

**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 SUPPLEMENTAL INFORMATION REQUEST
2.3.5 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

SUPPLEMENTAL REQUEST 2.3.5 (via letter from PID dated August 27, 2014)

Required Action: Please provide a complete analysis of the process and factors considered in deciding upon the term length and authority of the Advisory Board and the Class A Members and produce any Documents relating thereto.

RESPONSE:

BCNEPA hereby supplements its prior response to this Request.

BCNEPA certifies to the best of its knowledge, information and belief as follows:

BCNEPA has previously provided in its response to request 2.1.11 both the initial proposal from Highmark, which was a joint bid with IBC, and its final proposal dated November 8, 2013 that was accepted by BCNEPA.

As has been previously shared with the Department, the structure of the Class A Board of Directors and the Advisory Board was a result of the competitive bidding process and extensive conversations between Highmark and BCNEPA over many months. During these many months, term sheets, letters of intent and Merger Agreements and Bylaws were drafted, red-lined, negotiated and exchanged between the parties. Based upon discussions with counsel for the Department, BCNEPA understands that, in response to this supplemental Request, the Department does not wish to receive every version of all such Documents but rather, in addition to copies of initial proposals exchanged, the Department would like to receive substantive

correspondences and emails exchanged and the final agreements between or among the parties relating to the Class A Board Members and the Advisory Board.

By way of further answer, please refer to BCNEPA's confidential Supplemental Response to supplemental request 2.3.1 and its Attachments.

It also is significant to note that as concerning not only the Class A Board representation on the Highmark Board but also the BCNEPA Advisory Board, the guiding principle of the BCNEPA Board was to seek as many seats on the Highmark Board for as long as possible and to seek a meaningful role for the Advisory Board for as long as possible. This guiding principle was in support of the BCNEPA Board's serious concerns for Northeastern and North Central Pennsylvania and in furtherance of its goals for the transaction, including, but not limited to maintaining as many meaningful jobs in the community as possible, seeking enhanced products at reasonable rates for its residents and assuring a continued presence in Northeastern and North Central Pennsylvania like BCNEPA has had for the last 76 years.

**Hospital Service Association of
Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern
Pennsylvania ("BCNEPA")
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