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December 14, 2023

**Via Online OCI Licensing Application Form**

Christopher J. Martin, CPA, PIR  
Insurance Financial Examiner - Principal  
Division of Financial Regulation  
Office of the Commissioner of Insurance  
125 S. Webster St.  
Madison, WI 53702

Re: In the Matter of the Acquisition of Control of MercyCare Insurance Company (NAIC #60215) and MercyCare HMO, Inc. (NAIC #12195) by MercyCare Merger Sub, Inc.

Dear Chris:

Following up on our discussions, MercyCare Insurance Company, a Wisconsin stock insurance corporation ("MCIC") and MercyCare Merger Sub, Inc., a Wisconsin business corporation ("Merger Sub") 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"). Following the consummation of the Proposed Merger, MCIC would be wholly owned by MercyCare HMO, Inc., a Wisconsin stock health maintenance organization insurer ("MCHMO") and a subsidiary of MCIC, and MCHMO would be wholly owned by MCIC's current direct parent, Mercy Health System Corporation, a Wisconsin non-stock, tax-exempt corporation ("MHSC").

On behalf of Merger Sub, we are pleased to submit the attached Form A Statement Regarding the Acquisition of Control of a Domestic Insurer (the "Form A") seeking approval of the Wisconsin Office of the Commissioner of Insurance ("OCI"), pursuant to Wis. Stat. § 611.72 and Wis. Admin. Code § Ins 40.02, of the Proposed Merger of Merger Sub with and into MCIC. Merger Sub is also submitting a confidential supplement to the Form A under separate cover. Merger Sub has delivered a copy of the Form A to MCIC, as required by Wis. Admin. Code § Ins 40.02(1)(b)1, by sending a copy of this letter and the enclosed Form A to Michael Lorhan.

As you will note from the post-close organizational chart attached as Exhibit B to the Form A, the Proposed Merger is with an affiliate of the insurer and the Proposed Merger does not change the controlling person of the insurer. Therefore, we are requesting that OCI dispense with a hearing on the Form A pursuant to Wis. Stat. § 611.72(3m). Merger Sub also respectfully requests that OCI determine that the information provided in Item 12(d) of the Form A shows that a pre-acquisition notification is not applicable pursuant to Wis. Admin. Code § Ins 40.02(1)(b)1.

The Form A also includes a business plan change. Currently, MCIC and its subsidiary, 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.

In addition to requesting approval of the Proposed Merger, we request that the business plan changes described in Item 5 of the Form A substitute for any business plan change filings that might otherwise be required under Wis. Stat. §§ 611.28(2) and Wis. Admin. Code § Ins 9.06, and that OCI permit the change with the requested approval of the Form A.

If you have any questions, please do not hesitate to contact me at (608) 283-2434 or at [William.Toman@Quarles.com](mailto:William.Toman@Quarles.com). Otherwise, we look forward to working with the OCI to obtain approval of this transaction. Thank you for your consideration.

Very truly yours,

QUARLES & BRADY LLP



William J. Toman

Enclosures

cc(w/enc.): Michael Lorhan, MercyCare Health Plans