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Corporate & Financial Regulation

MAY 30 2012

Pennsylvania
Insurance Department

Edward A. Bittner, Jr.

May 30, 2012

Stephen J. Johnson, CPA
Deputy Insurance Commissioner
Office of Corporate Financial Regulation
Pennsylvania Insurance Department
1335 Strawberry Square
Harrisburg, PA 17120

Re: May 3, 2012 letter regarding (1) Immediate and Supplemental Requests, (2) UPE's March 28, 2012, April 3, 2012 and April 16, 2012 Responses to Pennsylvania Insurance Department's January 9, 2012 Information Request, (3) letter from Edward A. Bittner, Jr., Esq., dated March 27, 2012

Dear Mr. Johnson:

We are writing in response to your May 3, 2012 letter requesting certain supplemental information with respect to the matters captioned above. UPE's Responses are as follows:

Request 4.3.9 - Cost and timeline of integrating the Highmark and WPAHS Entities

A supplemental confidential filing will be made by UPE with respect to Request 4.3.9.

Request 5.3.1.3 - Expected changes in WPAHS's Board of Directors, other governing bodies, if any or Senior Management Team once the Transaction is completed.

A supplemental confidential filing will be made by UPE with respect to Request 5.3.1.3.

Reserved Powers to UPE

A supplemental confidential filing will be made by UPE with respect to Requests 5.2.1 and 5.2.2.

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Request 4.2.13 - Insurance product lines

As discussed with the Department's outside counsel, UPE filed the confidential Report of Dr. Barry C. Harris, Chairman and Principal of Economists Incorporated on May 8, 2012 in response to Request 4.2.3 and other Requests as to which Responses were simultaneously filed referencing that Report. A supplemental confidential filing containing an additional exhibit to Dr. Harris' report was made on May 18, 2012. These filings address issues relating to a Section 1403 analysis and have been available to the Department for its review. As the Department is aware, certain supplemental questions have been asked of UPE with regard to various economic issues and supplemental materials will be provided to the Department as they become available.

Additional Highmark Expenditures

UPE will make a confidential filing with regard to this new Request promptly after the filing of this letter.

Accounting Treatment of Highmark and WPAHS Entities

- A. Under applicable accounting principles, will the auditors for UPE, UPE Provider Sub, Highmark, Highmark Entities, WPAHS and WPAHS Entities issue combined or combining statements or consolidating or consolidated statements for any or all of the above entities?
- B. If yes, for which entities will combined or combining statements or consolidated or consolidated statements be issued and for what time periods?

Response

Auditors will issue financial statements as summarized below. The initial audited financial statements will be as of and for the year ended December 31, 2012 or, if operations begin in 2012, as of December 31, 2012 and for the period from the date of inception to December 31, 2012. Subsequent financial statements will be as of and for each year ended December 31

- UPE - combined financial statements in accordance with generally accepted accounting principles (GAAP) which include supplemental combining schedules
- Highmark - combined financial statements in accordance with GAAP
- Highmark - financial statements in accordance with statutory accounting principles (STAT)
- WPAHS - consolidated financial statements in accordance with GAAP

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In addition, audited financial statements will be issued in accordance with STAT for Highmark's various insurance subsidiaries as required under state insurance department regulations. Also, certain of Highmark's subsidiaries will obtain audited GAAP financial statements.

Request 2.1.4 - Rights and remedies for any Affiliation Agreement breach or default

A supplemental filing will be made by UPE shortly after the filing of this letter addressing the issue raised in the May 3, 2012 letter.

Request 2.1.8 - Effect on existing WPAHS Entities' insurance policies

A supplemental confidential filing prepared by WPAHS will be made shortly after the filing of this letter addressing the issue raised in the May 3, 2012 letter.

Request 2.3.2 to 2.3.4 - WPAHS Tax-Exempt Bonds

A supplemental confidential filing will be made by UPE shortly after the filing of this letter addressing the issues listed at B(1), (2), and (3). A supplemental filing prepared by WPAHS addressing the issue at B(4) will be made shortly after the filing of this letter.

Requests 3.1, 3.2.1 to 3.2.3 and 3.3 - Regulatory consents

A supplemental filing prepared by WPAHS will be made shortly after the filing of this letter addressing the issues raised in the May 3, 2012 letter.

Request 4.3.7 - Contingent liabilities

A supplemental filing prepared by WPAHS will be made shortly after the filing of this letter addressing the issue raised in the May 3, 2012 letter.

Request 4.3.11 - Copies of documents evidencing guarantees requested

A supplemental filing prepared by WPAHS will be made shortly after the filing of this letter addressing the issues raised in the May 3, 2012 letter.

Request 4.3.16.1 - Litigation over \$1,000,000 and other litigation issues

A supplemental confidential Response to Request 4.3.16 prepared by WPAHS which addresses the issue raised in the May 3, 2012 letter was submitted to the Department on May 18, 2012.

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Request 4.3.18 - Summary and status of certain investigations and legal actions

A supplemental confidential Response to Request 4.3.19 prepared by WPAHS which addresses the issue raised in the May 3, 2012 letter was submitted to the Department on May 18, 2012.

Request 4.3.19 - Certain claims or potential claims

A supplemental filing will be made by UPE to address the issue raised in D(1) in the May 3, 2012 letter shortly after the filing of this letter. A supplemental confidential filing prepared by WPAHS will be made to address the issue raised in D(2).

Request 4.4.2.2 - Copies of all material describing operational integration plans

A supplemental confidential filing will be made by UPE to address the issues raised in the May 3, 2012 letter.

Request 4.4.6 - Request for the most current integration planning team documentation

A supplemental confidential filing will be made by UPE to address the issues raised in the May 3, 2012 letter

Request 4.4.7.1, 4.4.7.2 - Charitable and community activities/charitable contributions

A supplemental confidential filing will be made by UPE to address the issues raised in the May 3, 2012 letter

Request 4.4.8.1, 4.4.8.2 - Community benefit needs assessment for the past 4 years

A supplemental filing prepared by WPAHS will be made shortly after the filing of this letter addressing the issue raised in the May 3, 2012 letter.

Request 4.6.4 - How employees will be affected by the Transaction

A supplemental confidential filing prepared by WPAHS will be made shortly after the filing of this letter addressing the issue raised in E(1). An additional supplemental confidential filing will be made by UPE addressing the issue raised in E(2) in the May 3, 2012 letter.

Request 4.6.6 - Meetings/discussions with health care providers or health care professional groups

A supplemental filing will be made by UPE shortly after the filing of this letter addressing the issue raised in the May 3, 2012 letter.

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Request 4.6.16 - Copy of each Highmark and WPAHS Entity's Investment Plan, etc.

A supplemental confidential filing prepared by WPAHS will be made shortly after filing of this letter to address the issue in the May 3, 2012 letter.

Request 5.1.1.3 - Articles of Incorporation and/or Bylaws comparison documents

A supplemental filing will be made after the filing of this letter addressing the issue raised in the May 3, 2012 letter.

Request 5.2.1 and 5.2.2 - Reserved Powers to UPE

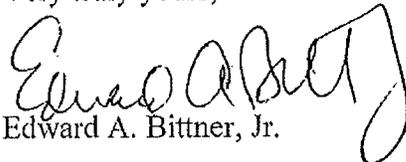
See Response under the hearing "Reserved Powers to UPE" addressed earlier in this letter.

Response to Request 4.6.2 - Advantages and disadvantages to Transaction

A supplemental filing will be made by UPE after the filing of this letter addressing the issue raised in the May 3, 2012 letter.

UPE will continue to make filings relating to the various Requests as information becomes available and various Responses will be supplemented as information is prepared.

Very truly yours,


Edward A. Bittner, Jr.