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Department of Insurance
State of Idaho

Attorneys for Department of Insurance

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:)
)
PRIMARY HEALTH NETWORK, INC.,)
Idaho Certificate Of Authority: LC2792)
NAIC Company Code: 60007)
)
)
_____)

Docket No. 18-2391-07

STIPULATION AND ORDER

STIPULATION

COMES NOW the Department of Insurance, State of Idaho (Department), by and through its counsel, Michael K. Naethe, Deputy Attorney General and PRIMARY HEALTH NETWORK, INC. (PRIMARY HEALTH), and hereby stipulate and agree as follows:

1. PRIMARY HEALTH is an authorized health insurer, holding certificate of authority number LC2792 since August 22, 1995 and, therefore,

- PRIMARY HEALTH falls within the jurisdiction of the Director of the Idaho Department of Insurance (Director) and Title 41 of the Idaho Code;
2. PRIMARY HEALTH is a subsidiary of Primary Health, Inc. (PHI) as defined by Idaho Code § 41-3801(6);
 3. Pursuant to Idaho Code § 41-219(1), the Department, on behalf of the Director, conducted an examination of PRIMARY HEALTH covering the period January 1, 2002 through December 31, 2005;
 4. The Examination Report found that PRIMARY HEALTH did not properly report all premiums for the purposes of calculating the Idaho premium tax;
 5. On or about June 25, 2007, Elwood I. Kleaver, Chief Executive Officer of PRIMARY HEALTH, signed a waiver relinquishing PRIMARY HEALTH's right to seek administrative review of the contents of the Report of Examination;
 6. On or about June 28, 2007, the Director adopted by order the Report of Examination for PRIMARY HEALTH;
 7. PRIMARY HEALTH shall restate its 2006 Statement of Premium Taxes and Fees, filed with the Director pursuant to Idaho Code § 41-402, to include premium paid by PHI to PRIMARY HEALTH for insurance coverage for employees of PHI;
 8. PRIMARY HEALTH shall include the amount of premium paid by PHI to PRIMARY HEALTH in all future Statements of Premium Taxes and Fees, and Schedule T and the State Page of the NAIC Annual Statement Blank,

filed with the Director pursuant to Idaho Code § 41-402 and include that amount in the calculation of its premium tax obligation;

9. PRIMARY HEALTH shall restate its 2006 Annual Statement of Premium Taxes and Fees, filed with the Director pursuant to Idaho Code § 41-402, to include premium collected by PRIMARY HEALTH and routed to Davis Vision, Inc.(Davis Vision);
10. PRIMARY HEALTH shall restate its 2006 Statement of Premium Taxes and Fees, filed with the Director pursuant to Idaho Code § 41-402, to include premium collected by PRIMARY HEALTH and routed to Business Psychology Associates, Inc. (BPA);
11. PRIMARY HEALTH shall restate its 2006 Assessment Base Filing, filed with the Director pursuant to Idaho Code § 41-4711(12), to include premium collected by PRIMARY HEALTH, but not yet reported to the Director, as detailed above;
12. Pursuant to findings in the Department's December 31, 2005 examination report regarding "pass-through" of premium revenue collected on behalf of other insurers licensed and in good standing in the State of Idaho, specifically Willamette Dental of Idaho, Inc. (Willamette Dental) and Jefferson Pilot Financial Insurance Company (Jefferson Pilot), PRIMARY HEALTH shall report gross premium revenue according to the NAIC Annual Statement Instructions and Idaho Code. This adjustment shall be made effective on or before the filing of the Company's September 30,

2007 quarterly financial statements with the Department, due November 15, 2007;

13. PRIMARY HEALTH shall include the amount of premium, collected by PRIMARY HEALTH and routed to Davis Vision, BPA, or any other person for whom premiums are collected, in all future Statements of Premium Taxes and Fees, Schedule T and the State Page of the NAIC Annual Statement Blank, filed with the Director pursuant to Idaho Code § 41-402;
14. PRIMARY HEALTH shall utilize the gross premium reported in Schedule T as the basis for reporting premium tax to the Department. Premium collected on behalf of another person, such as Davis Vision or BPA, for whom no gross premium reporting or tax requirement exists pursuant to Idaho Code § 41-402, shall be reported as gross premium in the premium tax filing and included in the calculation of PRIMARY HEALTH's premium tax obligation. Premium collected on behalf of another insurer, such as Willamette Dental or Jefferson Pilot that are subject to gross premium tax reporting and tax requirement found in Idaho Code § 41-402, shall be reported according to the NAIC Annual Statement Instructions and Idaho Code;
15. PRIMARY HEALTH shall pay to the Department additional premium tax for 2006, as calculated above, within thirty (30) days of the entry of the attached Order;

16. The Department shall forego administrative action to impose penalties for any errors in PRIMARY HEALTH's 2006 gross premium statement or deficiencies in PRIMARY HEALTH's 2006 premium tax obligation as stated herein; and
17. The parties agree that the terms of this Stipulation are appropriate and proper under the circumstances referenced herein, and that they have entered into this Stipulation knowingly, voluntarily, and with full knowledge of any rights they may be waiving thereby. Additionally, the parties hereby waive the right to seek reconsideration and judicial review of the attached order.

DEPARTMENT OF INSURANCE
STATE OF IDAHO

Georgia Siehl Dated this 3rd day of ~~September~~ October
2007.
By: GEORGIA SIEHL
Bureau Chief and Chief Examiner

OFFICE OF THE ATTORNEY GENERAL, Attorneys for
DEPARTMENT OF INSURANCE
STATE OF IDAHO

Michael K. Naethe Dated this 3rd day of ~~September~~ October
2007.
By: MICHAEL K. NAETHE
Deputy Attorney General

PRIMARY HEALTH NETWORK, INC.


Dated this 24th day of September
2007.

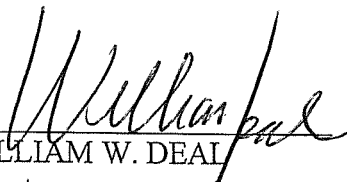
By: ELWOOD R. KLENER JR

Title: CHIEF EXECUTIVE OFFICER

ORDER

IT APPEARING FROM THE FOREGOING THAT GOOD CAUSE EXISTS, IT IS HEREBY ORDERED that the foregoing Stipulation of the parties is adopted and accepted in full and made a part of this Order, effective as of the date executed by the Director.

DATED this 3RD day of ~~September~~ ^{OCTOBER} 2007.


WILLIAM W. DEAL
Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have on this 4th day of ^{October} ~~September~~ 2007, caused a true and correct copy of the foregoing document to be served upon the following by the designated means:

Elwood Kleaver
Chief Executive Officer
Primary Health Network, Inc.
800 Park Blvd., Suite 760
Boise, ID 83712
ekleaver@primaryhealth.com

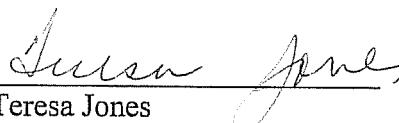
- first class mail
- certified mail
- hand delivery
- via facsimile
- via email

Dennis V. Bruns
Chief Financial Officer
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dbruns@primaryhealth.com

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- certified mail
- hand delivery
- via facsimile
- via email



Teresa Jones
Assistant to the Director