


LAWRENCE G. WASDEN  
Attorney General

RICHARD B. BURLEIGH  
Deputy Attorney General  
Idaho Department of Insurance  
700 W. State Street  
P.O. Box 83720  
Boise, Idaho 83720-0043  
Telephone No. (208) 334-4219  
Facsimile No. (208) 334-4298  
ISB No. 4032

  
**FILED**  
**SEP 12 2014**  
Department of Insurance  
State of Idaho

*Attorneys for the Department of Insurance*

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE**

**STATE OF IDAHO**

In the Matter of the PROPOSED MERGER of:

VISION SERVICE PLAN OF IDAHO, INC.,  
an Idaho Professional Service Corporation  
holding Idaho Certificate of Authority No.  
1902,

with and into

MID-ATLANTIC VISION SERVICE PLAN,  
INC., a Virginia non-stock, membership  
corporation and Idaho Managed Care  
Organization, holding Idaho Certificate of  
Authority No. 4274.

Docket No. 18-2967-14

**FINAL ORDER ON APPLICATION  
FOR PROPOSED MERGER**

The Director of the Idaho Department of Insurance (“Director”), having reviewed the record herein, hereby issues the following Findings of Fact, Conclusions of Law and Final Order:

FINDINGS OF FACT

1. VISION SERVICE PLAN OF IDAHO INC. (“VSP-ID”) is an Idaho not-for-profit corporation. VSP-ID was originally licensed in Idaho on April 1, 1968, and holds Idaho

Certificate of Authority No. 1902, authorizing it to operate in Idaho as a Hospital/Professional Service company under chapter 34, title 41, Idaho Code. VSP-ID is a subsidiary of Vision Service Plan (California), which is based in Rancho Cordova, California.

2. MID-ATLANTIC VISION SERVICE PLAN, INC. (“VSP-VA”) is a Virginia not-for-profit corporation. VSP-VA was originally licensed in Idaho on June 26, 2014, and holds Idaho Certificate of Authority No. 4274, authorizing it to operate in Idaho as a Managed Care Organization under chapter 39, title 41, Idaho Code. VSP-VA is a subsidiary of Vision Service Plan (California), which is based in Rancho Cordova, California.

3. On July 1, 2014, VSP-VA filed a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer with the Idaho Department of Insurance (“Department”), requesting approval of its proposed merger with VSP-ID as required by Idaho Code § 41-3804. Subsequently, via various emails, the Department advised VSP-VA that additional information or action was required before the Form A Statement would be deemed complete. On July 21, 2014, and on August 6, 2014, VSP-VA provided the necessary supplemental documents and information required to be included in the Form A Statement. The Department then deemed the Form A Statement complete and ready for review.

4. The nature of VSP-ID’s business in Idaho is the selling and administering of vision care plans under the authority of chapter 34, title 41, Idaho Code. VSP-ID and VSP-VA propose to merge the companies, with VSP-VA being the surviving entity. As the surviving entity, VSP-VA would operate as a Disability-Managed Care Only carrier and would be able to satisfy the requirements for licensure in Idaho. VSP-VA would continue, with no other planned changes, the insurance business of selling and administering vision care plans that VSP-ID has been doing in Idaho.

5. The proposed merger is detailed in the Agreement and Plan of Merger dated August 6, 2014. Upon the effective date of the proposed merger, VSP-ID would cease to do business, and all of the assets and liabilities of VSP-ID would be assumed by and transferred to VSP-VA.

6. The biographical affidavits of the executive officers of the surviving entity have been reviewed and no issues were discovered. This review included examining each individual officer's present principal business activity, material occupations during the last five years, and criminal history.

7. VSP-ID and VSP-VA are both affiliates Vision Service Plan (California), which is the sole administrative member of both companies. Neither VSP-ID nor VSP-VA has any members or stock and cannot declare dividends. The proposed merger would involve no financial consideration. The proposed merger is one part of the plans of the holding company system to simplify its structure and manage fewer entities. Vision Service Plan (California) would remain the sole administrative member of the surviving company, VSP-VA.

8. There are no plans for material change in the business or corporate structure or management of VSP-VA subsequent to the merger that would be unfair or unreasonable to VSP-ID's subscribers or be otherwise not in the public interest.

9. Both the financial statements of VSP-VA and the pro-forma statements for VSP-VA after the proposed merger demonstrate a strong financial condition. All audited financial statements show a clean auditor's opinion.

10. The capital requirements set forth in Idaho Code § 41-313(1) will be met by the surviving entity, and the surviving entity's projected 2014 year end surplus is \$128 million.

11. The proposed merger should not lessen or otherwise affect competition in Idaho, nor will it be hazardous or prejudicial to the insurance buying public.

12. No director, officer, agent or employee of any insurer party to such merger or consolidation, nor any other person, shall receive any fee, commission or other valuable consideration whatsoever for in any manner aiding, promoting, or assisting therein except as set forth in the plan and agreement approved by the Director.

13. Based on its analysis of the proposed merger in light of the statutory standards set forth in Idaho Code §§ 41-2857 and 41-3806, the Department has recommended approval of the proposed acquisition.

#### CONCLUSIONS OF LAW

1. The Director finds, based on the investigation of the Department and the material presented by VSP-VA as reflected in the Findings of Fact, that:

a. The proposed merger is not inequitable to the policyholders of VSP-ID.

b. The proposed merger would not substantially reduce the security of and service to be rendered to policyholders of VSP-ID in this state and elsewhere.

c. The proposed merger is not subject to any other material and reasonable objections.

2. The Director also finds, based on the investigation of the Department and the material presented by VSP-VA as reflected in the Findings of Fact, that:

a. After the change of control, VSP-VA, as the surviving entity, would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed and would continue to provide the same vision coverage to its insureds.

b. The effect of the purchase, exchange, merger or other acquisition of control would not substantially lessen competition in the business of insurance in this state or tend to create a monopoly.

c. The financial condition of VSP-VA would not jeopardize the financial stability of the surviving company following the merger or prejudice the interest of its policyholders.

d. As neither VSP-VA nor VSP-ID has stockholders and both are managed by the same parent entity, no stockholder's interest is jeopardized.

e. The plans of VSP-VA to merge with VSP-ID do not include any material change in its business or corporate structure or management and are not unfair and unreasonable to policyholders of VSP-ID or contrary to the public interest.

f. The competence, experience, and integrity of the persons who would control the operation of VSP-VA are not contrary to the interest of policyholders or of the public.

g. The acquisition is not likely to be hazardous or prejudicial to the insurance-buying public.

h. The proposed merger satisfies the requirements of Idaho Code §§ 41-2857 and 41-3806 and is fair, equitable, consistent with law, and no reasonable objection to the merger exists.

4. Idaho Code § 41-3434(13) provides that "to the extent applicable," Idaho Code § 41-2857 applies to mergers of hospital and professional service corporations. Although Idaho Code § 41-2857(14) provides that a hearing be held prior to the effectuation of a merger, the Director finds that such hearing requirement is not applicable in this case as all interested parties

are participants and have requested approval of the proposed merger. The Director further acknowledges that Idaho Code § 41-3806 requires that a hearing be held prior to disapproval of a plan of merger. However, because (i) the merger is fair, equitable, consistent with law, and no reasonable objection to the merger exists; (ii) there are no members or stockholders of either VSP-ID or VSP-VA; (iii) both VSP-ID and VSP-VA are owned and managed by the same parent company, Vision Service Plan (California); and (iv) the proposed merger represents a reorganization of the companies to reduce administrative costs and burdens with no intended change in the coverage provided to Idaho consumers, the Director finds that holding a hearing is counterproductive, inefficient, and unnecessary. The Director, with the consent of the Department, VSP-VA, VSP-ID, and Vision Service Plan (California), and pursuant to the authority under Idaho Code §§ 41-210(2) and 41-3434(13), hereby waives the obligation to hold a hearing. Notwithstanding the preceding, if the Director receives a timely request for reconsideration based on any material and reasonable objection to the merger, the Director shall reopen the record.


ORDER

IT IS HEREBY ORDERED that the request of VSP-VA for approval of the proposed merger with VSP-ID, under the terms of the Agreement and Plan of Merger dated August 6, 2014, and other documents pertinent thereto which are filed herein, whereby VSP-VA shall be the surviving entity and VSP-ID shall be dissolved, is APPROVED, provided that VSP-VA shall file a finalized plan of merger with the Department, which shall include the Articles of Merger and the board resolutions and board approvals of the plan of merger and merger agreement that are necessary to effectuate the merger.

IT IS SO ORDERED.

DATED this 12<sup>th</sup> day of September, 2014.

STATE OF IDAHO  
DEPARTMENT OF INSURANCE

  
\_\_\_\_\_  
WILLIAM W. DEAL  
Director

### NOTIFICATION OF RIGHTS

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.



**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that, on this 12th day of September, 2014, I caused a true and correct copy of the foregoing FINAL ORDER ON APPLICATION FOR PROPOSED MERGER to be served upon the following by the designated means:

Stuart Thompson  
Deputy General Counsel  
Vision Service Plan  
3333 Quality Drive  
Rancho Cordova, CA 95670-7985

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

Richard B. Burleigh  
Deputy Attorney General  
Idaho Department of Insurance  
700 W. State St., 3<sup>rd</sup> Floor  
Boise, ID 83720-0043

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



\_\_\_\_\_  
Teresa Jones  
Assistant to the Director