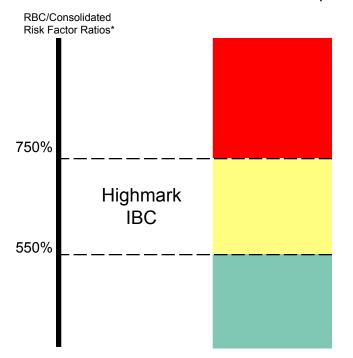
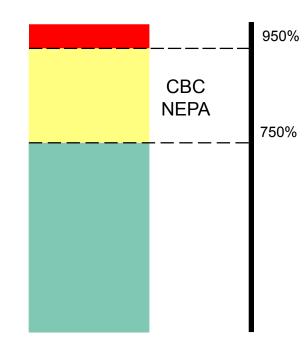
## Blue Cross Blue Shield Surplus Operating Ranges





<sup>\*</sup> Risk Based Capital (RBC) - a tool to quantify the financial strength of an insurer. It is a formulaic approach to the calculation of minimum capital requirements that reflects risks associated with the business operations of each insurer.

**Inefficient Surplus Operating Range** - a level of surplus that is presumptively inefficient and potentially excessive, thereby requiring a Blue Plan to submit an application for Department approval explaining how the plan will drop back into or below the sufficient surplus operating range in a reasonable period of time.

**Sufficient Surplus Operating Range** - a level of surplus at which a Blue Plan has sufficient surplus and will not be allowed to include risk and contingency factors in its filed premium rates.

Plan does not face solvency issues from routine fluctuations in factors such as underwriting results and returns on its investments. A lower bound for what is efficient is not identified and may differ for each Blue Plan and be dependent upon the circumstances causing a Blue Plan to push toward a lower operating range.

<sup>\*</sup> Consolidated Risk Factor - A variation on the RBC ratio derived by applying the Health RBC formula as if a Blue Plan and its affiliates and subsidiaries had filed and consolidated balance sheets.

For Calendar Year 2003, Highmark, CBC and NEPA operated in the Sufficient Operating Range. IBC operated in the Efficient Operating Range.