

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of)
PREFERRED HEALTH)
SYSTEMS INSURANCE)
COMPANY)

Docket No. 3950-EX

ORDER OF EXEMPTION

Pursuant to the authority granted by K.S.A. 40-3305, the Commissioner of Insurance (“Commissioner”) hereby exempts Preferred Health Systems Insurance Company (“PHS”) from the requirements of K.S.A. 40-3305(e) for the purpose of a dividend transaction to shareholders. This Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period if no hearing is requested, pursuant to K.S.A. 77-542.

Findings of Fact

1. PHS, located at 8535 E. 21st Street North, Wichita, Kansas 67206, is authorized to transact and has been continuously engaged in the transaction of the business of insurance in the State of Kansas since May 1, 1996.
2. On December 16, 2008, PHS notified the Commissioner of a dividend transaction to holders of common stock approved by the PHS Board of Directors payable on or before December 31, 2008.
3. Pursuant to K.S.A. 40-3305(e) any such dividend shall not be paid for at least ten business days from the Commissioner’s receipt of the notice of the dividend declaration.

Applicable Law

4. K.S.A. 40-3305 provides, in pertinent part:
 - (e) Any such dividends or distribution shall not be paid for at least 10 business days from the Commissioner’s receipt of the notice of its distribution.

- (j) The provisions of this section shall not apply to any information or transaction if and to the extent the commissioner of insurance by order shall exempt the same from the provisions of this section.

Conclusions of Law

5. Pursuant to the Findings of Fact in Paragraphs #1 through #3 and the Applicable Law above, the Commissioner finds:
6. PHS is hereby exempted from the requirements of K.S.A. 40-3305(e) for the purpose of completing the dividend transaction as approved by the PHS Board of Directors on December 16, 2008.
7. The above exemption pursuant to K.S.A. 40-3305(j) shall apply only to the dividend transaction as approved by the PHS Board of Directors on December 16, 2008 and shall not be construed as an exemption for future dividend transactions.

IT IS SO ORDERED THIS 22nd DAY OF DECEMBER, 2008, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

BY:

/s/ John Campbell
John W. Campbell
General Counsel

NOTICE OF RIGHTS

Preferred Health Systems Insurance Company (“PHS”) is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas administrative Procedure act. If PHS desires a hearing, the company must file a written request for a hearing with:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

This request must be filed within fifteen (15) days from the date of service of this Order. If PHS requests a hearing, the Kansas Insurance Department will notify the company of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of the same.

If a hearing is not requested in the time and manner stated above, this Summary Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event PHS files a petition for judicial review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

Certificate of Service

The undersigned hereby certifies that above and foregoing Order of Exemption was served via the United States Postal Service, first-class postage prepaid, on this _22nd_ day of __December__, 2008, addressed to the following:

Mr. Marlon R Dauner
President and CEO
Preferred Health Systems Insurance Company
8535 E 21st Street North
Wichita, KS 67206

_s/ Zachary J.C. Anshutz____
Zachary J.C. Anshutz
Assistant General Counsel