

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

In the Matter of the Merger of)
PREFERRED PLUS OF KANSAS, INC.) Docket No. - 4264
with and into)
COVENTRY HEALTH CARE OF KANSAS, INC.)

ORDER OF MERGER

NOW on this 23 day of December, 2010, the above matter comes before the Commissioner of Insurance of the State of Kansas (“Commissioner”).

Preferred Plus of Kansas, Inc. (“PPK”), a Kansas health maintenance organization has applied to merge with and into Coventry Health Care of Kansas, Inc. (“CHCK”) a Kansas health maintenance organization (“Merger Application”), pursuant to K.S.A. 40-309.

PPK and CHCK are represented by their Senior Vice President and Deputy General Counsel, Jonathan D. Weinberg of Coventry Health Care, Inc. The Kansas Insurance Department is represented by John W. Campbell, General Counsel and John R. Dowell, Staff Attorney. Also appearing for the Kansas Insurance Department are Kenneth Abitz, Director of the Financial Surveillance Division, and Mark Owens, Principal Financial Analyst.

All parties are relying on documentary and contractual representations filed with the Kansas Insurance Department.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. 40-309, 40-3301 and 40-3304(d)(1) and in accordance with the Kansas Administrative Procedures Act, K.S.A. 77-501, *et seq.*, the Commissioner hereby asserts the following findings of fact, conclusions of law, and orders, as follows:

FINDINGS OF PUBLIC INTEREST AND POLICY

The purpose of filing the Merger Application was to obtain the approval of the Kansas Insurance Department for the proposed merger of PPK with and into CHCK. The terms and conditions of the proposed merger are fully set forth in the Agreement of Merger (“Agreement”).

Significant documents in the Merger Application have been reviewed by representatives of the Financial Surveillance Division and the Legal Division of the Kansas Insurance Department, and the Commissioner of Insurance has had the benefit of their technical expertise and advice.

Contained in the Merger Application were various exhibits, including, but not limited to a draft Agreement of Merger of PPK with and into CHCK, certificate of authority of PPK, minutes of special meetings of the board of directors and shareholders of PPK and CHCK approving the proposed merger (dated December 10, 2010), actuarial opinions, and financial statements.

The staff of the Kansas Insurance Department has inspected and reviewed the contents of the Agreement and related documents, to the extent necessary, and found that the filing of the Agreement and related documents are in accordance with K.S.A. 40-309 and that the Agreement and related documents have provided all of the information required under Kansas law to enable the Commissioner to render a decision on the proposed Agreement.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. PPK is a health maintenance organization structured and operating pursuant to the provisions of Article 32 of the Kansas Insurance Code, with its statutory office located in Wichita, Kansas. PPK has been authorized to transact business in Kansas since November 22, 1991.

2. CHCK is a health maintenance organization formed under the provisions of Article 32 of the Kansas Insurance Code, with its statutory office located in Wichita, Kansas. CHCK has been authorized to transact business in Kansas since August 31, 1991.
3. The Agreement and related documents establish that CHCK is exempt from filing a Form A, as required under K.S.A. 40-3304, because the merger of PPK with and into CHCK does not have the purpose or effect of changing or influencing control of CHCK inasmuch as both PPK and CHCK are wholly owned by Coventry Health Care, Inc., which will continue to own 100% of the issued and outstanding stock of CHCK, the surviving company.
4. Pursuant to K.S.A. 40-309, an insurance company of this state may merge with any other company of any other state engaged in like business and having similar corporate powers. PPK and CHCK are engaged in like business and have similar corporate powers.
5. Pursuant to K.S.A. 40-309, on December 10, 2010, a resolution was adopted by the Board of Directors of CHCK to effect the merger of PPK and CHCK. On December 10, 2010, the shareholder of PPK approved a resolution of the proposed merger.
6. PPK and CHCK filed an executed copy of the Agreement of Merger with the Kansas Insurance Department on December 14, 2010.
7. The Agreement is in compliance with the provisions of K.S.A. 40-309.
8. Contained in the Merger Application were all the necessary materials submitted to the Kansas Insurance Department in connection with the proposed merger.
9. The merger has been approved by the unanimous consent of the shareholder of PPK.
10. On the effective date of the merger, CHCK will assume and be responsible for all debts, obligations, claims and liabilities for which PPK is legally responsible and all assets of PPK will be transferred to CHCK.

11. The Agreement and related documents establish that on the effective date of the merger, CHCK will assume all policies and insurance business of PPK and will assume all rights, responsibilities, and obligations of PPK for such policies and insurance business.
12. No evidence has been introduced to establish that the proposed merger of PPK with and into CHCK would be injurious to or prejudice the interests of the policyholders and creditors.
13. No evidence has been introduced to establish that the proposed merger of PPK with and into CHCK will be hazardous or prejudicial to the insurance-buying public.

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

1. The merger between PPK with and into CHCK is hereby approved pursuant to K.S.A. 40-309 provided that (a) within sixty days of the date of this Order, the merger is effected and all appropriate closing documents are executed and filed with the Kansas Insurance Department; and (b) Coventry Health and Life Insurance Company and Coventry Health Care of Kansas, Inc., surviving entities of the merger with Preferred Health Systems Insurance Company and Preferred Plus of Kansas, Inc., will maintain an office in Wichita, Sedgwick, County, Kansas to provide services for Preferred Health Insurance Coverage. Said office will be staffed with not less than 185 full time equivalents for a period of not less than twelve (12) months from the date of this Order and will provide services for the following functional areas:

- Senior Management
- Marketing and Sales
- Network Management and Development
- Medical Management Services
- Finance
- Underwriting and Actuarial Services and Support
- Legal and Regulatory Compliance
- Human Resources
- Information Technology Support
- Customer Service Operations

In the event the membership associated with the Preferred Health Insurance Coverage falls below 100,000 members, the number of full time equivalents required shall be reduced to 145, provided all functional areas listed above shall remain unchanged.

2. CHCK shall be exempt from the application of the formal filing and approval requirements of K.S.A. 40-3304 as it may be deemed to apply to the merger of PPK with and into CHCK.
3. In conjunction with this Order, the Kansas Certificate of Authority of PPK shall be cancelled by the Commissioner of Insurance of Kansas.
4. The Commissioner of Insurance retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such Orders as may be deemed necessary and appropriate.

NOTICE OF RIGHTS

PPK is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If PPK 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 PPK 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, the 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 that PPK 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

IT IS SO ORDERED THIS 23rd DAY OF DECEMBER, 2010 IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

BY:

/s/ John W. Campbell
John W. Campbell
General Counsel

CERTIFICATE OF SERVICE

The undersigned hereby certifies that above and foregoing Order of Merger was served via the United States Postal Service, first-class postage prepaid, on this 23rd day of December, 2010, addressed to the following:

Mr. Jonathan D. Weinberg
Senior Vice President, Deputy General Counsel
Coventry Health Care, Inc.
6705 Rockledge Drive, Suite 900
Bethesda, MD 20817-1850

/s/ John R. Dowell _____
John R. Dowell
Staff Attorney