied for approval with DHS and such approval is expected on or before December 1, 2013. In connection therewith, the parent of the Insurer, Trilogy Health Holdings, LLC ("Holdings") will enter into an Investment Agreement with Independent Physicians Network, Inc. ("IPN"), Scas Management Group, LLC ("SMG"), and Bonita Warner, an individual ("Warner") (Scas, IPN and Warner are referred to herein collectively, as the "Purchasers") pursuant to which the Purchasers will acquire control (as defined in s. 600.03, Wis. Stats.) of Holdings as more fully described in the Form A – Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer being filed with the State of Wisconsin

Office of the Commissioner of Insurance (“OCI”) on the date hereof. Such transactions being referred to herein, collectively, as the “HMO and Investment Transactions”).

In a concurrent transaction (the “Spin-Off Transaction”), subject to the provisions of the Assignment and Assumption Agreement, the proposed form of which is attached hereto as Exhibit A (the “Assignment and Assumption Agreement”), the Insurer will assign its non-Medicaid commercial provider contracts, network access agreements and consulting and management contracts (collectively, the “Contracts”) to Solutions. Pursuant to the Assignment and Assumption Agreement, all rights and revenues under the Contracts valued at approximately \$1,450,000 will be assigned (such individual contracts being assigned when each is assignable pursuant to its terms) to Solutions. In addition, cash in the amount of \$550,000 will be paid to Solutions.

As consideration for the Contracts and cash, Solutions will assume \$2,000,000 in the aggregate of the Insurer’s surplus notes owing to William Felsing, Peter Farrow and Glenn Reinhardt (collectively, the “Surplus Notes”). In addition, immediately prior to assumption of the Surplus Notes, Insurer (with the consent of OCI) will pay, on or before December 31, 2013, interest on such notes through December 31, 2013 in the amount of \$855,000. Cash reserves in an amount to be determined (the “Reserve”) will be retained in the Insurer for the payment of any benefits or claims of Insurer arising prior to January 1, 2013. Pursuant to the Assignment and Assumption Agreement, any amounts remaining in the Reserve on the first anniversary of the effective date of the Assignment and Assumption Agreement, shall be paid over to Solutions and any shortfall in the Reserve, shall be reimbursed to the Insurer by payment from Solutions.

The Insurer and Solutions will also enter into an Administrative Services Agreement as described more fully below.

The parties propose for the effective date for the transactions to be January 2, 2014.

### **ITEM 3. SALES, PURCHASES, EXCHANGES, LOANS, EXTENSIONS OF CREDIT, GUARANTEES OR INVESTMENTS**

**Furnish a brief description of the amount and source of funds, securities, property or other consideration for the sale, purchase, exchange, loan, extension of credit, guarantee, or investment. Describe any provision for purchase of the insurer filing notice, by any party to the transaction, or by any affiliate of the insurer filing notice. Give a description of the terms of any securities being received, if any, and a description of any other agreements relating to the transaction such as contracts or agreements for services, consulting agreements and the like. If the transaction involves other than cash, furnish a description of the consideration, its cost and its fair market value, together with an explanation of the basis for evaluation.**

**If the transaction involves a loan, extension of credit or a guarantee, furnish a description of the maximum amount which the insurer will be obligated to make available under such loan, extension of credit or guarantee, the date on which the credit or guarantee will terminate, and any provisions for the accrual of or deferral of interest.**

**If the transaction involves an investment, guarantee or other arrangement, state the time period during which the investment, guarantee or other arrangement will remain in effect, together with any provisions for extensions or renewals of such investments, guarantees**

or arrangements. **Furnish a brief statement as to the effect of the transaction upon the insurer's policyholder surplus.**

**No notice need be given if the maximum amount which can at any time be outstanding or for which the insurer can be legally obligated under the loan, extension of credit or guarantee is less than (a) in the case of nonlife insurers, the lesser of 2% of the insurer's admitted assets or 10% of policyholder surplus or (b) in the case of life insurers, the lesser of 2% of the insurer's admitted assets or 10% of policyholder surplus, each as of the 31st day of December of the immediately preceding calendar year.**

Pursuant to the terms of the Assignment and Assumption Agreement, the Insurer will distribute cash in the amount of \$550,000 and the Contracts (and all rights to revenues and proceeds thereunder) to Solutions in exchange for the assumption by Solutions of the Surplus Notes (after payment of accrued but unpaid interest to December 31, 2013). As described in the Assignment and Assumption Agreement, the Insurer will hold in the Reserve an amount to be determined prior to December 31, 2013, which will be retained by the Insurer for the payment of any benefits or claims of Insurer arising prior to January 1, 2013. Pursuant to the Assignment and Assumption Agreement, any amounts remaining in the Reserve on the first anniversary of the effective date of the Assignment and Assumption Agreement, shall be paid over to Solutions and any shortfall in the Reserve, shall be reimbursed by payment from Solutions to the Insurer.

The Insurer and Solutions will enter into an Administrative Services Agreement (the "Solutions Administrative Services Agreement") in the form attached hereto as Exhibit B, pursuant to which the Insurer will provide certain services to Solutions, including executive leadership, finance, provider contracting and compliance, use of employees, office space, equipment and supplies. In exchange, Solutions will pay to the Insurer a monthly service fee as set forth in the Solutions Administrative Services Agreement.

#### **ITEM 4. LOANS, EXTENSIONS OF CREDIT, OR GUARANTEES TO OR FOR A NONAFFILIATE**

**If the transaction involves a loan, extension of credit, or guarantee to any person who is not an affiliate, furnish a brief description of the agreement or understanding whereby the proceeds of the proposed transaction, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase the assets of, or to make investments in, any affiliate of the insurer making such loans, extensions of credit, or guarantee. Specify in what manner the proceeds are to be used to loan to, extend credit to, purchase assets of or make investments in any affiliate. Describe the amount and source of funds, securities, property or other consideration for the loan or extension of credit and, if the transaction is one involving consideration other than cash, describe its cost and its fair market value together with an explanation of the basis for evaluation. Furnish a brief statement as to the effect of the transaction upon the insurer's policyholder surplus.**

**No notice need be given if the loan or extension of credit is one which equals less than the lesser of 2% of the insurer's admitted assets or 10% of policyholder surplus as of the 31st day of December of the immediately preceding calendar year.**

Not applicable.

#### **ITEM 5. REINSURANCE**

**If the transaction is a reinsurance agreement or modification thereto, as described by s. Ins 40.04 (2) (c), furnish a description of the known and estimated amount of liability to be ceded or assumed in each calendar year, the period of time during which the agreement will be in effect, and a statement whether an agreement or understanding exists between the insurer and nonaffiliate to the effect that any portion of the assets constituting the consideration for the agreement will be transferred to one or more of the insurer's affiliates. Furnish a brief description of the consideration involved in the transaction and a brief statement as to the effect of the transaction upon the insurer's policyholder surplus.**

**No notice need be given for reinsurance agreements or modifications thereto if the reinsurance premium or the change in the insurer's liabilities in connection with the reinsurance agreement or modification thereto is less than 5% of the insurer's policyholder surplus, as of the 31st day of December of the immediately preceding calendar year.**

Not applicable.

#### **ITEM 6. MANAGEMENT AGREEMENTS, SERVICE AGREEMENTS AND COST-SHARING ARRANGEMENTS**

**For management and service agreements, furnish:**

- (a) A brief description of the managerial responsibilities, or services to be performed;**
- (b) A brief description of the agreement, including a statement of its duration, together with brief descriptions of the basis for compensation and the terms under which payment or compensation is to be made.**

**For cost-sharing arrangements, furnish:**

- (a) A brief description of the purpose of the agreement;**
- (b) A description of the period of time during which the agreement is to be in effect;**
- (c) A brief description of each party's expenses or costs covered by the agreement;**
- (d) A brief description of the accounting basis to be used in calculating each party's costs under the agreement.**

In connection with the Spin-off Transaction as described above, the Insurer will enter into an Administrative Service Agreement with Solutions (the "Solutions Administrative Services Agreement") pursuant to which the Insurer will provide certain services to Solutions, including executive leadership, finance, provided contracting and compliance, employees, office space, equipment and supplies in exchange for a monthly servicing fee. The Solutions Administrative

Services Agreement is on no more favorable terms than if negotiated on an arms-length basis. The form of the Solutions Administrative Services Agreement is attached hereto as Exhibit B.

In connection with the HMO and Investment Transactions, the Insurer will enter into two Administrative Services Agreements. The first Administrative Services Agreement will be between the Insurer and IPN (the "IPN Administrative Services Agreement"), pursuant to which IPN will provide certain medical management, cost containment and quality improvement services in exchange for a monthly fee. The IPN Administrative Services Agreement was negotiated on an arms-length basis between IPN and the Insurer. The IPN Administrative Services Agreement is set forth on Exhibit C attached hereto.

The second Administrative Services Agreement entered into in connection with the HMO and Investment Transactions, will be between the Insurer and SMG (the "SMG Administrative Services Agreement"), pursuant to which SMG will provide certain claims processing and member and provider services in exchange for a monthly fee. The SMG Administrative Services Agreement was negotiated on an arms-length basis between SMG and the Insurer. The SMG Administrative Services Agreement is set forth on Exhibit D attached hereto.

#### **ITEM 7. TRANSACTIONS NOT IN THE ORDINARY COURSE OF BUSINESS**

**Provide a brief but complete description of any transaction not in the ordinary course of business.**

The transactions described above in Items 2 and 3 are incorporated herein by reference.

#### **ITEM 8. OTHER TRANSACTIONS REPORTABLE UNDER AN ORDER**

**Provide a brief but complete description of any transaction reportable under an order.**

N/A

**ITEM 9. SIGNATURE AND CERTIFICATION**

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of ch. Ins 40, Wis. Adm. Code, William D. Felsing, President and CEO of Trilogy Health Insurance, Inc. has caused this notice to be duly signed on its behalf in the City of Brookfield and State of Wisconsin on the 22nd day of October, 2013.

(SEAL)

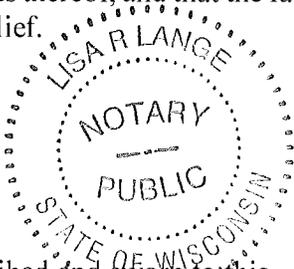
TRILOGY HEALTH INSURANCE, INC.  
Name of Registrant

By: *William D. Felsing*  
William D. Felsing, President and CEO

Attest:

*Glenn J. Reinhardt*  
Glenn J. Reinhardt, Treasurer

The undersigned deposes and says that he has duly executed the attached notice dated October 22, 2013, for and on behalf of Trilogy Health Insurance, Inc.; and that he is the President and Chief Executive Officer of Trilogy Health Insurance, Inc. and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.



*Lisa R. Lange*  
(Signature)  
Lisa R. Lange  
(Type or print name beneath)

Subscribed and sworn to this  
22nd day of October, 2013

Notary Public

My commission expires is permanent.