

**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
2.3.2 FROM
THE PENNSYLVANIA INSURANCE DEPARTMENT**

SUPPLEMENTAL REQUEST 2.3.2 (via letter from PID dated August 27, 2014)

Required Action:

- (1) Analyze and summarize the ability of the Class A Members or the Advisory Board to affect or direct the management or affairs of Highmark or any Highmark Entity.**
- (2) Describe BCNEPA's expectations with respect to the role to the Class A Members or the Advisory Board?**

RESPONSE:

BCNEPA hereby supplements its prior response to this Request as follows:

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

1. Each Class A Member will have the same ability to affect or direct the management of affairs of Highmark or Highmark Entities as any other Highmark director. The Class A Member will have no supermajority or class voting rights, except that, pursuant to Sections 3.3.2 and 13.1 of Highmark's proposed Fourth Amended and Restated Bylaws, certain provisions of such Bylaws that relate to the rights or duties of the Class A Members or the Advisory Board may not be amended at any time prior to the fourth anniversary of the effective time of the Merger without the affirmative approval of a majority of the Class A Members then in office.

Pursuant to Section 5.6.4 of the proposed Bylaws, the Advisory Board will have no authority to direct activities of Highmark or to bind Highmark in any respect and will at all times be subject to the powers and prerogatives of the Highmark Board of Directors.

2. The expectations with respect to the role of the Advisory Board are as set forth in Section 5.6.1 of the proposed Bylaws. This section defines the purpose of the Advisory Committee to be to make recommendations to Highmark with respect to the following: the annual budget and strategic plan for the Acquired Business; corporate giving in the NEPA Service Area; selection and termination of the market president for the NEPA Service Area; and such other matters as may be requested by the Board of Directors or management of Highmark. A formal vote of the NEPA Advisory Board, approved by a majority of the members thereof, shall be required to make any such recommendations. Also, as set forth in Section 5.6.3 of the proposed Bylaws, the Advisory Board shall maintain the following committees: Regional Marketing; Health Policy and Government Relations; Charitable Giving; and Nominating. Such committees shall be comprised solely of members of the Advisory Board and shall have charters governing their powers and duties, which charters shall be approved by the Highmark Board of Directors.

The expectations with respect to the role of the Class A Members is to actively participate in the Board of Highmark in accordance with their fiduciary duties with the same ability to affect or direct the management of the affairs of Highmark or Highmark Entities as all other Highmark directors.

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