

**BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA**

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

**Hospital Service Association of Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern Pennsylvania;
First Priority Life Insurance Company, Inc.;
HMO of Northeastern Pennsylvania, Inc.,
d/b/a First Priority Health**

By Highmark Inc.

**BCNEPA RESPONSE TO INFORMATION REQUEST 5.2.18.11 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 5.2.18.11:

With regard to any Joint Venture in effect since January 1, 2012: Please provide any Documents or other materials regarding impediments to any Highmark Entity, BCNEPA Entity and/or a Joint Venture to expand operations outside of its current service area into other areas in Pennsylvania or elsewhere. (A) How, if at all, will the Transaction affect any such impediment?

RESPONSE:

BCNEPA certifies to the best of its information, knowledge and belief the following with respect to any BCNEPA Entity or Joint Venture:

BCNEPA, FPH and FPLIC can currently only offer branded Blue products within 13 counties to comply with the national Blue Cross and Blue Shield Association exclusive service territories. BCNEPA can offer unbranded products outside of the 13 county service area but has no plans to do so. Pursuant to the FPH and FPLIC Shareholders Agreements, neither FPH nor FPLIC can expand the geographic markets in which FPH or FPLIC, as applicable, operates outside the of the 13 county service area without the approval of the board of directors of FPH or FPLIC, as applicable. In addition, FPH's operations are currently limited to the service area approved as part of its certificate of authority issued by the Commonwealth of Pennsylvania to do business as an HMO.

(A). As a result of the Transaction, the FPH and FPLIC Shareholders Agreements will terminate. In addition, in connection with the Transaction, it is anticipated that BCBSA will permit the Blue Cross sponsorship of FPH and FPLIC to transfer to Highmark Health.

**Hospital Service Association of
Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern
Pennsylvania (“BCNEPA”)
19 North Main Street
Wilkes-Barre, PA 18711**