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C O U N S E L O R S   A T   L A W

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**RECEIVED**  
Corporate & Financial Regulation

NOV 12 2013

**Pennsylvania**  
**Insurance Department**

November 11, 2013

**VIA FEDERAL EXPRESS**

Cressinda E. Bybee  
Insurance Company Licensing Specialist  
Pennsylvania Insurance Department  
Company Licensing Division  
Office of Corporate and Financial Regulation  
13th Floor Strawberry Square  
Harrisburg, PA 17120

Re: “Form A” Statement Regarding the Application of Independence Blue Cross to  
Restructure its Insurance Holding Company System

Dear Ms. Bybee:

Enclosed are the original and two hard-copies of a public and a confidential version of the responses of Independence Blue Cross to the Department’s information requests set forth in your letter of September 30, 2013. PDF copies of the responses (public and confidential versions) also are provided on the enclosed disk. In connection with these responses, please note the following:

1. Biographical affidavits for Messrs. Coletta and Woodall and Ms. Cardwell-Hughes are enclosed at Tab 1. In accordance with the Department’s standard practice for such filings, we would request that the biographical affidavits be treated as confidential and not be included in the public portion of the file.

2. Updated biographical affidavits for Messrs. Butler and Kenney are enclosed at Tab 2. As with the other biographical affidavits, we would request that these be treated as confidential and not be included in the public portion of the file.

3. Draft Articles of Division are enclosed at Tab 3.

4. A copy of the Board resolution approving the Plan of Division is enclosed at Tab 4. IBC's board resolutions are not public and contain confidential information concerning the deliberations of the board of directors. Consistent with the Company's policy, the resolution has been marked as confidential and IBC requests that it not be included in the public record of these proceedings.

5. As explained in the "Restructuring Transaction Steps" (Exhibit B to the Form A filing), once IBC has divided into IBC and HoldCo #1, there will be a number of dividends of affiliates that will follow in order to locate IBC's operating affiliates under the correct "SubHoldCo" ownership chain. There also will be a number of cash and investment security dividends (these are detailed in the pro formas which collectively appear as Exhibit H to the Form A filing). IBC will file extraordinary dividend applications as required for these follow-on transactions on or before November 15, 2013.

Form D filings will be required for several new inter-company agreements and for the amendment and restatement of several other existing inter-company agreements. IBC expects to file Form D applications for these agreements on or before November 15, 2013.

6. A list of current inter-company agreements is attached at Tab 6. This list reflects whether the agreements will remain in force, remain in force as amended, or be terminated.

7. IBC's Amended and Restated Bylaws are attached at Tab 7.

8. HoldCo No. 1's Bylaws are attached at Tab 8.

9. IBC's statement regarding compliance with 40 P.S. § 991.1405 (c)(3)(i) through (c)(4.1) is attached at Tab 9.

10. Section 991.1403(d)(2) of Pennsylvania's Insurance Holding Company Act provides that if a transaction involves two or more insurers competing in the same market and if the transaction would produce a combined market share of those insurers in excess of certain thresholds, the Commissioner may find that the transaction has anti-competitive effects and may either disapprove it or impose conditions to cure the transaction's anti-competitive effects. However, if a transaction does not combine the market shares of two or more "involved insurers" then there can be no question of anti-competitive effects because there is no increase in the market share of any involved insurer as a result of the transaction.

This point is clear from a number of Section 991.1403's provisions. First, the section expressly does not apply to the acquisition of already affiliated persons. See 40 P.S. § 991.1403(b)(2)(iv). Second, the section does not apply if there is no resulting increase in market share. See 40 P.S. § 991.1403(b)(2)(v)(b). Third, in order for a finding of anti-competitive effects to be made, there would have to be a combination of the market shares of two or more "involved insurers" (i.e., insurers who were not previously affiliated in the same insurance holding company system). See 40 P.S. § 991.1403(d)(2)(i).

Cressdina E. Bybee  
November 11, 2013  
Page 3

This transaction does not combine the market shares of two or more unaffiliated insurers, but instead only restructures the organization of IBC's current holding company system. This transaction therefore cannot have the effect of increasing the market share of the insurers in the IBC insurance holding company system (because no other, third-party insurer is being acquired as part of the transaction). Therefore, no question of anti-competitive effects is presented under the statute.

11. The agreement and acknowledgment required by 40 P.S. § 991.1402(b)(11.1) and (b)(11.2) is attached at Tab 11.

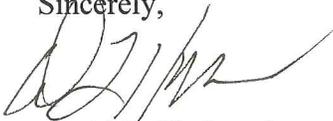
12. There will be no changes to the business plans of the insurers which are the subject of the Form A filing as a result of the division transaction.

13. The proposed names of IBC (post-closing), HoldCo #1, HoldCo #2 and the SubHoldCo companies are listed at Tab 13.

\* \* \* \*

If you have any questions with respect to the foregoing, please let us know.

Sincerely,



David L. Harbaugh

Encl.