

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

In the Matter of **Central Oregon Independent Health Services, Inc. dba Clear Choice Health Plans**) **STIPULATION** and
) **FINAL ORDER**
) Case No. INS 06-06-001

STIPULATION

The Director of the Oregon Department of Consumer and Business Services (director) commenced this administrative proceeding, pursuant to Oregon Revised Statutes (ORS) 731.256, to take enforcement action against Central Oregon Independent Health Services, Inc. dba Clear Choice Health Plans (Clear Choice).

Clear Choice desires to conclude this proceeding without a hearing by entering into this stipulation pursuant to ORS 183.415(5).

Clear Choice waives all rights relative to an administrative hearing and judicial review thereof.

Clear Choice stipulates to the following facts, conclusions, action, and to the issuance of a final order incorporating this stipulation.

Facts and Conclusions

Licensing Information

Clear Choice has been licensed in Oregon as a domestic health care service contractor since 4/24/98.. Clear Choice's last recorded principal business address is located in Bend, Oregon.

Filed Form D Late

Clear Choice is subject to enforcement action pursuant to ORS 732.574(2) because of the following circumstances. ORS 732.551(1) requires a person who is licensed in Oregon as an insurer, except certain foreign insurers; and is a member of an insurance holding company system, as defined in ORS 732.548(3), to register with the director in accordance with ORS 731.551 *et seq.* ORS 732.574(2) prohibits an insurer, who is licensed in Oregon as an domestic insurer and is required to register as a member of an insurance holding company system, and another

member of the same insurance holding company system, from entering into certain transactions unless the director receives from the insurer at least 30 days, or a shorter period allowed by the director, before the transaction a written notice of the insurer's intention to enter into the transaction, and the director does not disapprove the proposed transaction within such period. ORS 732.574(2)(a)(A) requires the insurer to give such notice when, *inter alia*, (1) the insurer purchases investments like shares of stock in the insurer, and (2) in the case the insurer is not authorized to transact life insurance, the purchase price equals or exceeds the lesser of either (a) three percent of the insurer's allowed assets or (b) 25 percent of the insurer's combined capital and surplus, each as of the end of the previous calendar year. OAR 836-027-0160 requires the insurer to include in the notice the information specified in a particular form, called Form D. ORS 750.055(1)(b) makes, *inter alia*, ORS 732.548 to ORS 732.582 applicable to health care service contractors like Clear Choice. At all relevant times, Clear Choice was licensed in Oregon as a domestic health care service contractor, was a member of a insurance company holding system, and was required to and did register as a member of its insurance company holding system. Clear Choice and CONet, Inc. were members of the same insurance company holding system. Clear Choice and CONet entered into an agreement in which Clear Choice would purchase from CONet 349,125 of the outstanding 698,250 shares of stock in Clear Choice valued at \$9,007,425.00. The agreement was effective on 8/26/05. As of 12/31/04, Clear Choice's allowed assets were \$65,941,275.00, and combined capital and surplus was \$28,699,701.00. Three percent of Clear Choice's allowed assets as of 12/31/04 was \$1,978,238.25; and 25 percent of their combined capital and surplus as of same date was \$7,174,925.25. The lesser of these two amounts was \$1,978,238.25. The purchase price of the stock of \$9,007,425.00 exceeded \$1,978,238.25. Thus, Clear Choice was required to notify the director of the proposed transaction by 7/27/05. Sometime between 10/20/05 and 11/3/05, the Insurance Division discovered that the transaction had occurred. On 11/3/05, the Insurance Division called Clear Choice, informed them that they should have but had not notified the Insurance Division of the transaction, and requested

Clear Choice to provide the required information as soon as possible. On 11/16/05 the Insurance Division received from Clear Choice the required information.

Action

Pursuant to ORS 731.988, Clear Choice is assessed a civil penalty of \$5,000. The payment shall be made in the form of a check payable to the "Department of Consumer and Business Services" for the full amount due. The payment shall be delivered to the Insurance Division at the Labor and Industries Building, 350 Winter Street NE, Room 440 (4th Floor), Salem, Oregon; or mailed to the Insurance Division at PO Box 14480, Salem, OR 97309-0405. The payment shall be *received* by the Insurance Division by the date of the final order.

Dated June 6, 2006

/s/ Gunnar Hansen

[Signature of Representative]

Gunnar Hansen

[Printed Name of Representative]

Chief Operating Officer / Chief Financial Officer

[Printed Title of Representative]

Central Oregon Independent Health Services, Inc.
dba Clear Choice Health Plans

FINAL ORDER

The director incorporates herein the above stipulation, adopts it as the director's final decision in this proceeding, and orders that the action stated therein be taken.

Dated June 27, 2006

/s/ Cory Streisinger

Cory Streisinger

Director

Department of Consumer and Business Services

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