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 5.2.3 FROM THE <u>PENNSYLVANIA INSURANCE DEPARTMENT</u>

REQUEST 5.2.3:

Describe the authority or power that Highmark will have over UPE, UPE Provider Sub and/or the WPAHS Affiliates or to direct or cause the direction of the management or affairs of each such entity upon the execution of the Affiliation Agreement and the consummation of the Affiliation Agreement.

RESPONSE:

UPE and UPE Provider Sub were incorporated on October 20, 2011. The Board of UPE is now comprised of a group of community leaders who serve on a self-perpetuating basis, as well as UPE's Chief Executive Officer who serves in an ex-officio capacity. Subject to the Bylaws of UPE Provider Sub, the UPE Board of Directors has the power to elect and remove the directors of UPE Provider Sub. Both prior to and after the consummation of the Transaction, except for the identification of the initial Board of UPE as referenced above, Highmark will have no governance authority or power over either UPE or UPE Provider Sub, or possess the power to direct or cause the direction of the management or affairs of either such entity.

Similarly, both prior to and after the consummation of the Transaction, Highmark will have no governance authority or power over the WPAHS Affiliates, or the power to direct or cause the direction of the management or affairs of any WPAHS Affiliate, except as it relates to

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Highmark's participation on a joint committee as described in Section 2.5(a) and Exhibit G to the Affiliation Agreement. More specifically, said Section 2.5(a) provides for the formation of a joint committee comprised of an equal number of representatives of Highmark and WPAHS. The charter of the joint committee is set forth in Exhibit G to the Affiliation Agreement, and Section 2.5(a) of the Affiliation Agreement sets forth the purposes of the joint committee as follows:

"(i) to exercise that level of oversight with regard to the Initial Funding Commitment, the Second Funding Commitment and the Third Funding Commitment to help assure the preservation of the WPAHS Assets through the Closing of the Transaction and (ii) to resolve differences between the Parties in certain instances where either the Consent of Highmark and the UPE Parties is withheld as described in the Section 1.1 definition of 'Consent of Highmark and UPE Parties' or as described in Section 6.11(b)."

In addition to all of the above, the Affiliation Agreement also provides for a variety of operating covenants (Section 6.2) and negative covenants (Section 6.3) which are typical for this type of transaction. These covenants give UPE, UPE Provider Sub and Highmark rights to consent to certain actions of the WPAHS Parties to the extent set forth in Section 6.2 and Section 6.3. In this regard, the term "Consent of Highmark and the UPE Parties" as used in Section 6.2 and Section 6.3 (and throughout the Affiliation Agreement) is specifically set forth in Section 1.1 of the Affiliation Agreement.

UPE 120 Fifth Avenue Pittsburgh, PA 15222