BEFORE THE INSURANCE DEPARTMENT
OF THE
COMMONWEALTH OF PENNSYLVANIA

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

Highmark Inc.; First Priority Life Insurance Company, Inc.;
Gateway Health Plan, Inc.; Highmark Casualty Insurance Company;
Highmark Senior Resources Inc.; HM Casualty Insurance Company;
HM Health Insurance Company, d/b/a Highmark Health Insurance Company;
HM Life Insurance Company; HMO of Northern Pennsylvania, Inc.,
d/b/a First Priority Health; Inter-County Health Plan, Inc.;
Inter-County Hospitalization Plan, Inc.; Keystone Health Plan West, Inc.;
United Concordia Companies, Inc.; United Concordia Dental Plans of Pennsylvania, Inc.;
United Concordia Life and Health Insurance Company

By UPE, a Pennsylvania nonprofit corporation

RESPONSE TO PID INFORMATION REQUEST 4.4.2.1 FROM THE
PENNSYLVANIA INSURANCE DEPARTMENT

REQUEST 4.4.2.1:

Provide a detailed description of governance, reporting lines and structure for regulatory oversight of economic transfers between UPE, the UPE Provider Sub and/or any Highmark and WPAHS Entity.

RESPONSE:

Upon the consummation of the Transaction, UPE will become the sole member (as defined in 15 Pa. C.S.A. § 5103) within a new class of membership that will be established in Highmark. This new class of membership will exist in addition to the current class of members which consists of members of the Board of Directors of Highmark. The Directors of Highmark, acting as the class of Highmark director-members, will continue to have the right, power and duty to determine the requisites for persons of low income eligible for benefits under Highmark's health care plans, subject to the approval of the Insurance Commissioner and such other rights as may be required by law. UPE will hold certain reserved powers with respect to Highmark which will be described in Section 3.3.2 of the proposed Second Amended and Restated Bylaws of Highmark. In addition, Highmark will maintain its Board of Directors which will continue to have significant control over operations.

Similarly, UPE is presently the sole member of UPE Provider Sub. Upon the consummation of the Transaction, UPE Provider Sub will become the sole member of WPAHS, which in turn will remain the parent company of the other WPAHS Entities in the WPAHS health system of hospitals and other health care providers. UPE and UPE Provider Sub will each have certain reserved powers in WPAHS which are as described in Section 3.3(a)-(b) of the proposed Amended and Restated Bylaws of WPAHS. The reserved powers that UPE and UPE Provider Sub will exercise over the other WPAHS Entities are as set forth in the proposed Amended and Restated Bylaws of the other WPAHS Entities. In addition, WPAHS will maintain its Board of Directors which will continue to have significant control over operations.

Reporting lines across entities that will participate in the new UPE health system will be consistent with the allocation of corporate governance authority described above. By way of example, to the extent that issues arise at a corporate subsidiary level that are within the purview of its member or UPE, the subsidiary, by and through its board of directors and management, will have accountability for such issue to its member or UPE, as applicable.

As far as regulatory oversight is concerned, those corporations that engage in regulated activities (e.g. Highmark) will continue to be responsible for their regulated activities, and as such, will continue to be responsive and answerable to those regulatory agencies (e.g. PID) that exercise oversight authority over their various lines of business.

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