

**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.

**RESPONSE TO INFORMATION REQUEST 5.2.9.3 FROM THE
PENNSYLVANIA INSURANCE DEPARTMENT**

REQUEST 5.2.9.3:

Provide: (A) a description of (including the rationale for, and identification of all Documents directly or indirectly used to prepare any Highmark Entity's or BCNEPA Entity's response to this section) all plans for changes in any Highmark Entity's or BCNEPA Entity's operations, structure, policies, strategies, corporate goals, financing, business, officers, employees or any other area of corporate activity as a result of the Transaction including, without limitation any changes in business or marketing strategy in the current market served by any BCNEPA Entity, including, without limitation, any changes that have been implemented in contemplation of the Transaction being consummated; (B) a description of, and all Documents relating to, each efficiency (including cost savings, new product introductions, and service or product improvements) that the applicable Highmark Entity or BCNEPA Entity anticipates will result from the Transaction, including in the description: (i) the steps that the applicable Highmark Entity or BCNEPA Entity anticipates taking to achieve the efficiency, the risks involved in achieving the efficiency, and the time and costs required to achieve it; (ii) a quantification of the efficiency and an explanation of how the quantification was calculated; (iii) an explanation of how the Transaction would allow the applicable Highmark Entity or BCNEPA Entity to achieve the efficiency; (iv) each alternative to the Transaction by which the applicable Highmark Entity or BCNEPA Entity could achieve the efficiency and each reason why the applicable Highmark Entity or BCNEPA Entity could not achieve the efficiency without the Transaction; and (v) the identity of each Person (including the Person's title and business address) employed or retained by any Highmark Entity or

BCNEPA Entity with any responsibility for achieving, analyzing, or quantifying the efficiency described. For efficiencies that involve cost savings, state separately the one-time fixed cost savings, recurring fixed cost savings, and variable cost savings (in dollars per unit and dollars per year); (C) description of all statements or actions by any Person (identifying the Person by name, title, and business address) in support of, in opposition to, or otherwise expressing opinions about the Transaction or its effects; (D) a description of any other terms or conditions of the Transaction that are not reflected in the Merger Agreement or other Documents supplied with the Form A; and (E) a full and complete summary of all steps implemented or planned or to be implemented to integrate the BCNEPA Entities with the Highmark Entities in connection with the Transaction, including, without limitation, the costs to be incurred or savings realized in connection therewith.

RESPONSE:

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

(A)

As outlined in the Merger Agreement, which was submitted with the Form A filing as Tab B, BCNEPA will be merged with and into Highmark Inc. BCNEPA's subsidiaries, excluding AllOne Health Group (AHG) and Health Resources Corporation (HRC), will be acquired by Highmark. AHG and HRC are non-insurance subsidiaries and are not part of the transaction. Given that BCNEPA will be merged with and into Highmark, BCNEPA does not have any plans for changes in operations, structure, policies, strategies, corporate goals, financing, business, officers, employees or any other area of corporate activity as a result of the Transaction other than the limited items memorialized in the Merger Agreement.

As outlined in Sections 6.2 and 6.3 of the Merger Agreement, Highmark has agreed to certain employee and employment protections. As outlined in Section 5.6 of the Fourth Amended and Restated Bylaws of Highmark Inc. included with the Form A submission as Tab A, Highmark has agreed to the creation of a Regional Advisory Board which shall include the fifteen (15) members (excluding any ex officio member) of the board of directors of BCNEPA that were in place immediately prior to the effect time of the Transaction. As outlined in Section 4.3 of the Fourth Amended and Restated Bylaws of Highmark Inc. included with the Form A submission as Tab A, Highmark has agreed to elect four members of BCNEPA's Board of Directors to Highmark's Board of Directors.

Recently, the management of BCNEPA has begun to participate in discussions with members of Highmark's management to begin the work on developing plans for the operations of the business in the market currently served by BCNEPA post the closing of the transaction. These conversations are in the early stages and no plans have been finalized.

With execution of the Merger Agreement, BCNEPA has begun to comply with the covenants in Section 3.1 of the Merger Agreement related to the conduct of the business prior to the effective time of the transaction. No other changes have been implemented in contemplation of the Transaction being consummated.

(B)

As outlined in the Merger Agreement, which was submitted with the From A filing as Tab B, BCNEPA will be merged with and into Highmark Inc. BCNEPA's subsidiaries, excluding AllOne Health Group (AHG) and Health Resources Corporation (HRC), will be acquired by Highmark. AHG and HRC are non-insurance subsidiaries and are not part of the transaction. Given that BCNEPA will be merged with and into Highmark, BCNEPA does not have any descriptions or documents related to efficiencies anticipated that will result of the transaction. As the entity being acquired, BCNEPA would not have sufficient information regarding the detailed operations of Highmark to make the required assumptions.

(C)

BCNEPA is not aware of any.

(D)

BCNEPA is not aware of any.

(E)

Recently, the management of BCNEPA has begun to participate in discussions with members of Highmark's management to begin the work on developing plans for the operations of the business in the market currently served by BCNEPA post the closing of the Transaction. These conversations are in the early stages and no plans have been finalized.

Additionally, the management of BCNEPA has begun to participate in discussions with members of Highmark's management to begin planning the activities that will be required within the first few days post the effective date of the Transaction to ensure continued operations and compliance. These conversations are in the early stages and no plans have been finalized.

**Hospital Service Association of
Northeastern Pennsylvania
d/b/a Blue Cross of Northeastern
Pennsylvania ("BCNEPA")
19 North Main Street
Wilkes-Barre, PA 18711**