pennsylvania
INSURANCE DEPARTMENT

September 30, 2013

David L. Harbaugh, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921

Steve Burgess Davis, Esquire
Stradley Ronon Stevens & Young, LLP
2005 Market Street, Suite 2600
Philadelphia, PA 19103-7018

Re: Form A Filing of Independence Blue Cross

Dear Messrs Harbaugh and Davis:

The Pennsylvania Insurance Department (the "Department") has made a preliminary review of the above-referenced Form A filing of Independence Blue Cross ("IBC"). Based upon this preliminary review, the Department has compiled the below list of questions and comments. Your responses to the questions should be as specific as possible. Your responses and any related documents will become part of the public files, unless you have asserted the confidentiality of the information and the Department has accepted such assertion. When preparing your response, please reference the number of the Department's request to which you are responding.

1. Provide biographical affidavits for Coletta, Hughes and Woodall.

2. Provide updated biographical affidavits for Butler and Kenney. The ones on file were prepared in 2008.

3. Provide draft Articles of Division.

4. Provide a copy of the Board resolution approving the Plan of Division.

5. Discuss the status and timing for the Form D filings.

6. Provide a list of all intercompany/affiliate agreements and a description of the intended filings (either new intercompany agreements, amendments or terminations).

7. Will IBC be amending its bylaws and, of so, provide a draft.

8. Provide the bylaws for Holdco #1.

9. Provide a detailed discussion of IBC's intent for complying with the board and committee structures required of 40 P.S. 991.1405(c)(3) through (c)(4.1).

10. Provide a competitive standard analysis (40 P.S. Section 991.1403(d)(2)).

11. Provide the agreement and acknowledgement as required by 40 P.S. Section 991.1402(b)(11.1) and (b)(11.2).

12. Provide any changes to the business plan of the PA domestic insurers resulting from the Plan of Division. (Reference Business Plan DOI-135 attached.)

13. Provide an update on the registered names for the HoldCo and SubHoldCo companies?

Feel free to contact me at (717) 783-2144 or cbybee@pa.gov to discuss any of the above requests.

Sincerely,

Cressinda Bybee

Cressinda E. Bybee
Insurance Company Licensing Specialist
Company Licensing Division

Attachment

DOI-135

COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
BUSINESS PLAN FOR ACQUISITIONS, MERGERS AND REDOMESTICATIONS

Company Name _____

Holding Company (if applicable) _____

ORGANIZATION AND MANAGEMENT

1. Describe office locations both before and after the transaction (include address and specific functions to be performed as applicable, e.g., Corporate Headquarters, Claims Office, Sales Offices etc.).

2. Please provide the current number of employees for each location for each Company and the corresponding estimated number of employees for each location for each Company after the proposed transaction. Describe the rationale for any anticipated change in the number of employees in each location as a result of the transaction.

3. Please submit an organizational chart of the Company's post acquisition management structure. Titles and names of key management personnel should be included.

4. Please provide a detailed job description for every management position on the organizational chart.

5. Please provide a statement of qualification for each key management person describing relevant insurance experience.

6. Describe the management controls to be used to identify potential short-term liquidity problems, long-term capital needs, and other significant capital and fund management variations or needs.

7. Describe the controls over the financial reporting functions that will be used to ensure that the financial statements are not misstated.

8. Describe the mechanism to be used when creating and monitoring the Company's formal operating budget.

9. Identify the key performance indicators to be tracked by management.

PRODUCTS AND SERVICES

10. Identify the Company's current and projected key products by line of business.

11. Please describe how these products/services are unique or superior to competitive products/services.

12. Please describe the basis for the Company's proposed rate structure. Will the Company file rates and forms using ISO (or similar rating bureau) or will the Company file independently for rates and forms?

INTENDED MARKET

13. Please describe the results of any market research conducted. The description should include at a minimum:

    - the Company's target market(s)

    - approach to sales for each target market and for each line of business (if they differ)

    - the Company's pricing strategies

14. What has the rate of growth been for each market segment over the last five years?

15. What is the projected growth rate in each market segment over the next five years?

POLICYHOLDER SERVICES

16. Please provide the total number of policyholders, by territorial location and line of business, for each company that will be affected by the transaction.

17. As a result of the transaction, will all in-force policies be renewed? If not, describe the process which will be used to determine which in-force policies, by line of business, will not be renewed. Provide a copy of the documents and time frames which will be used to effectuate any non-renewals.

18. Describe any anticipated changes to the current in-force policies, by line of business, that will occur as a result of the transaction. The description should include anticipated changes to coverages, premiums, Company name, etc.

19. Describe the process and proposed time frames which will be used to communicate the changes to the policyholders. Provide a sample of the communications which will be used.

AGENT SERVICES

20. Please provide the total number of agents, by territorial location, for each Company that will be affected by the transaction.

21. What effect will the transaction have on the existing agency/agent contracts for each Company? If any agency/agent contracts will be terminated, please describe the process and time frames to be used in determining which contracts will be terminated.

22. Please describe the process and proposed time frames which will be used to advise the agency/agent of the transaction. Please provide a copy of any materials that will be distributed to the agency/agent in this regard.

FINANCIAL PROJECTIONS

23. Please attach pro forma financial projections consisting of balance sheets and income statements for a minimum of five years, separately indicating Pennsylvania business and National business.

GUIDELINES FOR PRO FORMA FINANCIAL STATEMENTS

- Financial projections should be prepared by a CPA firm, actuarial firm or qualified individual acceptable to the Department. In this regard, please identify the person's name and credentials that prepared the pro forma financial statements.
- Financial projections must be prepared using statutory accounting principles.
- All assumptions used in the preparation of the pro forma financial statements must be explained.
- Please provide the Risk-Based Capital ratio (Total Adjusted Capital/Authorized Control Level Risk-Based Capital) for each of the five years using the pro forma financial projections (attention: ratios should be above the Company Action Level = 200%).
- Please identify any tax implications avoided by or resulting from this transaction.
- Please identify any SEC implications resulting from this transaction.

24. Please discuss any proposed reinsurance arrangements.