

**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 Merger of Primary	)	Order of Exemption
Health Network, Inc. dba PacificSource	)	
Health Plans of Idaho with and into PacificSource	)	Case No. INS 09-12-014
Health Plans	)	

**INTRODUCTION**

By letter dated December 8, 2009, PacificSource Health Plans (“PacificSource”) 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 merger of Primary Health Network, Inc. dba PacificSource Health Plans of Idaho (“PHN”) into PacificSource.

PHN is an Idaho domiciled life insurance corporation authorized to sell managed care health insurance in Idaho and is a wholly-owned subsidiary of PacificSource. PHN has no life insurance business. PHN is licensed in Idaho.

PacificSource is an Oregon non-profit public benefit corporation authorized under ORS chapter 750 to transact health insurance business as a health care service contractor since June 20, 1940. PacificSource is licensed in Oregon, Idaho, and California.

**FACTS PROVIDED**

Under the proposed merger, PHN will be merged with and into PacificSource and PHN will cease to exist. The merger will be effective December 31, 2009. PacificSource will be the surviving corporation. The separate corporate existence of PacificSource with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the merger. PacificSource will succeed to all the properties and assets of PHN and to all policyholder

obligations, debts, causes of action and other interests due or belonging to PHN. PacificSource will be subject to, and responsible for, all the debts, liabilities and duties of PHN as provided by applicable state law. The officers and directors of PacificSource will not change as a result of the merger.

PacificSource has represented that the purpose of the proposed merger is to increase efficiency and reduce the cost for administering the combined Idaho insurance business of the two companies.

The boards of directors of PHN and PacificSource have approved the merger.

PacificSource will provide the holders of PHN policies with assumption certificates approved by the Idaho Department of Insurance and will satisfy the requirements of Idaho Administrative Procedures Act Sections 18.01.69.028 and 18.01.72.028 regarding small group and individual health insurance plans.

The merger does not effect a change of control within the holding company system. PacificSource remains the ultimate controlling person in the holding company system.

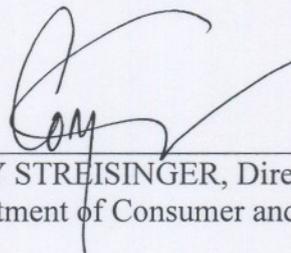
#### CONCLUSION OF LAW

The proposed merger will not have the effect of changing or influencing the control or ownership of a domestic insurer. The proposed merger 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 proposal submitted by PacificSource Health Plans to merge Primary Health Network, Inc. dba PacificSource Health Plans of Idaho with and into PacificSource Health Plans is exempt from the provisions of ORS 732.521(1).

Issued this 30<sup>th</sup> day of December 2009.



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CORY STREISINGER, Director  
Department of Consumer and Business Services