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FORM A

INSURANCE EVALUATION DIVISION

**STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR
MERGER
WITH A DOMESTIC INSURER**

Name of Domestic Insurer: Total Health Care, Inc. ("Domestic Insurer")

BY

Name of Acquiring Person: Priority Health ("Applicant")

Date: SEPTEMBER 3, 2019

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed:

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Grand Rapids, MI 49525
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Representing Priority Health (Applicant)

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Representing Total Health Care, Inc. (Domestic Insurer)

ITEM 1. INSURER AND METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

Total Health Care, Inc. (“THC”) is the domestic insurer to which this application relates. (Hereinafter “Domestic Insurer”). The Domestic Insurer’s address is 3011 W. Grand Blvd. Suite 1600, Detroit, Michigan 48202. The Domestic Insurer’s NAIC number is 95644.

The members of the Domestic Insurer are presently subscribers (“Initial Members”) and as a requirement of the Member Agreement (defined below), these Initial Members prior to the date of Closing shall amend the Articles of Incorporation of the Domestic Insurer to cause Total Health Care Foundation to become the Sole Member of the Domestic Insurer.

The Domestic Insurer and its wholly owned subsidiary, Total Health Care USA, Inc., the Applicant (Priority Health) and Total Health Care Foundation entered into a Member Agreement dated August 27, 2019 (“Member Agreement”) a copy of which is attached as Exhibit A pursuant to which the Applicant will become the Sole Member of the Domestic Insurer in lieu of the Total Health Care Foundation on the date of Closing and as part of that transaction, will pay certain monies identified as the Foundation Amount to the Foundation either directly or through an Escrow Agreement which is attached as part of the exhibits to the Member Agreement (“Transaction”).

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) State the name and address of the applicant seeking to acquire control over the insurer.

The Applicant is Priority Health. The Applicant’s address is 1231 East Beltline NE, Grand Rapids, MI 49525.

(b) If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Describe the business intended to be done by the applicant and the applicant’s subsidiaries.

Priority Health, the applicant, is a Michigan based health maintenance organization. The Applicant, along with its wholly owned subsidiaries, Priority Health Choice, Inc and Priority Health Insurance Company, offer a broad portfolio of health benefits options for employer groups and individuals, including Medicare and Medicaid plans. The applicant intends to continue to provide health coverage to employers and individuals throughout Michigan. The Applicant’s wholly owned subsidiary, PHMB Properties, LLC, is a holding company of the Applicant’s corporate headquarters and will remain the owner of this property. The Applicant also owns a subsidiary, Trinity Health Plans, a dormant entity and no business is intended to be performed by this entity.

(c) Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant, including the ultimate controlling person(s). Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership), primary business (e.g. holding company, insurance agency, manufacturer) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.

See Exhibit B attached.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUAL ASSOCIATED WITH THE APPLICANT

On the biographical affidavit, include a third party background check and state the following with respect to 1) the applicant if she or he is an individual 2) if the applicant is not an individual, all persons who are, or who have been selected to be, directors, executive officers (or others who perform or will perform functions appropriate to those positions), or owners of 10% or more of the voting securities of the applicant, and if the applicant is not an individual.

- (a) Name and business address;
- (b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;
- (c) Material occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status or such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.
- (d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.
- (e) Upon the request of the Director, individuals shall provide fingerprint cards pursuant to Section 249a for state, multi-state, and federal criminal history record checks.

See Exhibit C attached.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(A) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. Describe any transaction where funds were or are to be obtained for such purpose, including any pledge of the insurer's stock or pledge of the stock of any of its subsidiaries or controlling affiliates. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

In connection with the Member Agreement, Priority Health shall contribute to the Foundation \$25 Million (the "Foundation Amount"). \$5 Million shall be paid to the Foundation on the date of Closing and the balance shall be placed into escrow, 1/3 of which will be released to the Foundation at the end of each year following the Closing Date.

(B) Explain the criteria used in determining the nature and amount of such consideration.

The Applicant and the Domestic Insurer have each conducted an independent, third party valuation to determine the value of the Domestic Insurer and through negotiation this has caused the parties to agree to the Foundation Amount.

(C) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, the applicant must specifically request that the identity be kept confidential.

Not applicable.

ITEM 5. FUTURE PLANS OR INSURER

Describe any plans or proposals which the applicant may have for the insurer to declare a dividend, (whether or not extraordinary), to liquidate the insurer, to sell its assets, to merge it with any person or persons, or to make any other material change in its business operations or corporate structure or management.

The Applicant, pursuant to the Member Agreement, has agreed to the following:

- 1) cause THC to participate in the next Medicaid rebid for the regions that include Macomb, Oakland and Wayne Counties in Michigan.**
- 2) cause the Domestic Insurer to continue to have a physical presence in the City of Detroit and as a consequence Applicant will assume the existing lease of the company's offices in Detroit.**

- 3) **for a minimum of three (3) years following the Closing, the Applicant shall support and cause the Domestic Insurer to continue its key community programs.**
- 4) **for at least two (2) years following the Closing, the Applicant shall cause the Domestic Insurer to continue to offer Accountable Care Act products in Southeast Michigan.**
- 5) **the Applicant shall offer employment for at least one (1) year from the date of Closing or in lieu thereof, an agreed upon severance package to all of the employees presently providing services to the Domestic Insurer and its subsidiary.**

The Applicant has no plans to liquidate the Domestic Insurer, to sell its assets or to merge it with any person or persons or make any other material change in its business operations or corporate structure or management.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

There are no securities of Domestic Insurer being acquired. At or prior to Closing the Sole Member of Domestic Insurer is the Foundation and upon approval by DIFS, at Closing the Sole Member of the Domestic Insurer shall become Priority Health. The terms of the Transaction have been determined by an arms-length negotiation between the parties.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class or any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

Neither the Applicant nor any of its affiliates own any voting securities of the Domestic Insurer or any of its controlling persons.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description

shall identify the persons with whom the contracts, arrangements or understandings have been entered into.

Other than as is disclosed on this Form A, there are no contracts, arrangements, or understandings with respect to any voting security of the Domestic Insurer or any of its controlling persons in which the Applicant or its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefore. State whether any shares so purchased are hypothecated.

During the last twelve calendar months preceding the filing of this Form A, neither the Applicant, its affiliates, nor, to the knowledge of the Applicant, any of individuals listed in Item 3 has purchased any voting securities of the Domestic Insurer or any of its controlling persons.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

During the last twelve calendar months preceding the filing of this Form A, neither the Applicants, its affiliates, nor, to the knowledge of the Applicant, any person listed in Item 3, nor anyone based upon interviews or at the suggestion of the foregoing persons has made any recommendations to purchase any voting securities of the Domestic Insurer.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

There are no agreements, contracts, or understandings made with any broker-dealer as to solicitation of voting securities of the Domestic Insurer or any of its controlling persons for tender with regard to this Transaction.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(A) Financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached. Also provide a three-year narrative business plan which describes the types of business to be written by the insurer, and marketing plan. The financial projections shall include projected direct, assumed, ceded, and net written premiums by line, pro-forma statutory balance sheets and income statements. Also, describe proposed changes to the insurer's reinsurance program (if any), amount, timing, and type of capital contributions (if any), proposed changes to the insurer's executive officers and directors, and compliance plan with the "books and records in Michigan" requirement of Section 5256.

We have included as Exhibit D the following three-year financial statement projections and exhibits for Total Health Care, Inc. and Total Health Care USA, Inc.

- a. Assets, Liabilities, and Capital and Surplus**
- b. Statement of Revenue and Expenses – Part 1 (Income Statement)**
- c. Statement of Revenue and Expenses – Part 2 (Capital and Surplus Rollforward) and Risk Based Capital Projection**

No changes to the reinsurance program or capital contributions are anticipated in the short-term.

The new partnership with Total Health Care and Priority Health will provide improved care and access for current and future members. Both companies will maintain current operations, locations, leadership and staff, with Priority Health continuing its statewide presence and Total Health Care being headquartered in Detroit. Total Health Care will continue to provide health insurance coverage to the Commercial Group, Commercial Individual, and Medicaid population in Southeast Michigan and will market under the Total Health brand.

(B) The financial statements shall include the audited annual financial statements of the persons (both corporate and individual) identified in Item 2(c), including individuals who are applying to be the ultimate controlling persons, for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year as of a date not earlier than 90 days prior to the filing of the statement if the information is available. The statements may be prepared on either an individual basis, or, unless the Director otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business. The consolidated financial statements shall include the consolidating work sheets.

Any ultimate controlling person who is an individual may file personal financial statements that are reviewed rather than audited by an independent public accountant. The review shall be conducted in accordance with standards for review of personal financial statements published in the Personal Financial Statements Guide by the American Institute of Certified Public accountants. Personal financial statements shall be accompanied by the independent public

accountant's Standard Review Report stating that the accountant is not aware of any material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

Attached as Exhibit E are the five-year audit reports for:

- **Spectrum Health System (the parent company of Priority Health);**
- **Priority Health;**
- **Priority Health Choice (subsidiary of Priority Health); and**
- **Priority Health Insurance Company (subsidiary of Priority Health).**

(C) File as exhibits copies of all tender offers for, requests or invitations for tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory, managing general agent, controlling producer, or management contracts concerning the insurer, annual reports and proxy statements to the stockholders or the insurer and the applicant for the best two fiscal years, and any additional documents or papers required by Form A forms and instructions for Sections 4 and 6.

Not applicable.

ITEM 13. AGREEMENT REQUIREMENT FOR ENTERPRISE RISK MANAGEMENT


Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 1311 of the Ins. Code of 1956, as amended, Priority Health has caused this application to be duly signed on behalf in the City of GRAND RAPIDS and State of MICHIGAN on the 3 day of SEPTEMBER, 2019.

(SEAL)


Priority Health

BY
MARY ANNE JONES
(Name) (Title) SVP FINANCE

Attest:

K Thomas
(Signature of Officer) KIMBERLY THOMAS

SVP & GENERAL COUNSEL
(Title)

CERTIFICATION

The undersigned deposes and says that she or he has duly executed the attached application dated SEPTEMBER 3, 2019, for and on behalf of Priority Health (Name of Applicant); that she or he is the SVP FINANCE (Title of Officer) of such company and that she or he is authorized to execute and file such instrument. Deponent further says that she or he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his or her knowledge, information and belief.

(Signature) 

(Type or print name beneath) MARY ANNE JONES
SVP FINANCE