

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS
SERVICES

In the Matter of the Proposed Sale of Shares)	Order of Exemption
of Regence Life and Health Insurance Company by)	
Regence BlueCross BlueShield of Oregon)	Case No. INS 08-10-001

INTRODUCTION

By letter dated September 5, 2008, Regence BlueShield (“RBS”), filed a request for exemption from the provisions of Oregon Revised Statutes (“ORS”) 732.521(1) pursuant to ORS 732.521(2) with regard to the sale of shares of Regence Life and Health Insurance Company (“RLH”) by Regence BlueCross BlueShield of Oregon (“Regence BCBSO”) to RBS.

RLH is an Oregon domiciled stock insurance company, authorized under ORS chapter 731 to transact life and health insurance business in Oregon since December 17, 1982.

Regence BCBSO is an Oregon domiciled, non-profit corporation, organized as a private corporation pursuant to ORS chapter 65. It has been authorized under ORS chapter 750 to operate as a health care service contractor (HCSC) in Oregon since May 5, 1942.

RBS is a Washington taxable non-profit corporation. It is authorized in Washington to operate as a health care service contractor.

The Regence Group (“TRG”) is a non-profit public benefit corporation organized under ORS chapter 65. TRG is the ultimate controlling entity of RLH, Regence BCBSO and RBS.

FACTS PROVIDED

Regence BCBSO currently owns 68% of the issued and outstanding shares of RLH. RBS currently owns 18% of the issued and outstanding shares of RLH. The remainder of the issued and outstanding shares of RLH are owned by two other affiliates of TRG, Regence BlueCross BlueShield of Utah and Regence BlueShield of Idaho, Inc. Those two affiliates are not involved in the proposed transaction. Regence BCBSO intends to sell to RBS a certain number of RLH

shares equal to 57% of all the issued and outstanding RLH shares for \$26.946 million in cash. After the consummation of the share purchase, RBS will own 75% of the issued and outstanding shares of RLH and Regence BCBSO will own 11% of the issued and outstanding shares of RLH.

The purpose of the proposed sale is to increase the likelihood that RLH will receive a consistently favorable A.M. Best rating.

The parties stated the proposed sale of shares will not result in a change in RLH management or board oversight and its financial condition will remain the same. Both RBS and Regence BCBSO each own more than 10% of RLH shares before the proposed transaction and will so after the transaction.

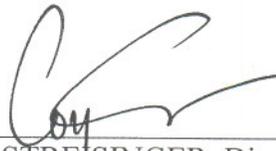
CONCLUSION OF LAW

The proposed sale of shares will not have the effect of changing or influencing the control or ownership of a domestic insurer since Regence BCBSO, RBS and TRG will remain controlling parties of RLH as before the sale. The proposal transaction thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2).

ORDER

Based on the foregoing facts provided and conclusion of law, it is hereby ordered that the proposed sale of shares submitted by Regence BlueCross BlueShield of Oregon is exempt from the provisions of ORS 732.521(1).

Issued this 17th day of October 2008.



CORY STREISINGER, Director
Department of Consumer and Business Services