

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

|  |   |                     |
|--|---|---------------------|
| In the Matter of the Proposed Exemption of | ) |                     |
| Acquisition of Control of.                 | ) |                     |
| The Pyramid Life Insurance Company         | ) |                     |
| NAIC #68284                                | ) |                     |
|  | ) | Docket No. 4294-ACQ |
| By   | ) |                     |
|  | ) |                     |
| Universal American Spin Corp. and          | ) |                     |
| Universal American Holdings, LLC           | ) |                     |

**ORDER**

Now on this 22nd day of April, 2011 the above matter comes before the Commissioner of Insurance for disposition of the request submitted by Universal American Spin Corp., a Delaware corporation, and Universal American Holdings, LLC, a Delaware limited liability company (“UAH”) and together with Universal American Spin Corp., (the “Applicants”). The request was dated February 11, 2011, was supplemented letters dated March 16, 2011, and April 5, 2011 for an Order, pursuant to K.S.A. 40-3304(e)(1), exempting Applicants from the filing and approval requirements of K.S.A. 40-3304(a), as said statute may be construed to apply to the restructuring of the insurance holding company system of which The Pyramid Life Insurance Company is a member. Such restructuring is to be accomplished through a change in the ownership of The Pyramid Life Insurance Company, an insurance subsidiary of UAC Holding, Inc., a Delaware corporation.

This Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) days period if no request for hearing is made, pursuant to K.S.A. 77-542.

## **FINDINGS OF FACT**

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-103 and K.S.A. 40-3301, *et seq.*

2. Applicants have requested an exemption from the acquisition and approval requirements of the Kansas Insurance Holding Companies Act, specifically those requirements stated in K.S.A. 40-3304(a).

3. UAC Holding, Inc. is a Delaware corporation and is the direct holding company for The Pyramid Life Insurance Company, a Kansas domestic insurer.

4. Currently, 100% of the common stock of The Pyramid Life Insurance Company is owned by UAC Holding, Inc.; and 100% of the common stock of UAC Holding, Inc. is owned by Universal American Corp., a New York corporation, which is the ultimate controlling person for The Pyramid Life Insurance Company.

5. Capital Z Financial Services Fund II, L.P., Capital Z Financial Services Private Equity Fund II, L.P., and Capital Z Partners III, L.P., three funds affiliated with the private equity firm Capital Z Partners (the “Capital Z Funds”), collectively own approximately 27% of the outstanding common stock of Universal American Corp., representing controlling shareholders of Universal American Corp.

6. On December 30, 2010, Universal American Corp. entered into a definitive agreement, pursuant to which CVS Caremark Corporation (“CVS”) agreed to acquire (the “Acquisition”) Universal American Corp.’s Medicare Prescription Drug Plan business (the “Medicare Part D Business”). In order to effectuate the Acquisition, (i) Universal American

Corp. will undertake a series of internal restructuring steps, and (ii) Universal American Corp. entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CVS.

7. Pursuant to the Merger Agreement, Universal American Corp. and three (3) of its direct or indirect wholly-owned subsidiaries which collectively own substantially all of the assets comprising the Medicare Part D Business, namely UAC Holding, Inc., MemberHealth, LLC and Pennsylvania Life Insurance Company, a Pennsylvania domestic stock insurance company, will, through the merger of CVS Merger Subsidiary with and into Universal American Corp., become direct or indirect wholly-owned subsidiaries of CVS. Subsequently, Universal American Corp. will change its name to CVS Caremark branded-name Subsidiary.

8. Pursuant to the Merger Transaction, CVS will acquire Universal American Corp.’s Medicare Part D Business, which is transacted through MemberHealth, LLC and Pennsylvania Life Insurance Company. However, such subsidiaries do not include The Pyramid Life Insurance Company as it has not issued, and does not issue, Medicare Part D Business; and it will not be part of the Acquisition or a part of the Merger Transaction.

9. Pursuant to the terms of the Merger Agreement, the shareholders of Universal American Corp. will receive cash from CVS and shares of Universal American Spin Corp., which, after giving effect to the reorganization transaction described below, will own all business of Universal American Corp. other than the Medicare Part D Business.

10. Universal American Spin Corp. is a newly formed corporation and organized under the laws of Delaware.

11. Universal American Holdings, LLC is a newly formed holding company and a corporation organized under the laws of Delaware, which is wholly-owned by Universal American Spin Corp.

12. As part of an internal reorganization of the ownership of certain of Universal American Corp.'s subsidiaries, UAC Holding, Inc. desires to transfer ownership of all the outstanding capital stock of certain of the insurance company subsidiaries of UAC Holding, Inc., including The Pyramid Life Insurance Company (the "Contributed Subsidiaries"), to Universal American Holding, LLC. To effectuate the transaction, UAC Holding, Inc. will contribute all of the outstanding capital stock of the Contributed Subsidiaries to Universal American Holding, LLC, in exchange for originally issued capital stock of Universal American Spin Corp.

13. As a result of the internal reorganization, The Pyramid Life Insurance Company will become a wholly-owned subsidiary of Universal American Holding, LLC. Additionally, Universal American Holding, LLC will have the same directors, officers, and management team as UAC Holding, Inc.

14. Both before and immediately after the internal reorganization, Universal American Corp. is and will continue to be the ultimate controlling person of The Pyramid Life Insurance Company.

15. Following the completion of the internal reorganization and the Merger Transaction, Universal American Spin Corp. will become the ultimate controlling person of The Pyramid Life Insurance Company and the Capital Z Funds will collectively own approximately 27% of the outstanding common stock of Universal American Spin Corp and be its controlling shareholders. Universal American Spin Corp.'s Board of Directors will be substantially comprised of the same directors of Universal American Corp. and Universal American Spin Corp. will have the same officers and management team as Universal American Corp. Meanwhile, Universal American Spin Corp. will change its name to Universal American Corp.

## **CONCLUSIONS OF LAW**

16. K.S.A. 40-3304(a) provides, in part, as follows:

(a) No person other than the issuer shall... enter into any agreement to exchange securities or, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer if,... at the time... any such agreement is entered into,... such person has filed with the commissioner of insurance and has sent to such insurer, a statement containing the information required by this section and such... agreement... has been approved by the commissioner of insurance in the manner hereinafter prescribed.

17. K.S.A. 40-3304(e) provides

(e) The provisions of this section shall not apply to:  
Any offer, request, invitation, agreement or acquisition which the commissioner of insurance by order shall exempt therefrom as: (1) Not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer;...

18. Based upon the information enumerated in the Findings of Fact contained in paragraphs 1 through 15 above, and the representations made on behalf of the Applicants, the restructuring of the holding company system of The Pyramid Life Insurance Company whereby the stock ownership of The Pyramid Life Insurance Company will be contributed from UAC Holding, Inc. to UAH will not be made for the purpose of and will not have the effect of changing or influencing the control of The Pyramid Life Insurance Company.

## **POLICY REASONS FOR DECISION**

19. Pursuant to K.S.A. 40-103, the Commissioner of Insurance has supervision, control and regulation of those who transact the business of insurance.

20. The Commissioner of Insurance finds that permitting the contemplated actions outlined herein do not violate consumer safety nor the statutes of the State of Kansas.

**IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:**

1. Universal American Spin Corp. and Universal American Holdings, LLC shall be exempt from the application of the formal filing and approval requirements of K.S.A. 40-3304(a) as it may be deemed to apply to the change of the ownership of The Pyramid Life Insurance Company, which will result in Universal American Holdings, LLC owning 100% of the common stock of The Pyramid Life Insurance Company, provided the internal reorganization is effected within sixty (60) days of this Order.

2. Universal American Spin Corp. and Universal American Holdings, LLC shall comply with all of the provisions and requirements of K.S.A. 40-3301, *et seq.*, in the future.

3. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further Orders deemed appropriate or to take such further action as necessary to dispose of this matter.

**Notice of Rights**

Applicants are entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If Applicants desire a hearing, they must file a written request for a hearing with:

Zachary J.C. Anshutz, General Counsel  
Kansas Insurance Department  
420 S.W. 9th Street  
Topeka, KS 66612.

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

If a hearing is not requested in the time and manner stated above, this 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 Applicants file 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:

Zachary J.C. Anshutz, General Counsel  
Kansas Insurance Department  
420 S.W. 9th Street  
Topeka, KS 66612.

**IT IS SO ORDERED THIS 22nd DAY OF APRIL, 2011, IN THE CITY OF TOPEKA,  
COUNTY OF SHAWNEE, STATE OF KANSAS.**



/s/ Sandy Praeger

Sandy Praeger  
Commissioner of Insurance  
BY:

/s/ Zachary J.C. Anshutz

Zachary J.C. Anshutz  
General Counsel

**Certificate of Service**

The undersigned hereby certifies that a true and correct copy of the above order was transmitted by U.S. Mail, postage prepaid, on this \_22nd\_ day of April, 2011 to:

Brian T. Casey  
Locke Lord Bissell & Liddell LLP  
The Proscenium  
1170 Peachtree Street NE  
Suite 1900  
Atlanta, GA 30309

/s/ Zachary J.C. Anshutz  
Zachary J.C. Anshutz  
General Counsel