EXHIBIT 1

REDACTED

EXHIBIT 2

DEPARTMENT OF JUSTICE
820 NORTH FRENCH STREET
WILMINGTON, DELAWARE 19801

JOSEPH R. BIDEN, III
ATTORNEY GENERAL

PHONE (302) 577-8338
FAX (302) 577-2610

May 31, 2011

Via Email and U.S. Mail

David S. Swayze, Esquire
Parkowski, Guerke & Swayze, P.A.
800 King Street, Suite 203
Wilmington, De 19801

RE: Proposed Affiliation of BCBSD, Inc. ("BCBSD") with Highmark, Inc. ("Highmark")

Dear David:

I write in regards to the Department of Justice's review of the proposed affiliation (the "Affiliation") of BCBSD and Highmark pursuant to 29 *Del. C.* §§ 2531 *et seq.* (the "Conversion Act").

The Department of Justice has concluded that the Affiliation constitutes a not-for-profit healthcare conversion transaction under 29 *Del. C.* § 2531(1)(c). Accordingly, a tax-exempt public benefit or charitable organization or foundation must be established, pursuant to 29 *Del. C.* § 2533, for "proceeds or reserves" of the conversion transaction that constitute "public benefit assets."

The Department of Justice, with the assistance of our financial expert, intends to continue to perform a valuation analysis to determine the amount of "proceeds or reserves" of the conversion transaction that constitute "public benefit assets", as defined in *29 Del. C.* § 2531(5). We will also continue our review pursuant to 29 *Del. C.* §§ 2530 *et seq.*, including § 2533(k) and our common law authority, and as a party to the review by the Insurance Commissioner.

Very truly yours,

Joseph R. Biden, III

c.c. (via email):
Charles E. Butler, Esquire

Timothy E. Mullaney, Sr., Esquire
Ian R. McConnel, Esquire
Meredith S. Tweedie, Esquire
Michael Houghton, Esquire
Leslie Polizoti, Esquire
Rick Campbell, Esquire
Doak Foster, Esquire
Michael W. Teichman, Esquire
William Kirk, Esquire
Cynthia Shoss, Esquire
Grace Vandecruze

EXHIBIT 3

SPONSOR: Sen. Blevins & Rep. B. Short
Sen. Simpson; Reps. Gilligan, Hocker & D. Short

DELAWARE STATE SENATE
146th GENERAL ASSEMBLY

SENATE BILL NO. 146

AN ACT TO AMEND TITLES 18 AND 29 RELATING TO NOT FOR PROFIT HEALTH CARE CONVERSIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

Section 1. Amend §2531(1)c., Title 29 of the Delaware Code by striking §2531(1)c. in its entirety and replacing it with the following:

"c. A substantial change or amendment to a certificate of incorporation which materially affects a not-for-profit healthcare entity's charitable or public benefit intent, or the disposition of reserves or control of a not-for-profit healthcare entity to an entity or a person other than a charity or not-for-profit entity."

Section 2. Amend Subchapter III, Chapter 25, Title 29 of the Delaware Code by adding a new §2534 to read as follows:

"§2534. Annual Report to Secretary of State.

In the event of a Not-for-profit healthcare conversion transaction, the new owner shall submit an annual report to the Delaware Secretary of State providing the status of reserves, the amount and source of funding received, and the amount and purpose of expenditures."

Section 3. Amend Chapter 63, Title 18 of the Delaware Code by adding a new §6310 to read as follows:

"§ 6310. Acquisitions of Control.

In the event that a health service corporation proposes to enter into a transaction through which it will become controlled by another entity, which transaction is not a not-for-profit healthcare conversion transaction under Subchapter III of Chapter 25 of Title 29, any approval of the change of control shall be conditioned upon appropriate measures designed to preserve the surplus or reserves of the health service corporation for the use of said health service corporation for the benefit of said health service corporation's subscribers."

Section 4. This legislation shall be applicable to all transactions that shall close on and after the effective date.

SYNOPSIS

This bill corrects certain flaws in Delaware's Not-for-profit Healthcare Conversion Act (the "Act") enacted in 2004. The bill clarifies the General Assembly's intent that the Act does not consider a Delaware not-for-profit healthcare entity affiliation with another not-for-profit entity to be a "not for profit healthcare conversion." The Act has recently been interpreted by the Delaware Attorney General as requiring that result in a specific transaction involving a not-for-profit

Delaware health service corporation seeking to affiliate with another not-for-profit company, where both entities will retain their not-for-profit status post affiliation. The bill corrects language in the Act that on its face requires the same result for any not-for-profit entity or charity that decides to dispose of its reserves or control by charter change or otherwise, even if it is not a health care-related entity, and even if the change involves another not-for-profit entity.

In the event of a Not-for-profit conversion, the bill requires an annual financial report to the Secretary of State. Also, this bill adds a new §6310 to Title 18 that ensures that change of control transactions involving Delaware health service corporations do not result in the dissipation or improper use of the reserves or surplus of such health service corporation.

Author: Senator Blevins

EXHIBIT 4

REDACTED

EXHIBIT 5

REDACTED

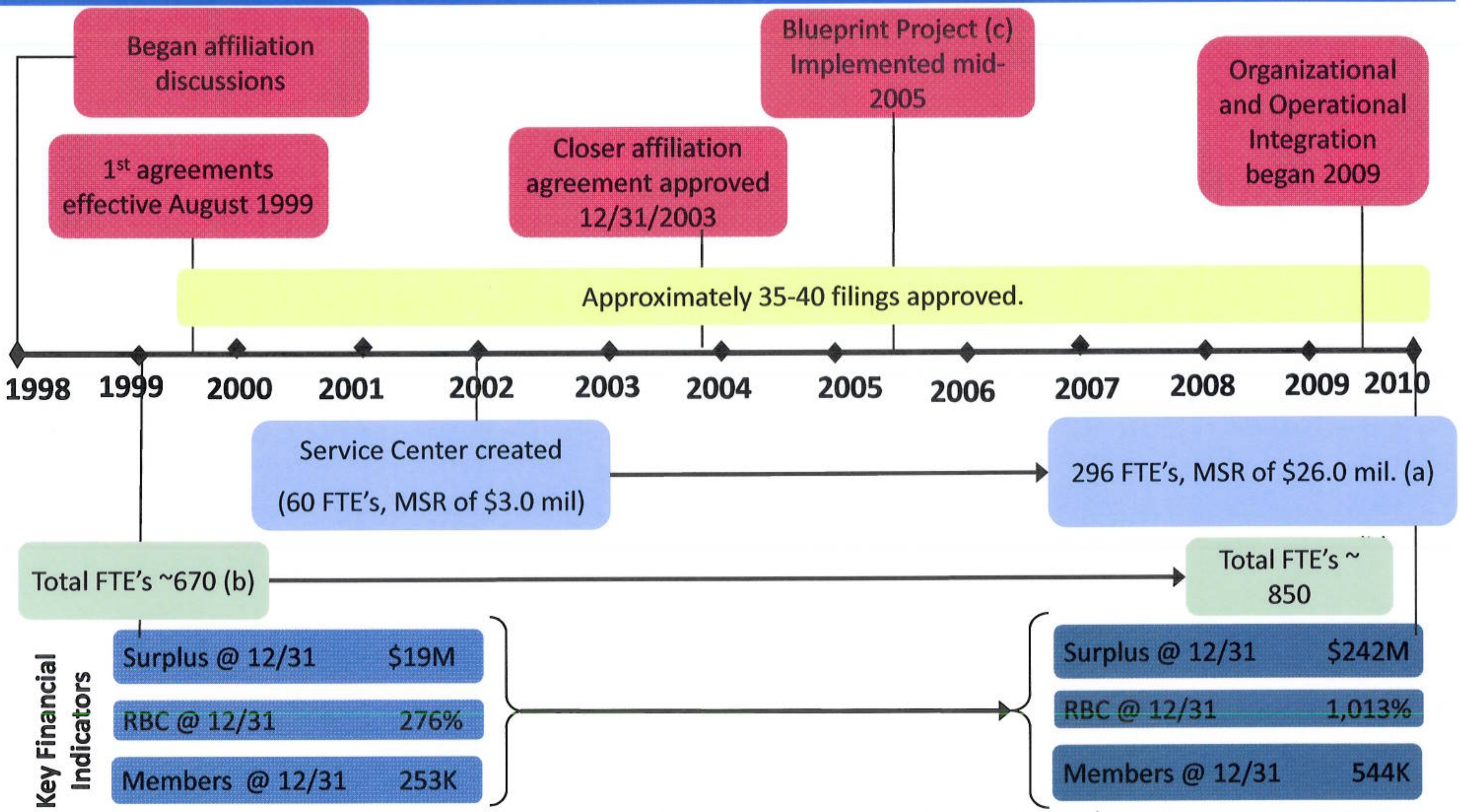
EXHIBIT 6

Highmark/West Virginia Affiliation

Operational Update and Cost Structure

Proprietary & Confidential Draft

Highmark/West Virginia Relationship



(a) Over the past five years, the Service Center has contributed significantly to Highmark's generation of more than $106 million in economic activity for the Parkersburg region.

(b) Note: 1999 FTE count included 125 FTE's that worked on the PEIA account, which was lost in 2000. Those FTE's were redirected to other work, rather than displaced, due to the noted enrollment growth and creation of the service center.

(c) BluePrint – implementation of Highmark WV on Highmark core systems.

Blueprint Update - Today

Blueprint has Exceeded Expectations ….

- **Potential Cost Reductions –**
  - **Exceeded FTE efficiency target by 50% – Annual savings of $3.6M**
  - **FTE efficiencies have been instrumental in providing capacity for Blue Card business for which revenue has grown by almost 50%, or $8M annually since 2003**

- **Creation of Service Center**
  - **Positions eliminated via Blueprint cost reductions were redirected to the Service Center**
  - **Service center positions are reimbursed at cost + overhead**
  - **296 FTE's in service center today, generating $26M of annual revenue**

Blueprint Update - Today

- **Increased Functionality, Automation**
  - Highmark WV continues to gain efficiencies through technology and processes. Synergies continue between Highmark WV and PA to leverage best practices and gain cost efficiencies.
  - Highmark WV has gained the ability to offer new products and features of products through more efficient product development, expanded reporting capabilities and management programs for clients.
  - New capabilities and offerings include PHO (Physician Hospital Organization) tiered benefits, Value Based benefits, Blue Branded Dental, Blues on Call Plus, Patient Center Medical Home, Radiology and Oncology Management Programs
  - Leveraged Highmark's portal capabilities – employer/employee and provider (Navinet)
  - Associated new account wins: International Coal, Concept Mining, Alcan, ARH (represents 16,000 new members)
  - PPACA (Health Care Reform) Compliance

REDACTED

Other Integration Activities

- Medicare Advantage product in West Virginia
- Organizational/Operational Integration
  - Began 2009
  - Strategy Alignment
  - Wellness and Care Management
    - Blues on Call
    - Blue Distinction Centers
  - QualityBlue Provider programs
  - Consistent Procurement processes
  - Pharmacy Benefit Management (PBM)

Proprietary & Confidential Draft

REDACTED

EXHIBIT 7

HIGHMARK®

About Highmark
Vision, Mission & Values
Board and Officers
Newsroom
Corporate Profile
Public Policy
Procurement
Careers
Highmark Direct Stores
Government Business
Community Involvement
Highmark Companies

Home > About Highmark > Corporate Profile

About Highmark

Corporate Profile

Fast facts about Highmark

In This Section:

Who We Are
What We Do
Fast Facts
Our History
Awards We've Received
Corporate Report

Membership in our health care programs in Pennsylvania and West Virginia numbers 4.8 million people.

Our health, dental, vision, and supplemental health products businesses serve 32.6 million customers nationwide.

The company posted $14.6 billion in total combined revenue in 2010.

Highmark has maintained an "A" rating from Standard & Poor's and A.M. Best.

We received nearly 5.8 million customer and provider inquiries at our call centers in Pittsbur Camp Hill, Erie, and Johnstown.

The company processed 84.9 million health care claims.

Approximately 19,500 people are employed by Highmark, including about 10,500 in Pennsyl

Highmark contributed $175.1 million for programs in support of its corporate mission.

About Highmark's economic impact

Highmark's annual economic impact in Pennsylvania exceeds $2.5 billion. Highmark is a maj contributor to the economic vitality of the state as well as to the individual counties in which operate. Households, businesses, government, and other organizations throughout Pennsylv are recipients of substantial Highmark-related revenue.

The company paid nearly $260 million in federal, state, and local taxes, including property t in 2010.

Highmark employees logged 111,000 hours of volunteer service, valued at $2.19 million, an raised more than $2.74 million for communities in western and central Pennsylvania through Highmark's United Way campaign.

Learn about Our h

® Highmark is a registered mark of Highmark Inc. © 2011 Highmark Inc., All Rights Reserved

Highmark is an independent licensee of the Blue Cross Blue Shield Association, an association of Independent Blue Cross and Blue Shield Plans. The Cross and Blue Shield symbols are registered marks of the Blue Cross and Blue Shield Association, an Association of Independent Blue Cross and Bl Shield Plans.

Highmark Blue Cross Blue Shield serves the 29 counties of Western Pennsylvania. Highmark Blue Shield serves the 21 counties of Central Pennsylv and the Lehigh Valley as a full-service health plan. It also provides services in conjunction with Blue Cross of Northeastern Pennsylvania in Northeas Pennsylvania and Independence Blue Cross in Southeastern Pennsylvania.

EXHIBIT 8

* 5 4 7 7 1 2 0 1 0 2 0 1 0 0 1 0 0 *

ANNUAL STATEMENT

For the Year Ended December 31, 2010

of the Condition and Affairs of the

Highmark Inc.

NAIC Group Code..... 00812 , 00812 (Current Period) (Prior Period) NAIC Company Code..... 54771 Employer's ID Number..... 23-1294723

Organized under the Laws of Pennsylvania State of Domicile or Port of Entry Pennsylvania Country of Domicile United States

Licensed as Business Type Hospital, Medical & Dental Service or Indemnity Is HMO Federally Qualified? Yes [ ] No [ ]

Incorporated/Organized..... December 6, 1996 Commenced Business..... December 6, 1996

Statutory Home Office	1800 Center Street..... Camp Hill ..... PA ..... 17011 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	120 Fifth Avenue Suite 924..... Pittsburgh ..... PA ..... 15222-3024 *(Street and Number) (City or Town, State and Zip Code)*	412-544-7000 *(Area Code) (Telephone Number)*
Mail Address	120 Fifth Avenue Suite 924..... Pittsburgh ..... PA ..... 15222-3024 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	120 Fifth Avenue Suite 924..... Pittsburgh ..... PA ..... 15222-3024 *(Street and Number) (City or Town, State and Zip Code)*	412-544-6902 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.highmark.com	
Statutory Statement Contact	Janine Kopas Colinear *(Name)* janine.colinear@highmark.com *(E-Mail Address)*	412-544-6902 *(Area Code) (Telephone Number) (Extension)* 412-544-8674 *(Fax Number)*

OFFICERS

Kenneth Rudolph Melani, M.D. .... President and CEO
Nanette Paden DeTurk .... Treasurer and CFO
Maureen Loftus Hogel, Esquire #........ Corporate Secretary

OTHER OFFICERS

Ray Hunter Carson, Jr. #	Executive Vice President	Elizabeth Ann Farbacher	Executive Vice President
David Lynn Holmberg	Executive Vice President	Thomas William Kerr	Executive Vice President
Daniel Jay Lebish	Executive Vice President	David Michael O'Brien	Executive Vice President
Matthew Vincent Thomas Ray #	Executive Vice President	Deborah Lynn Rice	Executive Vice President

DIRECTORS OR TRUSTEES

John Robert Baum, Ph.D.	David Arthur Blandino, M.D.	Rosario Yvonne Campos	Thomas John Castellano, M.D.
John Sanderson Cramer	John Henry Damcott, D.M.D.	Don Parks Foster, Esquire	Rufus Ayers Fulton, Jr.
William Michael George	Joseph Clinton Guyaux	Gretchen Frances Robinson Haggerty, Esquire	Calvin Barksdale Johnson, M.D., MPH #
Mark Scott Kamlet, Ph.D.	David Michael Matter	Glen Theodore Meakem	Kenneth Rudolph Melani, M.D.
Victor Alverez Roque	Susan Weiss Shoval	William John Stallkamp	William Elton Trueheart, Ed.D.
Doris Annette Carson Williams			

State of........ Pennsylvania
County of..... Allegheny

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Kenneth Rudolph Melani, M.D.	Nanette Paden DeTurk	Maureen Loftus Hogel, Esquire
President and CEO	Treasurer and CFO	Corporate Secretary

Subscribed and sworn to before me
This 24th day of February, 2011

Patricia F. Woltjen

a. Is this an original filing? Yes [X] No [ ]
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Patricia F. Woltjen, Notary Public
City of Pittsburgh, Allegheny County
My Commission Expires Sept. 5, 2011
Member, Pennsylvania Association of Notaries

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	1,420,855,915	0	1,420,855,915	1,365,408,680
2. Stocks (Schedule D):				
2.1 Preferred stocks	5,655,603	0	5,655,603	2,417,052
2.2 Common stocks	2,840,973,930	0	2,840,973,930	2,583,739,473
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $.....0 encumbrances)	71,314,623	0	71,314,623	74,905,035
4.2 Properties held for the production of income (less $.....0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less $.....0 encumbrances)	0	0	0	0
5. Cash ($.....(5,334,617), Sch. E-Part 1), cash equivalents ($.....16,997,873, Sch. E-Part 2) and short-term investments ($.....211,766,055, Sch. DA)	223,429,311	0	223,429,311	273,617,793
6. Contract loans (including $.....0 premium notes)	0	0	0	0
7. Derivatives	11,770,891	0	11,770,891	9,351,755
8. Other invested assets (Schedule BA)	228,440,961	0	228,440,961	239,853,930
9. Receivables for securities	482,448	0	482,448	80,336
10. Securities lending reinvested collateral assets	312,719,328	0	312,719,328	216,127,125
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	5,115,643,010	0	5,115,643,010	4,765,501,179
13. Title plants less $.....0 charged off (for Title insurers only)	0	0	0	0
14. Investment income due and accrued	14,940,224	0	14,940,224	16,806,899
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection	270,903,666	22,247,405	248,656,261	254,090,162
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $.....0 earned but unbilled premiums)	0	0	0	0
15.3 Accrued retrospective premiums	28,900,053	0	28,900,053	38,836,458
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	2,408,410	0	2,408,410	2,455,181
16.2 Funds held by or deposited with reinsured companies	3,879,861	0	3,879,861	2,208,871
16.3 Other amounts receivable under reinsurance contracts	0	0	0	0
17. Amounts receivable relating to uninsured plans	171,290,043	3,767,975	167,522,068	70,389,766
18.1 Current federal and foreign income tax recoverable and interest thereon	75,496,281	0	75,496,281	92,413,005
18.2 Net deferred tax asset	191,217,216	86,253,595	104,963,621	5,219,478
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	176,144,496	166,432,095	9,712,401	15,745,844
21. Furniture and equipment, including health care delivery assets ($.....0)	27,121,419	27,121,419	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	68,522,541	708,294	67,814,247	48,964,975
24. Health care ($.....86,201,621) and other amounts receivable	168,589,975	54,350,628	114,239,347	188,386,980
25. Aggregate write-ins for other than invested assets	366,039,429	292,553,699	73,485,730	85,950,723
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	6,681,096,624	653,435,110	6,027,661,514	5,586,969,521
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. TOTALS (Lines 26 and 27)	6,681,096,624	653,435,110	6,027,661,514	5,586,969,521
DETAILS OF WRITE-INS				
1101.	0	0	0	0
1102.	0	0	0	0
1103.	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Cash surrender value life insurance	71,373,268	0	71,373,268	67,820,406
2502. Prepaid postretirement plan asset	74,800,184	74,800,184	0	0
2503. Prepaid pension plan asset	140,649,518	140,649,518	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	79,216,459	77,103,997	2,112,462	18,130,317
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	366,039,429	292,553,699	73,485,730	85,950,723

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1. Claims unpaid (less $.....118,878 reinsurance ceded)	496,975,947	0	496,975,947	506,210,079
2. Accrued medical incentive pool and bonus amounts	10,693,000	0	10,693,000	10,800,000
3. Unpaid claims adjustment expenses	9,616,614	0	9,616,614	12,273,563
4. Aggregate health policy reserves	302,356,835	0	302,356,835	258,247,950
5. Aggregate life policy reserves	0	0	0	0
6. Property/casualty unearned premium reserve	0	0	0	0
7. Aggregate health claim reserves	9,907	0	9,907	4,773
8. Premiums received in advance	124,243,219	0	124,243,219	133,361,067
9. General expenses due or accrued	321,201,041	0	321,201,041	293,921,944
10.1 Current federal and foreign income tax payable and interest thereon (including $..........0 on realized capital gains (losses))	0	0	0	0
10.2 Net deferred tax liability	0	0	0	0
11. Ceded reinsurance premiums payable	5,654	0	5,654	0
12. Amounts withheld or retained for the account of others	2,575,646	0	2,575,646	7,046,771
13. Remittances and items not allocated	0	0	0	0
14. Borrowed money (including $.....50,000,000 current) and interest thereon $.....6,315,198 (including $.....6,315,198 current)	369,343,750	0	369,343,750	427,742,358
15. Amounts due to parent, subsidiaries and affiliates	44,015,813	0	44,015,813	39,055,171
16. Derivatives	11,770,891	0	11,770,891	9,351,755
17. Payable for securities	3,814,865	0	3,814,865	2,423,985
18. Payable for securities lending	312,719,328	0	312,719,328	216,127,125
19. Funds held under reinsurance treaties with ($..........0 authorized reinsurers and $..........0 unauthorized reinsurers)	0	0	0	0
20. Reinsurance in unauthorized companies	0	0	0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
22. Liability for amounts held under uninsured plans	225,530,704	0	225,530,704	132,711,715
23. Aggregate write-ins for other liabilities (including $.....63,481,290 current)	78,548,578	0	78,548,578	142,925,959
24. Total liabilities (Lines 1 to 23)	2,313,421,792	0	2,313,421,792	2,192,204,215
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX	0	0
27. Preferred capital stock	XXX	XXX	0	0
28. Gross paid in and contributed surplus	XXX	XXX	0	0
29. Surplus notes	XXX	XXX	0	0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	3,714,239,722	3,394,765,306
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 $..........0)	XXX	XXX	0	0
32.2 .....0.000 shares preferred (value included in Line 27 $..........0)	XXX	XXX	0	0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	3,714,239,722	3,394,765,306
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	6,027,661,514	5,586,969,521

DETAILS OF WRITE-INS

	1	2	3	4
2301. Funds held as agent for others	55,228,241	0	55,228,241	120,984,572
2302. Highmark Foundation commitment	0	0	0	19,276,046
2303. Caring Foundation commitment	19,067,288	0	19,067,288	2,026,046
2398. Summary of remaining write-ins for Line 23 from overflow page	4,253,049	0	4,253,049	639,295
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	78,548,578	0	78,548,578	142,925,959
2501.	XXX	XXX	0	0
2502.	XXX	XXX	0	0
2503.	XXX	XXX	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.	XXX	XXX	0	0
3002.	XXX	XXX	0	0
3003.	XXX	XXX	0	0
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	19,165,517	19,743,602
2. Net premium income (including $..........0 non-health premium income)	XXX	6,274,489,936	6,107,969,441
3. Change in unearned premium reserves and reserve for rate credits	XXX	3,560,864	(24,672,260)
4. Fee-for-service (net of $..........0 medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	6,278,050,800	6,083,297,181
Hospital and Medical:			
9. Hospital/medical benefits	0	4,535,424,349	4,674,248,485
10. Other professional services	0	0	0
11. Outside referrals	0	0	0
12. Emergency room and out-of-area	0	0	0
13. Prescription drugs	0	953,936,994	744,138,400
14. Aggregate write-ins for other hospital and medical	0	21,596,244	21,984,825
15. Incentive pool, withhold adjustments and bonus amounts	0	24,251,175	24,797,135
16. Subtotal (Lines 9 to 15)	0	5,535,208,762	5,465,168,845
Less:			
17. Net reinsurance recoveries	0	(13,146,899)	(18,801,286)
18. Total hospital and medical (Lines 16 minus 17)	0	5,548,355,661	5,483,970,131
19. Non-health claims (net)	0	0	0
20. Claims adjustment expenses, including $.....98,479,223 cost containment expenses	0	201,551,973	190,300,721
21. General administrative expenses	0	282,254,560	341,671,578
22. Increase in reserves for life and accident and health contracts including $..........0 increase in reserves for life only)	0	45,660,218	8,381,824
23. Total underwriting deductions (Lines 18 through 22)	0	6,077,822,412	6,024,324,254
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	200,228,388	58,972,927
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)	0	227,736,271	168,311,442
26. Net realized capital gains or (losses) less capital gains tax of $..........0	0	84,622,434	15,854,553
27. Net investment gains or (losses) (Lines 25 plus 26)	0	312,358,705	184,165,995
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $..........0) (amount charged off $..........0)]	0	0	0
29. Aggregate write-ins for other income or expenses	0	(220,383,138)	(160,540,757)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	292,203,955	82,598,165
31. Federal and foreign income taxes incurred	XXX	10,999,653	8,392,570
32. Net income (loss) (Lines 30 minus 31)	XXX	281,204,302	74,205,595

DETAILS OF WRITE-INS

	1 Uncovered	2 Total	3 Total
0601.	XXX	0	0
0602.	XXX	0	0
0603.	XXX	0	0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX	0	0
0702.	XXX	0	0
0703.	XXX	0	0
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Dental claims expense	0	6,834,296	6,328,608
1402. Vision claims expense	0	14,761,948	15,656,217
1403.	0	0	0
1498. *Summary of remaining write-ins for Line 14 from overflow page*	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	21,596,244	21,984,825
2901. Community Health Reinvestment expense	0	(66,265,784)	(58,681,794)
2902. Other expense	0	(154,117,354)	(101,858,963)
2903.	0	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	(220,383,138)	(160,540,757)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	3,394,765,306	3,063,137,999
34. Net income or (loss) from Line 32	281,204,302	74,205,595
35. Change in valuation basis of aggregate policy and claim reserves	0	0
36. Change in net unrealized capital gains and (losses) less capital gains tax of $ 0	(33,342,424)	382,202,446
37. Change in net unrealized foreign exchange capital gain or (loss)	0	0
38. Change in net deferred income tax	10,712,931	(2,188,103)
39. Change in nonadmitted assets	60,899,607	(122,592,631)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles	0	0
44. Capital changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)	0	0
44.3 Transferred to surplus	0	0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	0	0
46. Dividends to stockholders	0	0
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	319,474,416	331,627,307
49. Capital and surplus end of reporting period (Line 33 plus 48)	3,714,239,722	3,394,765,306

DETAILS OF WRITE-INS

4701.	0	0
4702.	0	0
4703.	0	0
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

EXHIBIT 9

WTAE.com

Highmark To Buy West Penn Allegheny Health System

Related To Story

Health Insurer Will Be In Competition With UPMC In Pittsburgh

POSTED: 10:23 am EDT June 28, 2011
UPDATED: 5:00 pm EDT June 28, 2011

PITTSBURGH -- Highmark, Pennsylvania's largest health insurer, said Tuesday that it will buy West Penn Allegheny Health System -- a move that administrators said will save jobs and create growth.

"We have been starved for capital," West Penn Allegheny chairman David McClenahan said. "We need a capital partner."

An immediate $50 million grant will be pumped into WPAHS to shore up and strengthen West Penn Hospital in Bloomfield and the Forbes Regional campus in Monroeville.

"This is about maintaining the jobs we have in the system. Without this transition, we've got 11 or 12,000 jobs that would have been in jeopardy," Highmark president and CEO Dr. Ken Melani said.

There will be a total financial commitment of up to $475 million over four years, Highmark said, including $75 million to fund scholarships for students attending WPAHS-affiliated medical schools and to support other health professional education programs.

"It's only going to grow, so, from that perspective, this will be a win for the community in terms of overall job growth over time," Melani said.

Highmark said subscribers who currently use UPMC can continue to do so -- as long as the Pittsburgh health care giant signs on as an in-network insurer. Terms of such a contract would have to be negotiated.

At a news conference, Highmark and West Penn Allegheny hammered UPMC for focusing on competition and profits in health care. They said UPMC has dominated the Pittsburgh market, as well as the payment process, by not allowing patients to have access to WPAHS facilities.

Highmark said it will open contracts to all willing insurers, including local health care giant UPMC, but terms would have to be negotiated. They said they want patients to have access to as many facilities as possible and do not want to engage in competition, which they said UPMC has done aggressively so far.

"Do you see the Red Cross trying to take down the Salvation Army? I don't think so," McClenahan said. "But that's what has happened over the past 10 years as UPMC has tried to put our health care system out of business."

In a statement, UPMC told Channel 4 Action News that West Penn Allegheny created its own problems over the last 10 years by mismanaging its health care system, and that UPMC will remain committed to competition and choice.

Highmark said it will not aggressively go after patients but will offer guidance for those who want to make the transition if UPMC doesn't sign on as an insurer.

"If, for some chance, UPMC continues to say it will not contract with Highmark, then that's a decision they will have to make, and we will have to deal with that," Melani said.

"Patients will have to make a decision on which health care plan they choose," McClenahan said.

The Highmark-West Penn Allegheny deal still has to pass governmental regulations before final approval.

As part of the deal, West Penn Allegheny President Dr. Christopher Olivia will step down and be a consultant to Highmark.

Previous Stories:

- April 13, 2011: Highmark Shoots Down West Penn Allegheny Merger Rumor

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EXHIBIT 10

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF DELAWARE

In the matter of:	:	
Proposed Affiliation of	:	
BCBSD, Inc. Doing Business As	:	**Docket No. 99-09**
Blue Cross and Blue Shield Of	:	
Delaware, With CareFirst, Inc.	:	

<u>FINAL ORDER AND DECISION</u>

WHEREAS, on December 23, 1998, CareFirst, Inc., a not-for-profit Maryland corporation (hereafter "CareFirst") and BCBSD, Inc., doing business as Blue Cross and Blue Shield of Delaware, a Delaware non-profit health services corporation (hereafter "BCBSD"), entered upon a Business Affiliation Agreement, and thereafter sought review and approval of their plan of affiliation by the Delaware Department of Insurance, pursuant to Chapters 3, 50 and 63 of the Title 18, Delaware Code; and

WHEREAS, on June 18, 1999, I appointed retired judge Battle R. Robinson as Hearing Officer herein, pursuant to 29 <u>Del.</u> <u>C.</u>, § 10125; and

WHEREAS, on July 7, 1999, the Attorney General's unopposed application for party status was granted by the Hearing Officer; and

WHEREAS, in accordance with 29 Del. C., Chapter 101 et seq. and 18 Del. C., Chapters 3 and 50, a hearing was held before Hearing Officer Battle R. Robinson, Esquire, on October 25, 26, 1999; and

WHEREAS, at the hearing all parties and interested persons were heard with respect to the proposed affiliation and a period for further comment was provided; and

WHEREAS, the Hearing Officer thereafter issued her Proposed Findings, Recommendations and Order on January 4, 2000; and

WHEREAS, all parties of record were given the opportunity to submit comments and exceptions to the Hearing Officer's Proposed Findings, Recommendations and Order; and

WHEREAS, the findings of fact and conclusions of law contained in the Proposed Findings, Recommendations and Order are well reasoned and amply supported by the summary of evidence also contained therein.

NOW, THEREFORE, IT IS ORDERED, that the summary of evidence, findings of fact, and conclusions of law contained in the Hearing Officer's Proposed Findings, Recommendations and Order (attached hereto as Exhibit A), with the exceptions and modifications noted below, are incorporated by reference and adopted herein as an integral part of this Final Order and Decision.

Attached to Hearing Officer Robinson's proposed decision as "Attachment A" thereto are a series of recommended conditions upon which she believes approval of this transaction should be based. Retaining most of the intent and substance of those suggested conditions, I have modified and augmented certain of them to strengthen and give more specificity to this Department's (and the Attorney General's) oversight ability hereafter with respect to future activities and transactions of CareFirst and BCBSD and to better assure that no substantial alteration of BCBSD health services as currently provided in Delaware can occur absent prior notice and approval of the Insurance Commissioner and the Attorney General. These revised conditions on which approval of this transaction is predicated and which must be observed by CareFirst and BCBSD as adopted in this Final Order and Decision are attached hereto as Exhibit B. The conditions as set forth by Hearing Officer Robinson and referred to in her proposed recommendations and order are amended as necessary to conform to Exhibit B hereto.

With the exceptions as noted, in all other respects the Proposed Findings, Recommendations and Order of Hearing Officer Robinson are confirmed as correct and adopted.

For the reasons set forth herein, including Exhibits A and B, the affiliation of CareFirst and BCBSD, as outlined in the Business Affiliation Agreement, is hereby

APPROVED, subject to scrupulous adherence to Conditions Nos. 1-20 set forth in Exhibit B.

SO ORDERED this 20th day of March, 2000.

Donna Lee H. Williams

DONNA LEE H. WILLIAMS
Insurance Commissioner

EXHIBIT B

REQUIRED CONDITIONS

1. BCBSD, GHMSI and BCBSMD and CareFirst must maintain their separate corporate identities for legal, financial, accounting, tax and insurance regulatory purposes.

2. BCBSD will continue to be bound by, and conduct its affairs pursuant to, the requirements of 18 Del. C. Ch. 63.

3. CareFirst and BCBSD must agree to comply with the provisions of 18 Del. C. Ch. 50 (Insurance Holding Company System Registration). CareFirst must also agree to the general supervisory authority of the Delaware Insurance Commissioner pursuant to 18 Del. C. Ch. 3.

4. The Boards of Directors of BCBSD and CareFirst shall be restructured, to the extent necessary, to (i) comply with the terms of the draft amended Certificates of Incorporation and By-Laws of the two companies (Joint Exhibits 9, 10, 11, and 12); (ii) minimize interlocking directors by assuring that no less than two members of the Board of Directors of each Board are outside directors who shall not at the same time also serve on the Board of BCBSD or any subsidiary or affiliate of BCBSD (in the case of CareFirst Directors) or on the Board of GHMSI, BCBSMD, CareFirst or any of their subsidiaries or affiliates (in the case of BCBSD Directors); (iii) ensure that no officer or employee of BCBSD or CareFirst is on either Board and (iv) provide that all of the members of the BCBSD Board shall be residents of the State of Delaware. Any change in this structure must receive prior approval of the DOI.

5. The following transfers of assets by BCBSD to GHMSI, BCBSMD, CareFirst or its subsidiaries or any of their affiliates, or any subsequent agreement providing for or facilitating such transfers, are subject to the following conditions and prior approval of the Commissioner, as follows:

(i) Cost allocations: Payment pursuant to cost allocation agreements, service contracts, management, rental and any similar intercompany agreements which exceed $500,000 in the aggregate in any fiscal year (which shall not be less than 365 calendar days) shall be subject to the prior approval of the Commissioner;

(ii) Mandatory transfers: For any transfer for capital reserves, claims payments and other legally enforceable obligations, as defined in the Amended and Restated Intercompany Agreement, from the assets of BCBSD, such transfers shall be in the form of a loan or surplus note, subject to reasonable commercial terms, including but not limited to proper loan or surplus note documentation. Any such mandatory transfers from BCBSD to GHMSI, BCBSMD, CareFirst or its subsidiaries or any of their affiliates which exceed $500,000 in the aggregate in any fiscal year (which shall not be less than 365 calendar days) shall be subject to the prior approval of the Commissioner. Prior to making a "mandatory transfer," as defined in the Amended and Restated Intercompany Agreement, the company receiving the transfer from BCBSD must develop a business plan to eliminate the problem(s) that created the need for the transfer. The plan must include a timeframe within which the funds transferred will be repaid to BCBSD. In addition, the plan must be filed with and approved by the receiving company's domiciliary insurance commissioner and the Delaware Insurance Commissioner;

(iii) Discretionary transfers: For any discretionary transfers, as that term is defined in the Amended and Restated Intercompany Agreement, from the assets of BCBSD (including the assets of its subsidiaries), such transfers shall be in the form of a loan or surplus note, subject to reasonable commercial terms, including but not limited to proper loan or surplus note documentation. Any such discretionary transfers which exceed $500,000 in the aggregate in any fiscal year (which shall not be less than 365 calendar days) shall be subject to the prior approval of the Commissioner. A discretionary transfer may not be made if the transfer would cause the aggregate balance of outstanding mandatory and discretionary transfers to 1) exceed 10 percent of BCBSD's total admitted assets, 2) exceed 50 percent of its policyholder surplus or 3) cause the RBC ratio to fall below 250% of the authorized control level.

(iv) BPIC Modification: Notwithstanding any provision in the Amended and Restated Intercompany Agreement or any of the related agreements to the contrary, BCBSD shall not assume any liability for, or pay any portion of, the BPIC Modification, as that term is defined in the Amended and Restated Intercompany Agreement, without the express written approval of the DOI. Further, any such assumption of the liability for or payment of the BPIC Modification by BCBSD shall be conditioned upon the submission of a business plan by the entity responsible for such obligation as to the necessity for the assumption or payment by BCBSD, the steps to be taken to remedy the problem which necessitates the involvement of BCBSD, the method of repaying BCBSD for any such assumption or payment, the time within which such repayment shall be made, and the financial benefit to BCBSD of such assumption or payment.

BCBSD must notify the Commissioner in writing of its intention to engage in any transfer that requires the approval of the Commissioner under this paragraph at least 30 days prior to the actual transfer and may engage in the transfer only if the Commissioner approves the transfer in writing. Such transfer shall not be deemed to be approved if the Commissioner has not responded to the request for approval by the end of the 30 days.

A transfer shall not be made, and the Commissioner shall not approve a transfer, which 1) does not meet all requirements of applicable law, 2) does not comply with the terms of the Amended and Restated Intercompany Agreement, 3) would cause the policyholder surplus of BCBSD to fall below statutory reserve requirements of the BCBSA, or 4) would cause the RBC ratio to fall below 250% of the authorized control level.

All transfers of money, notes, investments, equipment or other assets among BCBSD and GHMSI, BCBSMD and CareFirst or any subsidiaries or other affiliates must be properly recorded in the financial records of BCBSD and documented by a note or other evidence of indebtedness, as an asset of the transferring company and as a liability of the transferee company, unless adequate, reasonable consideration for the transfer has been obtained and documented.

All obligations of BCBSD pursuant to Section II of the Amended and Restated Intercompany Agreement shall cease as of the date of termination of such agreement under Section VII of that agreement; except any obligations of BCBSD to make mandatory transfers pursuant to Section II(a) or transfer for other legally enforceable obligations pursuant to Section II(c) of that agreement, subject to the other conditions set forth herein, for which BCBSD received prior notice of such request under Section II(a) or Section II(c) for the Requesting Party prior to notice by any party of the intent to terminate the agreement. In no event shall any transfers by BCBSD be permitted to be made pursuant to Section II(b) after notice of termination of the agreement has been given.

6. BCBSD shall not participate in any joint venture(s) with CareFirst, BCBSMD, GHMSI or any of their subsidiaries or affiliates to purchase any asset or assets having a total purchase price aggregating more than $500,000 for any fiscal year without the prior written approval of the DOI.

7. Based upon further review of the entire record herein by the Department, it was disclosed that BCBSD had a Rabbi Trust with a balance of $5.5 million as of record date, June 30, 1999. This Rabbi Trust was established in 1991. On a statutory basis, the Rabbi Trust was considered to be a non-admitted asset and as such, reduced surplus. The Rabbi Trust will be funded with an additional $9.9 million of the approximate $15 million cost prior to the close of the affiliation. The $9.9 million combined with the existing balance will be the source of payments for early retirement options under the officer employment agreements. On a statutory basis, the $9.9 million funding will cause an additional reduction in policyholder surplus. The financial impact hereafter upon BCBSD of its officer employment agreements is not prohibited under the Delaware Insurance Code. However, it is strongly recommended that the Attorney General of the State of Delaware, as the party representing the public beneficiaries of BCBSD, hereafter continue to review BCBSD/CareFirst executive compensation issues as they relate to the interest of such public beneficiaries pursuant to the other relevant conditions set forth herein, including prior notice of all significant transactions to the DOJ as well as the DOI.

8. Any contracts between BCBSD and its executive officers which contain provisions for compensation to be paid in the event of a change of control shall not be renewed or extended beyond their current expiration dates without the prior approval of the DOI. For a period of two years following the effective date of affiliation, any new agreements entered into by BCBSD or CareFirst with any of the ten executives covered by the current contracts and which provide for compensation in the event of a change of control shall be filed with the DOI and the DOJ.

9. BCBSD shall maintain its not-for-profit status for at least two years from the date the Affiliation becomes effective. Thereafter, as provided in paragraph 10, it shall not convert to a for-profit status without the approval of the Commissioner and of such other governmental entities as may be required.

10. Any change in the corporate status of BCBSD, including dissolution, merger or change (or conversion) to a for-profit status must receive the prior written approval of the DOI. Likewise, any change in the financial, accounting, or tax reporting methodologies of BCBSD must receive prior written approval of the DOI. No sale or transfer of all, or substantially all, of the assets of BCBSD shall take place without prior written approval of the DOI. Any change in the corporate structure of CareFirst or any of the affiliates which is required to be filed with another regulator must also be simultaneously filed with the DOI.

11. The By-Laws of BCBSD shall provide that upon any dissolution its assets shall be distributed to another non-profit entity. Article Eight of the draft Amended and Restated Certificate of Incorporation of BCBSD which was admitted into the record at the October 25, 1999 hearing as Joint Exhibit 9 and which was approved by the DOI and the DOJ shall not be amended or altered without prior approval of the DOI and the DOJ.

12. Within 60 days of the date the Affiliation becomes effective, BCBSD shall provide to the DOI for approval a proposal outlining the method for performing a valuation of BCBSD as of the date the Affiliation is effective. The purpose of such valuation is to facilitate a future distribution of assets, in the event of a future dissolution or conversion to a for-profit entity. The proposal should be consistent with the approach being taken to develop similar evaluations of GHMSI and BCBSMD under the direction of the District of Columbia Division of Insurance and Securities Regulation and the Maryland Insurance Administration and include the same information. Such evaluation methodology shall also take into consideration any changes in the value of BCBSD from the date the Affiliation becomes effective through the date of such dissolution or conversion to a for-profit entity.

13. BCBSD and CareFirst shall cooperate in any effort by the DISR, the MIA and the DOI to establish identical categories of information on all statutory financial statements and reports.

14. BCBSD and CareFirst shall cooperate in a market conduct examination by the DOI, possibly in conjunction with DISR and MIA, pursuant to Chapter 3 and Chapter 50 of Title 18 of the Delaware Code.

15. Within 180 days of the effective date of the Affiliation and annually thereafter, prior to any changes, BCBSD shall report to DOI in detail any planned rate increases, integration of products, service and administrative functions, any projected cost savings, and timetables for any proposed integration. Within 180 days of the effective date of the Affiliation and quarterly thereafter, BCBSD, prior to any changes, shall report to DOI in detail, and for each county of the state, proposed rate increases, changes in products, services and provider contractors, and proposed reduction in staff, and any proposed reduction in the size of, or the closing of, any facility.

16. After the effective date of the Affiliation, all rate increases, benefit changes and product changes of BCBSD shall be filed with the DOI for approval at least 60 days prior to the effective date of such change; provided, however, that such changes shall be deemed approved if the DOI does not object in writing to such change within such 60 day period.

17. Without the prior approval of the DOI, the Delmarva Health Plan shall not use the BCBS marks.

18. Whenever prior approval must be obtained from the DOI under any of these conditions, simultaneous notice shall be given to the DOJ.

19. These conditions are subject to further order as circumstances may require. These Findings and Recommendations and the Commissioner's Order are subject to further modification or amendment or further review either sua sponte by the Commissioner or by motion of a party.

20. BCBSD and CareFirst shall continue to be subject to the jurisdiction of the DOI for the purpose of implementing the terms of these conditions and the Final Order and Decision.

3/20/00