BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA

Statement Regarding the Acquisition of Control of or Merger with
Domestic Insurers:

Highmark Inc.; First Priority Life Insurance Company, Inc.;
Gateway Health Plan, Inc.; Highmark Casualty Insurance Company;
Highmark Senior Resources Inc.; HM Casualty Insurance Company;
HM Health Insurance Company, d/b/a Highmark Health Insurance Company;
HM Life Insurance Company; HMO of Northern Pennsylvania, Inc.,
d/b/a First Priority Health; Inter-County Health Plan, Inc.;
Inter-County Hospitalization Plan, Inc.; Keystone Health Plan West, Inc.;
United Concordia Companies, Inc.; United Concordia Dental Plans of Pennsylvania, Inc.;
United Concordia Life and Health Insurance Company

By UPE, a Pennsylvania nonprofit corporation

RESPONSE TO PID INFORMATION REQUEST 4.4.5 FROM THE
PENNSYLVANIA INSURANCE DEPARTMENT

REQUEST 4.4.5:

Discuss any termination provisions contemplated by the Transaction, including any payments, terms or financial arrangements that may result from a termination of the Affiliation Agreement or other termination of the Transaction.

RESPONSE:

The termination provisions of the Affiliation Agreement are substantially set forth in Article 10 of the Agreement. The implications of a potential unilateral termination of the Affiliation Agreement by Highmark pursuant to Section 10.1(d) on account of either a WPAHS Category I Material Default or WPAHS Category II Material Default, as described in Section 2.5(k) of the Affiliation Agreement, are discussed in the Response to Item 2.1.4.

Similarly, Section 10.1(e) of the Affiliation Agreement provides that WPAHS has the right to unilaterally terminate the Affiliation Agreement in the event of certain material breaches or material inaccuracies in representations and warranties by Highmark and the UPE Parties that remain uncured after the requisite notice period expires or the End Date (i.e. May 1, 2013), if sooner. More specifically, significant defaults by Highmark or a UPE Party (defined as Highmark Material Defaults) that give rise to WPAHS remedies are described in Section 2.5(j) of the Affiliation Agreement. Those significant defaults that can generally be characterized by willful, intentional and/or fraudulent conduct are described in Section 2.5(j) (i-v) as the

Highmark Material Defaults. In the event that a Highmark Material Default is not remedied within the requisite 30 day notice period, then (a) if the 30 day period expires before the first anniversary of the Affiliation Agreement, Highmark is obligated to immediately pay to WPAHS the amount of the Third Funding Commitment (i.e. $50 million) as a break-up fee, or (b) if the 30 day period expires on or after the first anniversary of the Affiliation Agreement, and WPAHS has previously received the Third Funding Commitment as a Loan, such Loan will be immediately deemed to be discharged.

In addition to the unilateral termination of the Affiliation Agreement by Highmark and WPAHS as referenced above, the Affiliation Agreement may also be terminated pursuant to Section 10.1 of the Affiliation Agreement (i) by the mutual written consent of Highmark and WPAHS, (ii) by either Highmark or WPAHS if the Transaction shall not have been consummated by May 1, 2013 (unless such date is extended by mutual agreement), or (iii) by either Highmark or WPAHS if a final, nonappealable Order shall have been entered permanently enjoining, restraining, or otherwise prohibiting the Transaction. In the event of the termination of the Affiliation Agreement pursuant to the provisions described in this paragraph, all obligations then owed by WPAHS to Highmark on account of Loan Agreements or promissory notes signed by WPAHS in connection with fifty percent (50%) of the Second Funding Commitment and the Third Funding Commitment (provided that Highmark shall have extended such Third Funding Commitment) shall remain outstanding as obligations owed by WPAHS to Highmark.

UPE
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