

**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.

**HIGHMARK INC. (“Highmark”) RESPONSE TO SUPPLEMENTAL
INFORMATION REQUEST 2.3.4 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

SUPPLEMENTAL REQUEST 2.3.4 (via letter from PID dated August 27, 2014)

Required Action:

- (1) Provide a complete analysis of 40 P.S. § 991.1405(c)(3) and 40 Pa. C.S. Chapter 61 as it relates to the Advisory Board.**
- (2) Provide an analysis with citations to legal authority for Highmark’s conclusion that the Advisory Board is not subject to the provisions of Section 1405.**

RESPONSE:

Highmark hereby supplements its prior response to this Request and certifies to the best of its knowledge, information and belief as follows:

- (1) As reflected by the statutory provisions and governance documents discussed in Highmark’s initial Response, 40 P.S. § 991.1405(c)(3), 40 Pa. C.S. Chapter 61 and 40 Pa. C.S. Chapter 63 have provisions that apply to boards of directors and committees thereof but contain no provisions relating to advisory boards. The Advisory Board under the applicable quoted governance documents does not constitute a committee of the Highmark Board of Directors (see (2), below).

As noted in Highmark’s initial Response to this Request, at such time as the four Class A Directors begin their service as members of the Board of Directors of Highmark, the Board of Directors will be structured, including numerically, and

constituted in such a manner as to comply with any numerical requirement of Section 1405 or Chapter 63. 40 Pa. C.S. Chapter 61 does not contain any provision relating to the composition of the Board of Directors.

- (2) Section 1405 addresses only the board of directors and committees of the board of directors. The Pennsylvania Nonprofit Corporation Law describes committees of a board of directors as consisting solely of directors of the corporation. *See* 15 Pa. C.S. §5731(a)(1) (authorizing a board of directors to “establish one or more committees to consist of one or more directors of the corporation.”) Because the Advisory Board is neither the Highmark Board of Directors nor a committee of the Highmark Board of Directors, Section 1405 is not applicable to the Advisory Board.

**Highmark Inc.
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