Organizational Structure

4 Request 3 – Current organizational structure

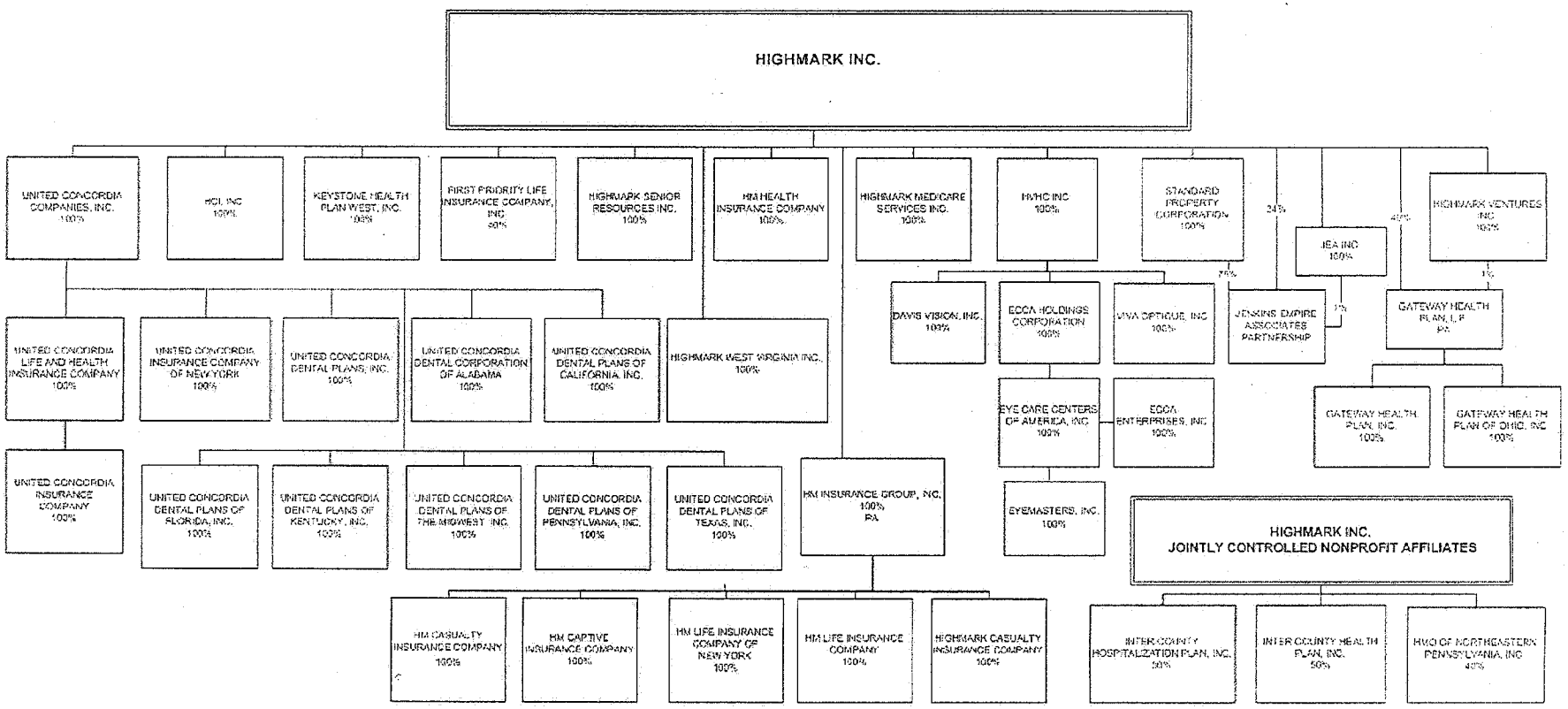


EXHIBIT
JOINT-79

HIGHMARK

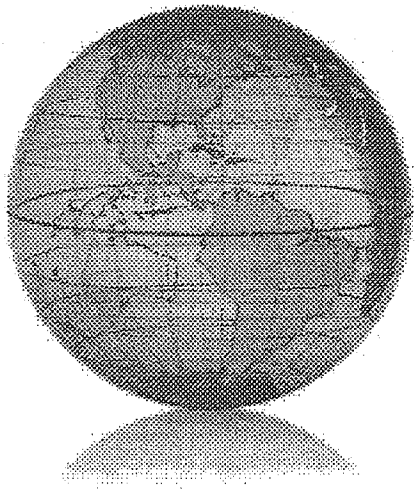
- Erin @ HM
- Ollie w/ Deloitte
McCoy

HIGHMARK

BlueCross BlueShield of Delaware

BCBSD Affiliation Program

Planning Overview



July 12, 2011

EXHIBIT
JOINT-80

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BCBSD Affiliation Guiding Principles

- Preserve market-facing functions in the Delaware market
- Utilize policies & procedures across the organization to minimize/eliminate compliance & control issues
- Address business & systems migrations concurrently
- Achieve efficiencies from enhanced productivity & reduced duplicative functions
- Minimize the impact on local employment levels as much as possible
  - Flexibility on timing & nature of any required impacts
  - May be able to offset impacts by identifying additional employment growth opportunities (e.g. DE business growth, Highmark enterprise positions, new business ventures)

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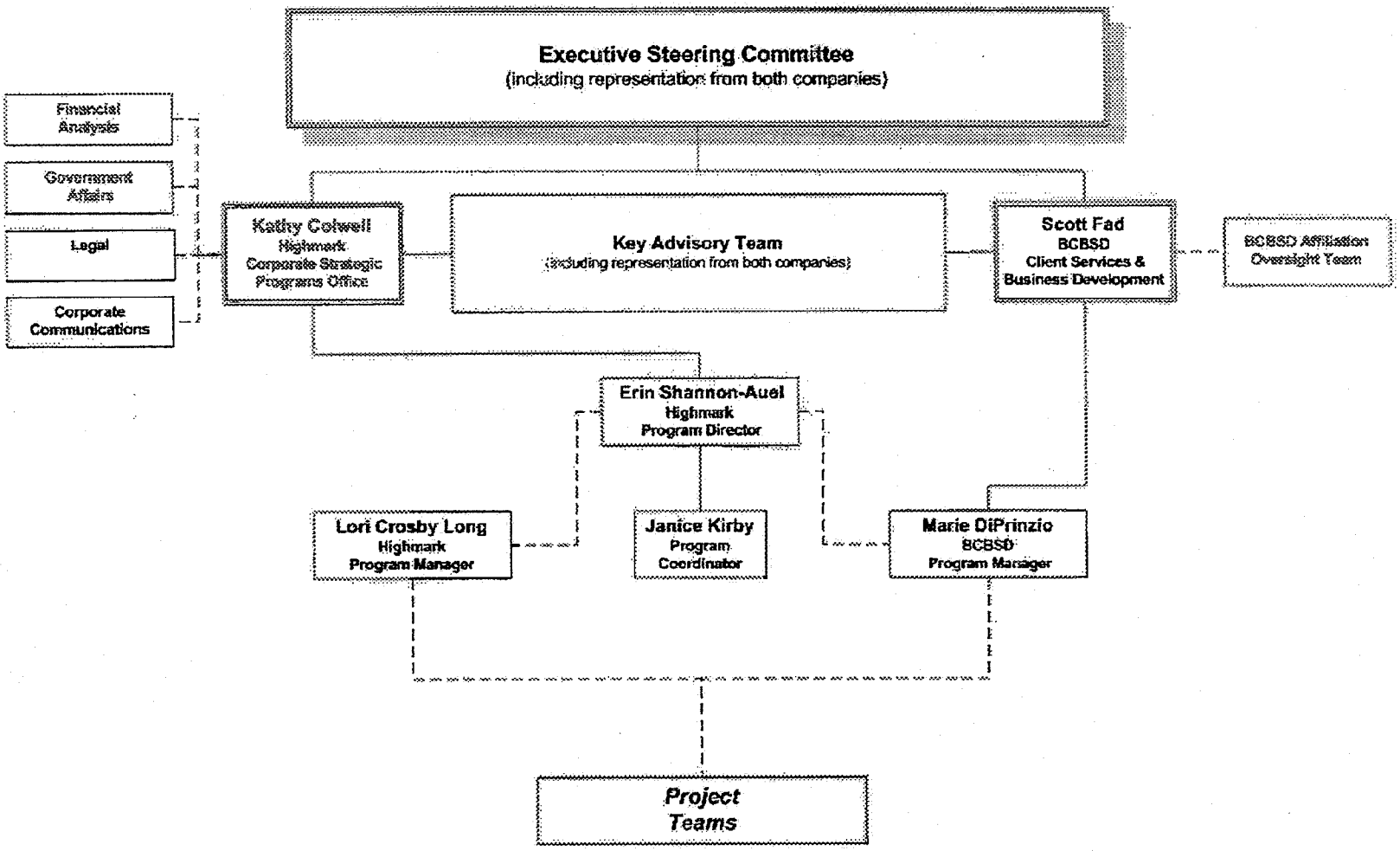
BCBSD Affiliation Program Team



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Cross-Functional Teams

Cross-Functional Team	Purpose	Team Leads/Members
Communications	▪ Develop communications strategy by determining the target audiences (e.g., employees, members, providers, vendors, brokers, financial institutions), message points, timing & appropriate methods of communication (e.g., electronic, written, verbal) ▪ Coordinate with sales, marketing, human resources, external affairs, finance, other internal & external groups to ensure consistent messaging	Darelle Riabov Kathy Colwell Melissa McKenzie
Employee Experience	▪ Manage the employee experience throughout the employee lifecycle ▪ Prepare onboarding requirements for orientation	Chris Lunney Darlene Thomas
Financial Analysis	▪ Manage financial analyses to capture business value drivers ▪ Select business value drivers include: Revenue Growth; Capital/Cost Avoidance; Medical Cost Improvements	Jim Hynek Ken Gebhard, Kelli Sinkovich
IT Application Development / SP&D	▪ Manage the portfolio of applications at both companies to ensure a consistent and standardized approach where possible	Sally Retzko Mary Shotsberger
Strategy	▪ Manage the strategic direction of the affiliation ▪ Manage legal & regulatory considerations	

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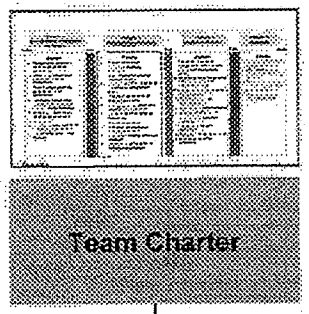
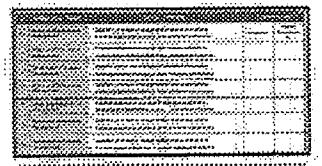
ollie Milony f/
Deloitte
→ Clean Room

Phase I Planning Process



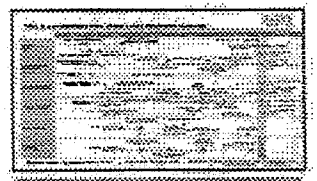
Team Charter

- Provide a summary of the work stream scope, team members, current state overview, key risks & interdependencies & main projects for each function, to reach a successful affiliation



Blueprint

- Develop end state vision
- Discuss current & end state summaries (People, Process & Technology)
- Provide post close goals, end state goals & required projects
- Identify processes, key risks & interdependencies
- Discuss business value drivers
- Identify milestone roadmap



Prioritization of Projects

- Group the projects outlined in the Blueprints based on importance & feasibility
- Provide timing & sequence for project activities
- Balance risk, speed & resource constraints

Planning

- Provide the business & technology roadmap for affiliation planning
- Synthesize inputs from the Team Charters & Affiliation Blueprints
- Develop project summary/charters, project plans & cost sheets

*Please refer to the appendix for more details on the documents & their location

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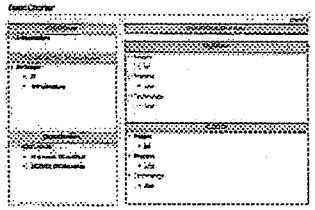
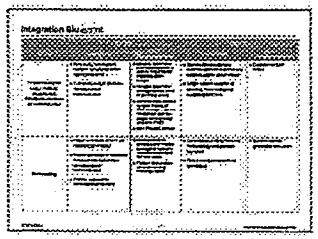
Phase I Deliverables

Deliverable	Description	Illustrative Example
Team Charter	The Team Charter was created to allow the teams to lay out their vision for the function during the affiliation process and establish scope, priorities and a high level timeline	
Blueprint	The Blueprint was developed to set the foundation for the affiliation to guide the process. The blueprint included details on functional design and processes and laid out end state vision, post close and end state requirements and high level milestones	

*Please refer to the appendix for more details on the documents & their location

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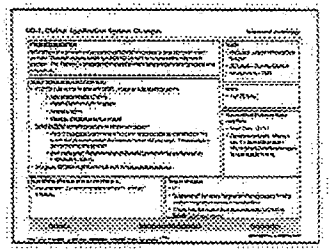
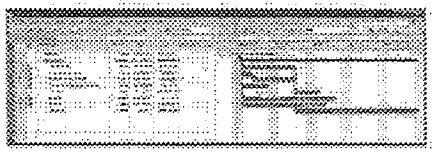
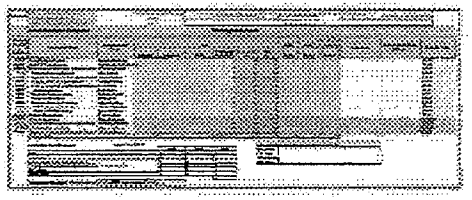
Planning Artifacts

Planning Tool	Description	Illustrative Example
Project Summary / Charter	The Project Charter contains a high level description of a project with the milestones, risks, dependencies and hours/costs.	
Project Plan	The Project Plan was created in MS Project, incorporating deliverables and artifacts of Highmark's project methodology for systems (HighRUP) or business processes (PMLC). The end result was a plan that outlines major milestones, activity-level timing, and inter- and intra-team dependencies	
Cost Sheets	A cost sheet was created for each of the Project Summaries / Charters. It includes incremental and BAU costs by cost center along with the Hardware, Software and other costs.	

*Please refer to the appendix for more details on the documents & their location

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BCBSD Affiliation Phase I Projects (70) – Cont.

Project Team	Project Code	Project Name
Informatics	IF1	Informatics Data Migration
	IF2	Informatics Policy and Reporting
	IF3	Procurement contract and process consolidation
	IF4	Informatics Data Management
IT Infrastructure	IT1	Day One Collaboration
	IT2	Security
	IT3	Network
	IT4	Planning
	IT5	IT Internal Application Migration
	IT6	Capacity Planning
	IT7	Affiliated IT Infrastructure Organization
LACEA	L1	Affiliated Legal Organization & Processes
	L2	Affiliated Audit Organization & Processes
	L3	Affiliated Admin Oversight Organization & Processes
	L4	Affiliated Compliance Organization & Processes
	L5	Affiliated External Affairs Organization & Processes
	L6	Miscellaneous IT
Medical Management	MM1	Pharmacy Management
	MM2	Affiliated Medical Management Organization Structure
	MM3	Medical Management Program & Policy Strategy
	MM4	Medical Management Platform & Systems Integration
	MM5	Contract Management (Med Mgmt & Provider)
Marketing & Product Development	MPD1	Product Management & Development
	MPD1-2	Medicare Advantage
	MPD1-3	Medicare Part D
	MPD2	Customer Engagement & Marketing Communications
	MPD3	Product Branding Strategy
	MPD4	Digital Strategy
	MPD5	Affiliated M&PD Organization Structure

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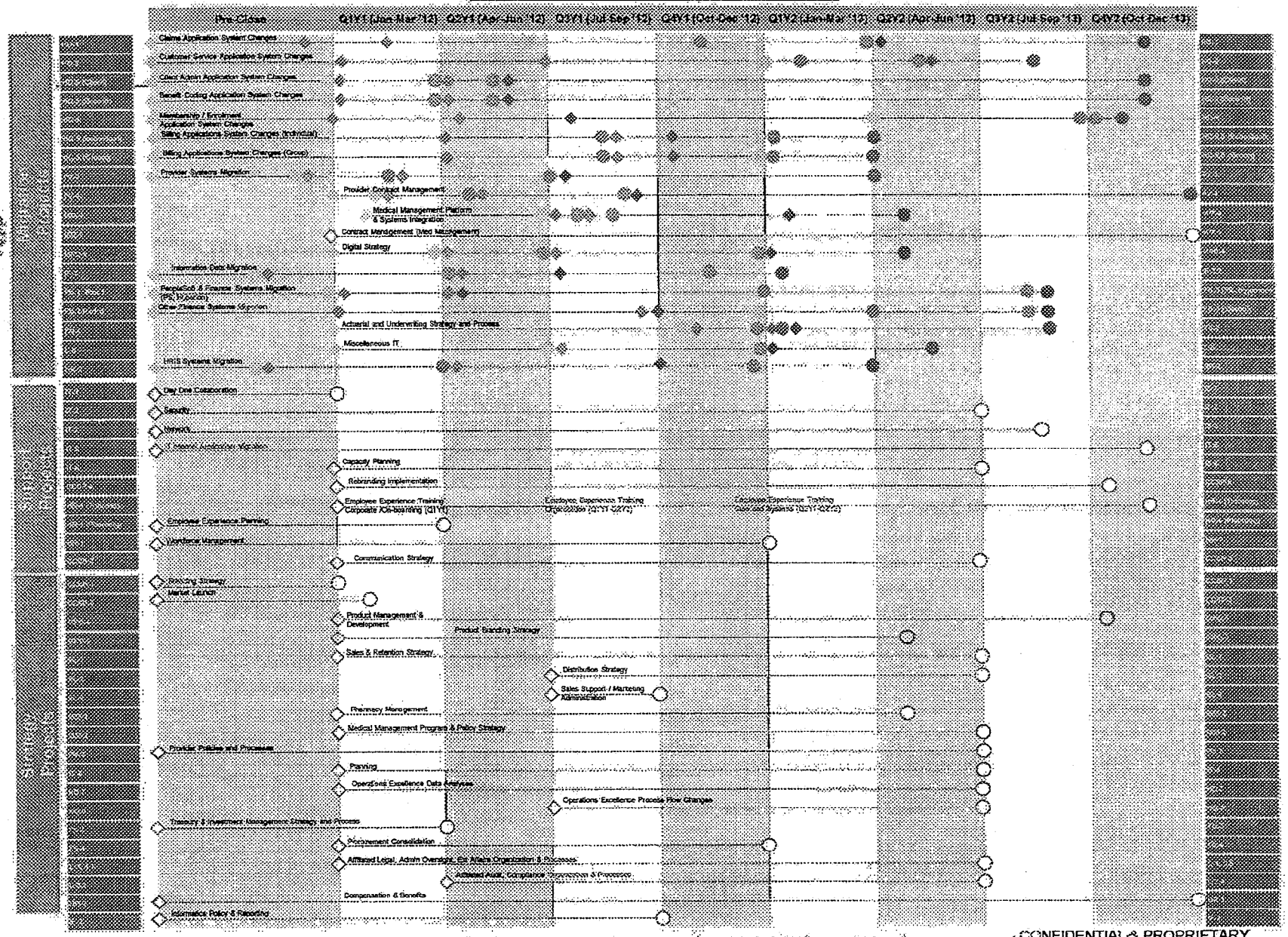
BCBSD Affiliation Project Roadmap



*While project planning will likely start pre-close, implementation will not start until after closing. All dates/years are illustrative only and actual implementation dates are contingent on approval and closing

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Phase II – Pre-Close

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Appendix

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Reference Documents

Deliverable	Description/Purpose	eRoom Location
BCBSD Affiliation Roadmap	The BCBSD Affiliation Roadmap is a live document that shows the start & end dates, as well as dates of interim phases for each of the affiliation projects. **This will continue to be updated as projects evolve and dates change**	8.0 Common Documents > Phase II – Pre-Close > E) General > BCBSD Affiliation Roadmap vXY.pdf
eRoom Training Guide	The eRoom Training Guide demonstrates the features of the BCBSD Affiliation eRoom and will serve as a guide for those unfamiliar with the eRoom	8.0 Common Documents > Phase II – Pre-Close > E) General > eRoom Training_vX.pdf
eRoom Expectations Guide	The eRoom Expectations Guide describes the various objects included within the eRoom & how they can be used. It also includes the expectations regarding the PMO Submissions & the Legal Submissions folders	8.0 Common Documents > Phase II – Pre-Close > E) General > BCBSD Affiliation Phase II eRoom Expectations Guide_vX.pdf
eRoom Navigation Guide	The eRoom Navigation guide describes the structure of the BCBSD Affiliation online community, as well as the purpose of individual folders.	8.0 Common Documents > Phase II – Pre-Close > E) General > BCBSD Affiliation eRoom Navigation Guide_vX.pdf
Document Retention Guidance	The Document Retention Guidance lays out the expectations for all associates working on the BCBSD Affiliation program with respect to document retention within the eRoom, their hard drives & their email	8.0 Common Documents > Phase II – Pre-Close > E) General > BCBSD Affiliation Document Retention Guidance_vX.pdf
Legal Review & Approval Process	The Legal Review & Approval Process lays out the expectations on legal review for all meeting materials & deliverables and includes details on timing related to legal review	8.0 Common Documents > Phase II – Pre-Close > E) General > BCBSD Affiliation Legal Review & Approval Process_vX.pdf
Legal Rules of the Road	The Legal Rules of the Road includes details on what documents & information can be shared between Highmark & BCBSD prior to approval	8.0 Common Documents > Phase II – Pre-Close > E) General > BCBSD Affiliation Rules of the Road_vX.pdf

*All documents referenced above are included in the BCBSD Affiliation Planning eRoom

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Blue Cross Blue Shield of Delaware
GAAP Statement of Income
2006 Through 2010
(Dollars in Thousands)

	2010	2009	2008	2007	2006
Premiums Earned	$ 498,656	$ 482,121	$ 483,768	$ 457,670	$ 421,469
Self Funded Fee and Other Income	46,435	47,858	45,559	47,023	47,316
Revenue	545,091	529,979	529,327	504,693	468,785
Incurred Care	424,007	422,234	422,230	387,816	349,107
Broker Commissions	17,497	18,263	18,427	16,207	13,100
Administrative Expenses	92,868	92,531	98,767	92,908	83,760
Community Related Expenses	2,419	714	849	4,006	1,088
Pension Settlement Expense	-	3,739	9,150	-	-
Income/(Loss) From Operations	8,300	(7,502)	(20,096)	3,756	21,730
Investment Income, Net	11,635	11,835	10,564	13,917	10,986
OTTI	-	(525)	(13,067)	-	(193)
Gain on Sale of Real estate	-	-	-	1,919	-
Income Before Taxes	19,935	3,808	(22,599)	19,592	32,523
Income Tax Provision(Benefit)	4,084	(927)	(4,200)	2,455	5,413
Net Income	$ 15,851	$ 4,735	$ (18,399)	$ 17,137	$ 27,110
Ratio Analysis					
MLR	85.0%	87.6%	87.3%	84.7%	82.8%
SG&A Expenses (% of Revenue)					
Broker Commissions	3.2%	3.4%	3.5%	3.2%	2.8%
Administrative Expenses	17.0%	17.5%	18.7%	18.4%	17.9%
Community Related Expenses	0.4%	0.1%	0.2%	0.8%	0.2%
Pension Settlement Expense	0.0%	0.7%	1.7%	0.0%	0.0%
Total Selling General & Administrative Expenses	20.7%	21.7%	24.0%	22.4%	20.9%
Investments					
Investments (Average - Current and Prior Year-end)	$ 242,935	$ 208,853	$ 212,795	$ 227,013	$ 205,059
Investment Income Yield, Net	4.8%	5.7%	5.0%	6.1%	5.4%
OTTI	0.0%	-0.3%	-6.1%	0.0%	-0.1%
Investments Impact	4.8%	5.4%	-1.2%	6.1%	5.3%

Note: See the accompanying narrative.

EXHIBIT
JOINT-81

Blue Cross Blue Shield of Delaware
Discussion of Historical Operating Results – GAAP Basis
2006 Through 2010

The following summarizes BCBSD's historical operating results and the key drivers of financial performance summarized by income statement line item. The attached income statement is presented on a GAAP basis of accounting. The accompanying ratios are presented on the same basis.

Premium Earned

During 2007 and 2008, premium earned grew between 6 and 9 percent. The growth was primarily driven by the Large Group (through both enrollment and premium yield growth) and the Individual Under 65 (driven by enrollment growth which was partially offset by declines in premium yield) market segments. Premium growth declined in 2009 and 2010 to between 0 and 3 percent due to declines in enrollment in the Individual Under 65, Small Group and Large Group market segments.

Self Funded Fee and Other Revenue

Overall, this line item remained consistent over the five year period. The composition has changed with Self Funded Fees gradually declining from 2005 through 2010 while Blue Card Host Revenue (ITS Access Fees) increased. This increase was due to BCBSD's election to no longer participate in the Blue Card consortium arrangement effective January 1, 2009.

Incurred Care (Medical Loss Ratio)

During the five year period, the following trends were noted by market segment:

- Medicfill (BCBSD's Medigap product) - MLRs during the period were between 68% and 74%.
- Individual Under 65 – Lagging the significant growth in this segment in 2007 and 2008, the MLRs reported for this segment rapidly increased from 68% in 2007 to 88% in 2008. Significant pricing actions in 2009 and 2010 decreased the MLR to the low 80s in 2010.
- Small Group – The MLR has been between 79% and 82% during the five year period.
- Large Group - Lagging the significant growth in this segment in 2007 and 2008, the MLRs reported for this segment consistently increased over the first four years of the period and significantly declined in 2010. The MLRs for these years are summarized as follows: 82% (2006), 85% (2007), 88% (2008), 92% (2009) and 85% (2010). The favorable result for 2010 is due in part to a focus on large group pricing during 2009 that continued in 2010.
- Stop Loss – This segment, with low enrollment for such a book of business, is subject to significant volatility and had an MLR during the period as follows: 90% (2006), 78% (2007), 111% (2008), 99% (2009) and 74% (2010).

Blue Cross Blue Shield of Delaware
Discussion of Historical Operating Results – GAAP Basis
2006 Through 2010

Broker Commissions

Broker commissions, as a percentage of revenue, increased from 2.8% in 2006 to 3.2% in 2007. Commissions remained relatively steady for the remainder of the five year period (between 3.2% and 3.5%).

Administrative Expenses

Administrative expenses on an annual basis during the period approximated $93 million. Exceptions were:

- 2006 for which BCBSD was affiliated with CareFirst and administrative expenses approximated $84 million.
- 2008 during which administrative expenses increased to approximately $99 million. The increased administrative expenses were related to the consulting expenses (related to the early retirement program, affiliation activities and re-engineering process) and severance expenses.

Community Related Expenses

For 2007 through 2010, Community Related Expenses consisted of routine contributions and grants to fund various health-related initiatives along with contributions to the Delaware Community Foundation representing payments in lieu of state corporate income taxes. The 2007 amount includes a one-time $1.5 million contribution to St. Francis Hospital and an initial contribution of $2 million to establish a donor-advised fund with the Delaware Community Foundation.

Pension Settlement Expense

During 2008, BCBSD implemented an early retirement program for certain employees. The combination of early and other retirees who elected to receive lump-sum payouts of their pension benefit resulted in BCBSD recording a pension settlement charge for 2008. This charge occurred because the lump-sum payment exceeded the service and interest cost components of the net periodic benefit cost, and represented a partial recognition of the unrecognized losses and prior services cost which would have otherwise been recorded with other comprehensive income (loss). During 2009, BCBSD also recorded a pension settlement charge.

Investment Income

The overall rate of return on short and long-term investments, net fluctuated between 5.4% and 6.1% over the five-year period. The rate was calculated based on the average of the beginning and ending balances during the year.

Other-Than –Temporary-Impairment (OTTI)

OTTI charges for 2008 and 2007, were $0.5 million and $13.1 million for 2008 and 2009, respectively.

Blue Cross Blue Shield of Delaware
Discussion of Historical Operating Results – GAAP Basis
2006 Through 2010

Gain On Sale of Real Estate

BCBSD recorded a gain on the sale of two buildings in Wilmington which formerly served as BCBSD's headquarters.

Management's Discussion and Analysis

Results of Operations

The following is an assessment by management of the results of operations, the change in reserves and unassigned funds and the cash flow and liquidity of BCBSD, Inc. The information presented in this discussion summarizes and/or supplements that which is provided in the company's 2006 annual statement.

BCBSD, Inc., which was founded in 1935, is a provider of a comprehensive array of indemnity health insurance and managed care services. These services include traditional health insurance, open and closed panel type benefits, preferred provider benefits, point of service benefits, third party administrative services and other managed care services.

The Company's balance sheet is summarized on Table #1. Explanations for variances are as follows:

The decrease in cash and short-term investments is due to increases in long term investments offset by decreases in accounts receivable and other assets.

The increase in stocks and bonds is primarily attributable to the net gain for the period.

The increase in claims unpaid is attributable to the related increase in healthcare costs and timing of claims payments.

Other expenses due and accrued decreased to more normal levels in 2006; 2005 was higher than normal due to pension costs related to a bridge-to-retirement program instituted in the fourth quarter, and increases within pharmacy and vision management expenses.

The decrease in other liabilities is primarily due to decreases in premiums received in advance and amounts payable to CFI.

The increase in reserves and unassigned funds is attributable to a net gain of $24,262,000, an increase in non-admitted assets of $2,522,000, the decrease in the admitted deferred tax asset of $1,220,000 and an increase in unrealized capital gains of $3,985,000.

The operating results for 2006 and 2005 are displayed in Table #2. Explanations for variances are as follows:

The net underwriting gain for 2006 increased by $14,980,000 over 2005 which is attributable to a 13.9% increase in premium only partially offset by a 10.9% increase in incurred claims, and a 4.3% increase in expenses incurred. The reduction in incurred claims is consistant with trends we and other insurers have experienced.

Net investment income earned increased by 14.7% in 2006. The decrease in capital gains of 69% was attributable to fewer investment sales in 2006 compared to 2005 when the investment portfolio was reallocated.

The #3 shows that BCBSD had a net decrease in cash position attributable to an increase in cash from operations more than offset by cash used for investment and financing activities.

Prospective Information

BCBSD, Inc. projects a increase in overall membership for 2007 when compared to the year-end 2006 levels. Membership in the risk groups is expected to increase by approximately 10% - 11%, and premium growth is expected to be less than medical trend.

Underwriting gain is expected to decrease from the 2006 level.

Investment Income is forecast to remain in line with 2006 totals.

Management's Discussion and Analysis

Material Changes

The completion of the MAHP member transition was completed in 2006, though claims run-out will continue through year-end 2007.

Regulatory decree has brought about the dissolution of the affiliation with CareFirst, Inc., and the restructuring of the inter-company relationship during a transition period.

Liquidity & Capital Resources

The Company maintains a strong financial position, and exceeds all requirements for Minimum Net Worth set by the State of Delaware.

Management's Discussion and Analysis

Table #1 - Balance Sheet

	2006	2005	Difference Amount	Difference Percent
Assets				
Bonds	$ 174,828,571	$ 148,404,561	$ 26,424,010	17.8 %
Stocks	39,991,163	36,378,460	3,612,703	9.9
Mortgage loans	234,794	239,964	(5,170)	0.0
Real Estate	1,722,146	2,254,955	(532,809)	(23.6)
Cash and short term investments	2,608,122	10,418,664	7,810,542)	(75.0)
Accounts receivable relating to uninsured accident and health plans	19,501,355	22,930,375	3,429,020)	(15.0)
Other assets	24,362,975	25,661,637	1,298,662)	(5.1)
Total assets	$ 263,249,126	$ 246,288,616	$ 16,960,510	6.9 %
Liabilities				
Claims unpaid	$ 41,024,700	$ 40,352,111	$ 672,589	1.7 %
General expenses due and accrued	16,780,759	21,028,380	4,247,621)	(20.2)
Advance deposits	9,025,648	9,354,128	(328,480)	(3.5)
Provision for experienced rated refunds	136,512	136,512	-	0.0
Other liabilities	36,618,794	42,702,618	6,083,824)	(14.2)
Total liabilities	$ 103,586,413	$ 113,573,749	$ 9,987,336)	(8.8) %
Total capital and surplus	$ 159,662,713	$ 132,714,867	$ 26,947,846	20.3 %
Total liabilities, capital and surplus	$ 263,249,126	$ 246,288,616	$ 16,960,510	6.9 %

Table #2 - Underwriting and Investment Results

	2006	2005	Difference Amount	Difference Percent
Underwriting Income				
Premiums earned	$ 421,469,872	$ 370,057,002	$ 51,412,870	13.9 %
Claims incurred	350,726,220	316,319,012	34,407,208	10.9
Expenses incurred	49,315,132	47,290,096	2,025,036	4.3
Net underwriting gain	$ 21,428,520	$ 6,447,894	$ 14,980,626	232.3 %
Investment Income				
Net investment income earned	$ 9,042,973	$ 7,885,261	$ 1,157,712	14.7 %
Net realized capital gains (losses)	590,993	1,938,452	1,347,459)	(69.5)
Net investment gain	$ 9,633,966	$ 9,823,713	$ 189,747)	(1.9) %
Other Income				
Other income (expense)	$ 722,646	$ (571,965)	$ 1,294,611	(226.3)
Total other income (expense)	722,646	(571,965)	1,294,611	(226.3)
Net gain before federal income taxes	$ 31,785,132	$ 15,699,642	$ 16,085,490	102.5 %
Federal income tax provision	$ 7,523,348	$ 1,050,060	$ 6,473,288	616.5 %
Net gain	$ 24,261,784	$ 14,649,582	$ 9,612,202	65.6 %

Management's Discussion and Analysis

Table #3 - Cash Flow

	2006	2005	Difference Amount	Difference Percent
Operations				
Cash from underwriting	$ 19,437,034	$ 831,422	$ 18,605,612	2,237.8 %
Investment income	9,894,825	8,536,836	1,357,989	15.9
Federal taxes paid	(7,949,914)	(3,000,000)	4,949,914)	-
Net cash from operations	$ 21,381,945	$ 6,368,258	$ 15,013,687	235.8 %
Investment Activities				
Proceeds from investments sold, matured or repaid	$ 87,298,591	$ 102,049,678	$ 14,751,087)	(14.5) %
Cost of investments acquired	(113,087,892)	(117,835,820)	4,747,928	(4.0)
Cash (used in) investment activities	$ (25,789,301)	$ (15,786,142)	$ (10,003,159)	63.4 %
Financing Activities				
Other cash provided	$ 1,638,013	$ 5,088,968	$ (3,450,955)	(67.8) %
Other cash applied	(5,041,197)	(695,997)	(4,345,200)	624.3
Cash provided by (used in) financing activities	$ (3,403,184)	$ 4,392,971	$ (7,796,155)	(177.5) %
Net increase (decrease) in cash and short term investments	$ (7,810,540)	$ (5,024,913)	$ (2,785,627)	55.4 %

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2006
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical							
1.1 With Contract Reserves	3,597,655	2,616,722	4,129	72.849	305	459	5,539
1.2 Without Contract Reserves				0.000			
1.3 Subtotal	3,597,655	2,616,722	4,129	72.849	305	459	5,539
2. Short-Term Medical							
2.1 With Contract Reserves				0.000			
2.2 Without Contract Reserves				0.000			
2.3 Subtotal	0	0	0	0.000	0	0	0
3. Other Medical (Non-Comprehensive)							
3.1 With Contract Reserves				0.000			
3.2 Without Contract Reserves				0.000			
3.3 Subtotal	0	0	0	0.000	0	0	0
4. Specified/Named Disease							
4.1 With Contract Reserves				0.000			
4.2 Without Contract Reserves				0.000			
4.3 Subtotal	0	0	0	0.000	0	0	0
5. Limited Benefit							
5.1 With Contract Reserves				0.000			
5.2 Without Contract Reserves				0.000			
5.3 Subtotal	0	0	0	0.000	0	0	0
6. Student							
6.1 With Contract Reserves				0.000			
6.2 Without Contract Reserves				0.000			
6.3 Subtotal	0	0	0	0.000	0	0	0
7. Accident Only or AD&D							
7.1 With Contract Reserves				0.000			
7.2 Without Contract Reserves				0.000			
7.3 Subtotal	0	0	0	0.000	0	0	0
8. Disability Income – Short-Term							
8.1 With Contract Reserves				0.000			
8.2 Without Contract Reserves				0.000			
8.3 Subtotal	0	0	0	0.000	0	0	0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2006
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS (Continued)							
9. Disability Income – Long-Term							
9.1 With Contract Reserves				0.000			
9.2 Without Contract Reserves				0.000			
9.3 Subtotal	0	0	0	0.000	0	0	0
10. Long-Term Care							
10.1 With Contract Reserves				0.000			
10.2 Without Contract Reserves				0.000			
10.3 Subtotal	0	0	0	0.000	0	0	0
11. Medicare Supplement (Medigap)							
11.1 With Contract Reserves	11,530,181	7,515,690	47,110	65.591	4,098	4,098	50,079
11.2 Without Contract Reserves				0.000			
11.3 Subtotal	11,530,181	7,515,690	47,110	65.591	4,098	4,098	50,079
12. Dental							
12.1 With Contract Reserves				0.000			
12.2 Without Contract Reserves				0.000			
12.3 Subtotal	0	0	0	0.000	0	0	0
13. State Children's Health Insurance Program							
13.1 With Contract Reserves				0.000			
13.2 Without Contract Reserves				0.000			
13.3 Subtotal	0	0	0	0.000	0	0	0
14. Medicare							
14.1 With Contract Reserves				0.000			
14.2 Without Contract Reserves				0.000			
14.3 Subtotal	0	0	0	0.000	0	0	0
15. Medicaid							
15.1 With Contract Reserves				0.000			
15.2 Without Contract Reserves				0.000			
15.3 Subtotal	0	0	0	0.000	0	0	0
16. Other Individual Business							
16.1 With Contract Reserves	6,553,690	3,260,219	7,668	49.863	2,445	3,363	31,599
16.2 Without Contract Reserves				0.000			
16.3 Subtotal	6,553,690	3,260,219	7,668	49.863	2,445	3,363	31,599
17. Total Individual Business							
17.1 With Contract Reserves	21,681,526	13,392,631	58,907	62.041	6,848	7,920	87,217
17.2 Without Contract Reserves	0	0	0	0.000	0	0	0
18 Grand Total Individual	21,681,526	13,392,631	58,907	62.041	6,848	7,920	87,217

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2006
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
B. GROUP BUSINESS							
Comprehensive Major Medical							
1. Single Employer							
1.1 Small Employer	142,140,787	106,492,561	1,600,690	76.047	19,481	36,053	418,716
1.2 Other Employer	179,116,854	145,095,363	740,102	81.419	25,582	49,661	577,089
1.3 Single Employer Subtotal	321,257,641	251,587,924	2,340,792	79.042	45,063	85,714	995,805
2. Multiple Employer Assns and Trusts				0.000			
3. Other Associations and Discretionary Trusts				0.000			
4. Other Comprehensive Major Medical				0.000			
5. Comprehensive/Major Medical Subtotal	321,257,641	251,587,924	2,340,792	79.042	45,063	85,714	995,805
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease				0.000			
7. Limited Benefit				0.000			
8. Student				0.000			
9. Accident Only or AD&D				0.000			
10. Disability Income – Short-Term				0.000			
11. Disability Income – Long-Term				0.000			
12. Long-Term Care				0.000			
13. Medicare Supplement (Medigap)				0.000			
14. Federal Employees Health Benefit Plans	70,763,690	46,904,548	800,000	67.414	8,981	17,029	205,245
15. Tricare				0.000			
16. Dental	2,226,849	1,707,154	50,000	78.908			
17. Other Group Care	33,495	11,679		34.868			
18. Grand Total Group Business	394,281,675	300,211,305	3,190,792	76.951	54,044	102,743	1,201,050
C. OTHER BUSINESS							
1. Credit (Individual and Group)				0.000			
2. Stop Loss/Excess Loss				0.000			
3. Administrative Services Only	XXX	XXX	XXX	XXX			
4. Administrative Services Contracts	XXX	XXX	XXX	XXX			
5. Grand Total Other Business	0	0	0	0.000	0	0	0
D. TOTAL BUSINESS							
1. Total Non U.S. Policy Forms				0.000			
2. Grand Total Individual, Group and Other Business	415,963,201	313,603,936	3,249,699	76.173	60,892	110,663	1,288,267

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

PART 1 - INDIVIDUAL POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	21,681,526	13,392,631	58,907	62.041
2. Other Forms Direct Business				0.000
3. Total Direct Business	21,681,526	13,392,631	58,907	62.041
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	21,681,526	13,392,631	58,907	62.041

PART 2 - GROUP POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	394,281,675	300,211,305	3,190,792	76.951
2. Other Forms Direct Business				0.000
3. Total Direct Business	394,281,675	300,211,305	3,190,792	76.951
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	394,281,675	300,211,305	3,190,792	76.951

PART 3 - CREDIT POLICIES (Individual and Group)

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	0	0	0	0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 4 – ALL INDIVIDUAL,GROUP AND CREDIT POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	415,963,201	313,603,936	3,249,699	76.173
2. Other Forms Direct Business	0	0	0	0.000
3. Total Direct Business	415,963,201	313,603,936	3,249,699	76.173
4. Reinsurance Assumed	0	0	0	0.000
5. Less Reinsurance Ceded	0	0	0	0.000
6. Total	415,963,201	313,603,936	3,249,699	76.173

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2006

(To Be Filed by April 1)

OF The BCBSD, Inc.

Address (City, State and Zip Code) Wilmington, DE 19801-1368

NAIC Group Code 0000 NAIC Company Code 53287 Employer's ID Number 51-0020405

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 263,249,126

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	The Vanguard Group	Stock Index Fund	$ 19,071,839	7.2 %
2.02	General electric	Corporate Bonds	$ 3,193,449	1.2 %
2.03	Wachovia	Corporate Bonds	$ 2,784,066	1.1 %
2.04	Well Fargo	Corporate Bonds	$ 2,114,971	0.8 %
2.05	Honda Motor Company	Corporate Bonds	$ 2,047,099	0.8 %
2.06	The Small Business Administration	Corporate Bonds	$ 2,036,853	0.8 %
2.07	Citigroup	Corporate Bonds	$ 1,733,902	0.7 %
2.08	Bank of America	Corporate Bonds	$ 1,696,094	0.6 %
2.09	AOL/Time Warner	Corporate Bonds	$ 1,567,209	0.6 %
2.10	AT&T	Corporate Bonds	$ 1,520,837	0.6 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4	
3.01	NAIC-1	$ 150,407,455	57.1 %	3.07	P/RP-1	$ 2,091,982	0.8 %	
3.02	NAIC-2	$ 24,421,117	9.3 %	3.08	P/RP-2	$ 1,940,420	0.7 %	
3.03	NAIC-3	$ 0	0.0 %	3.09	P/RP-3	$	0.0 %	
3.04	NAIC-4	$ 0	0.0 %	3.10	P/RP-4	$	0.0 %	
3.05	NAIC-5	$ 0	0.0 %	3.11	P/RP-5	$	0.0 %	
3.06	NAIC-6	$ 0	0.0 %	3.12	P/RP-6	$	0.0 %	

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

4.02 Total admitted assets held in foreign investments $ 562,001 0.2 %

4.03 Foreign-currency-denominated investments $ 0 0.0 %

4.04 Insurance liabilities denominated in that same foreign currency $ 0 0.0 %

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

6. Two largest foreign investment exposures in a single country, categorized by NAIC sovereign rating:

	1	2
7. Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets ..... Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02		$	0.0 %
13.03		$	0.0 %
13.04		$	0.0 %
13.05		$	0.0 %
13.06		$	0.0 %
13.07		$	0.0 %
13.08		$	0.0 %
13.09		$	0.0 %
13.10		$	0.0 %
13.11		$	0.0 %

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-CD7-B-DE	1994	0	0	0	0		9.4	0
1	XXX	XXX	0	0	0	0		14.3	0
2	XXX	XXX	0	0	0	0		20.1	0
3	XXX	XXX	0	0	0	0		27.4	0
4	XXX	XXX	0	0	0	0		38.0	0
5-9	XXX	XXX	33,163	18,096	33,387	51,483	(1,253,102)	71.1	30
10+	XXX	XXX	278,897	92,533	44,311	136,844	1,359,791	158.7	159
Total Calendar Year			312,060	110,629	77,698	188,327	106,689	XXX	189

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 60.3 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 149.4 (c) Actual to Anticipated Loss Percentage (a/b) 40.4

	1	2	3	4	5	6	7	8	9
0	LTC-CD8-B-BE-TQ	1994	0	0	0	0	0	10.9	0
1	XXX	XXX	0	1,104	0	1,104	0	16.5	0
2	XXX	XXX	0	0	0	0	0	27.0	0
3	XXX	XXX	0	0	0	0	0	37.5	0
4	XXX	XXX	0	0	0	0	0	49.4	0
5-9	XXX	XXX	364,981	215,260	36,973	252,233	(66,538)	69.9	219
10+	XXX	XXX	48,366	15,180	19,639	34,819	198,639	164.3	23
Total Calendar Year			413,347	231,544	56,612	288,156	132,101	XXX	242

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 69.7 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 80.9 (c) Actual to Anticipated Loss Percentage (a/b) 86.2

	1	2	3	4	5	6	7	8	9
0	LTC-LBP7-B-DE	1995	0	0	0	0	0	13.4	0
1	XXX	XXX	0	1,080	0	1,080	0	22.3	0
2	XXX	XXX	0	0	0	0	0	30.5	0
3	XXX	XXX	0	0	0	0	0	39.5	0
4	XXX	XXX	0	0	0	0	0	48.4	0
5-9	XXX	XXX	40,378	28,545	6,341	34,886	(682,773)	76.6	38
10+	XXX	XXX	132,693	66,543	44,311	110,854	720,982	154.7	113
Total Calendar Year			173,071	96,168	50,652	146,820	38,209	XXX	151

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 84.8 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 136.5 (c) Actual to Anticipated Loss Percentage (a/b) 62.1

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995	0	0	0	0	0	13.4	0
1	XXX	XXX	0	0	0	0	0	22.3	0
2	XXX	XXX	0	0	0	0	0	30.5	0
3	XXX	XXX	0	0	0	0	0	39.5	0
4	XXX	XXX	0	0	0	0	0	48.4	0
5-9	XXX	XXX	99,303	104,334	59,414	163,748	30,673	76.6	80
10+	XXX	XXX	1,893	1,780	0	1,780	17,828	154.7	1
Total Calendar Year			101,196	106,114	59,414	165,528	48,501	XXX	81

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 163.6 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 78.0 (c) Actual to Anticipated Loss Percentage (a/b) 209.7

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM – A

Part 2 – LTC INSURANCE EXPERIENCE BY LINE OF BUSINESS

	1 Earned Premiums By Duration	2 Incurred and Paid	3 Reserve for Incurred But Unpaid	4 Total Incurred Claims
1. Individual	999,674	544,455	244,376	788,831
2. Group direct response				0
3. Other group				0
4. Total (sum Lines 1 to 3)	999,674	544,455	244,376	788,831

Part 3 – EXPERIENCE FOR PRODUCTS PROVIDING LTC INSURANCE OTHER THAN ON A STAND ALONE BASIS

	Premiums and Annuity Considerations		Benefits	
	1 Total	2 Long-Term Care Benefit Component	3 Total	4 Applied to Provide Long- Term Care Benefits
A. Products Providing LTC Benefits With Distinct LTC Premiums				
1. Individual – Life				
2. Individual – Annuity				
3. Individual – Disability				
4. Individual – Other				
5. Group – Life				
6. Group – Annuity				
7. Group – Disability				
8. Group – Other				
B. Products Providing LTC Benefits Without Distinct LTC Premiums				
1. Individual – Life				
2. Individual – Annuity				
3. Individual – Disability				
4. Individual – Other				
5. Group – Life				
6. Group – Annuity				
7 Group – Disability				
8. Group – Other				

NONE

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000 NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-CD7-B-DE	1994	636,914	109,031	636,914	60,118	0	0
1	XXX	XXX	1,050,791	61,357	1,056,047	151,234	0	0
2	XXX	XXX	778,891	1,701	923,762	186,062	0	0
3	XXX	XXX	693,360	198,280	841,417	230,324	0	0
4	XXX	XXX	631,507	361,251	773,021	293,408	0	0
5-9	XXX	XXX	2,332,081	991,338	2,978,474	2,059,211	0	0
10+	XXX	XXX	585,231	307,380	793,724	863,464	1,656,937	178
Cumulative Total			6,708,775	2,030,338	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 30.3 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 48.0 (c) Actual to Anticipated Loss Percentage (a/b) 63.0

	1	2	3	4	5	6	7	8
0	LTC-CD8-B-DE-TQ	1994	484,180	26,313	484,180	52,727	0	0
1	XXX	XXX	942,489	1,179	802,840	132,680	0	0
2	XXX	XXX	895,621	1,000	702,304	189,381	0	0
3	XXX	XXX	789,159	155,768	639,728	239,621	0	0
4	XXX	XXX	723,711	13,249	587,753	290,472	0	0
5-9	XXX	XXX	2,757,147	994,395	2,264,910	1,550,700	47,328	5
10+	XXX	XXX	430,699	299,462	327,242	302,817	2,092,481	224
Cumulative Total			7,023,006	1,491,366	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 21.2 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 47.5 (c) Actual to Anticipated Loss Percentage (a/b) 44.7

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	269,777	15,497	269,777	36,148	0	0
1	XXX	XXX	496,016	1,154	447,328	99,673	0	0
2	XXX	XXX	404,573	115,001	391,311	119,217	0	0
3	XXX	XXX	372,548	128,596	356,445	140,621	0	0
4	XXX	XXX	331,721	92,851	327,486	158,609	0	0
5-9	XXX	XXX	1,274,912	532,513	1,261,967	944,815	0	0
10+	XXX	XXX	292,417	264,295	305,075	327,510	960,644	142
Cumulative Total			3,441,954	1,149,907	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 33.4 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 54.4 (c) Actual to Anticipated Loss Percentage (a/b) 61.4

	3	4	5	6	7	8
1. Individual	18,901,673	5,181,256	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	18,901,673	5,181,256	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year			XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year			XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	0	0	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [ ]
b. If yes, indicate the calendar years that were included:

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995	124,895	1,555	124,895	16,735	0	0
1	XXX	XXX	253,668	0	207,094	46,144	0	0
2	XXX	XXX	230,613	0	181,160	55,192	0	0
3	XXX	XXX	193,420	1,917	165,019	65,101	0	0
4	XXX	XXX	167,737	1,065	151,612	73,429	0	0
5-9	XXX	XXX	666,088	467,205	584,162	437,338	28,400	2
10+	XXX	XXX	91,507	37,903	85,649	88,987	666,447	76
Cumulative Total			1,727,928	509,645	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 29.5 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 52.2 (c) Actual to Anticipated Loss Percentage (a/b) 56.5

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-CD7-B-DE	1994	636,914	109,031	636,914	60,118	0	0
1	XXX	XXX	1,050,791	61,357	1,056,047	151,234	0	0
2	XXX	XXX	778,891	1,701	923,762	186,062	0	0
3	XXX	XXX	693,360	198,280	841,417	230,324	0	0
4	XXX	XXX	631,507	361,251	773,021	293,408	0	0
5-9	XXX	XXX	2,332,081	991,338	2,978,474	2,059,211	0	0
10+	XXX	XXX	585,231	307,380	793,724	863,464	1,656,937	178
Cumulative Total			6,708,775	2,030,338	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 30.3 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 48.0 (c) Actual to Anticipated Loss Percentage (a/b) 63.0

	1	2	3	4	5	6	7	8
0	LTC-CD8-B-DE-TQ	1994	484,180	26,313	484,180	52,727	0	0
1	XXX	XXX	942,489	1,179	802,840	132,680	0	0
2	XXX	XXX	895,621	1,000	702,304	189,381	0	0
3	XXX	XXX	789,159	155,768	639,728	239,621	0	0
4	XXX	XXX	723,711	13,249	587,753	290,472	0	0
5-9	XXX	XXX	2,758,147	994,395	2,264,910	1,550,700	47,328	5
10+	XXX	XXX	430,699	299,462	327,242	302,817	2,092,481	224
Cumulative Total			7,024,006	1,491,366	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 21.2 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 47.5 (c) Actual to Anticipated Loss Percentage (a/b) 44.7

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	269,777	15,497	269,777	36,148	0	0
1	XXX	XXX	496,016	1,154	447,328	99,673	0	0
2	XXX	XXX	404,573	115,001	391,311	119,217	0	0
3	XXX	XXX	372,548	128,596	356,445	140,621	0	0
4	XXX	XXX	331,721	92,851	327,486	158,609	0	0
5-9	XXX	XXX	1,274,912	532,513	1,261,967	944,815	0	0
10+	XXX	XXX	292,417	264,295	305,075	327,510	960,644	142
Cumulative Total			3,441,964	1,149,907	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 33.4 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 54.4 (c) Actual to Anticipated Loss Percentage (a/b) 61.4

	3	4	5	6	7	8
1. Individual	18,902,223	5,181,256	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	18,902,223	5,181,256	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year			XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year			XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	0	0	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [X]
b. If yes, indicate the calendar years that were included:

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2006 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995	124,895	1,555	124,895	16,735	0	0
1	XXX	XXX	253,668	0	207,094	46,144	0	0
2	XXX	XXX	230,613	0	181,160	55,192	0	0
3	XXX	XXX	193,420	1,917	165,019	65,101	0	0
4	XXX	XXX	167,737	1,065	151,612	73,429	0	0
5-9	XXX	XXX	666,088	467,205	584,162	437,338	28,400	2
10+	XXX	XXX	91,057	37,903	85,649	88,987	666,447	76
Cumulative Total			1,727,478	509,645	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 29.5 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 52.2 (c) Actual to Anticipated Loss Percentage (a/b) 56.5

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

Management's Discussion and Analysis

Results of Operations

The following is an assessment by management of the results of operations, the change in reserves and unassigned funds and the cash flow and liquidity of BCBSD, Inc. The information presented in this discussion summarizes and/or supplements that which is provided in the company's 2007 annual statement.

BCBSD, Inc., which was founded in 1935, is a provider of a comprehensive array of indemnity health insurance and managed care services. These services include traditional health insurance, open and closed panel type benefits, preferred provider benefits, point of service benefits, third party administrative services and other managed care services.

The Company's balance sheet is summarized on Table #1. Explanations for variances are as follows:

The increase in cash and short-term investments is due to decreases in long term investments offset by increases in accounts receivable and a decrease in other assets.

The decrease in stocks and increase in bonds are primarily attributable to the net gain for the period.

The increase in claims unpaid is attributable to the related increase in healthcare costs and timing of claims payments.

Other expenses due and accrued increase from levels in 2006 and were attributable to higher then normal operating costs associated with larger then anticipated membership.

The increase in other liabilities is primarily due to increases in post retirement benefits, unclaimed checks, and liabilities for amounts held under uninsured accident & health plans.

The increase in reserves and unassigned funds is attributable to a net gain of $15,525,000, an increase in non-admitted assets of $11,533,000 and the decrease in the admitted deferred tax asset of $110,048 and a decrease in unrealized capital gains of $4,977,000.

The operating results for 2007 and 2006 are displayed in Table #2. Explanations for variances are as follows:

The net underwriting gain for 2007 decrease by $8,737,000 over 2006 which is attributable to a 8.6% increase in premium and partially offset by a 10.7% increase in incurred claims, and a 31.0% increase in expenses incurred. The increase in incurred claims is consistent with trends we are experiencing with our membership growth.

Net investment income earned increased by 6.8% in 2007. The large increase in capital gains was attributable to larger investment sales in 2007 compared to 2006 due to portfolio allocation.

The #3 shows that BCBSD had a net increase in cash position attributable to a decrease in cash from operations and a increase in cash used from investment and financing activities.

Prospective Information

BCBSD, Inc. projects an increase in overall membership for 2008 when compared to the year-end 2007 levels. Membership in the risk groups are expected to increase by approximately 6% - 7%, and premium growth is expected to be greater than medical cost trends.

Underwriting gain is expected to decrease from the 2007 level.
Investment Income is forecast to be lower then 2007 totals.

Material Changes

The completion of the MAHP member transition was completed in 2007.

Regulatory decree has brought about the dissolution of the affiliation with CareFirst, Inc. in 2006.

Management's Discussion and Analysis

Liquidity & Capital Resources

The Company maintains a strong financial position, and exceeds all requirements for Minimum Net Worth set by the State of Delaware.

Table #1 - Balance Sheet

	2007	2006	Difference Amount	Difference Percent
Assets				
Bonds	$ 185,128,218	$ 174,828,571	$ 10,299,647	5.9 %
Stocks	21,270,312	39,991,163	(18,720,851)	(46.8)
Mortgage loans	229,307	234,794	(5,487)	0.0
Real Estate	-	1,722,146	(1,722,146)	(100.0)
Cash and short term investments	21,518,747	2,608,122	18,910,625	725.1
Accounts receivable relating to uninsured accident and health plans	22,497,285	19,501,355	2,995,930	15.4
Other assets	24,214,402	24,362,975	(148,573)	(0.6)
Total assets	$ 274,858,271	$ 263,249,126	$ 11,609,145	4.4 %
Liabilities				
Claims unpaid	$ 44,402,500	$ 41,024,700	$ 3,377,800	8.2 %
General expenses due and accrued	18,204,550	16,780,759	1,423,791	8.5
Advance deposits	8,649,028	9,025,648	(376,620)	(4.2)
Provision for experienced rated refunds	136,512	136,512	-	0.0
Other liabilities	43,463,855	36,618,794	6,845,061	18.7
Total liabilities	$ 114,856,445	$ 103,586,413	$ 11,270,032	10.9 %
Total capital and surplus	$ 160,001,826	$ 159,662,713	$ 339,113	0.2 %
Total liabilities, capital and surplus	$ 274,858,271	$ 263,249,126	$ 11,609,145	4.4 %

Table #2 - Underwriting and Investment Results

	2007	2006	Difference Amount	Difference Percent
Underwriting Income				
Premiums earned	$ 457,669,805	$ 421,469,872	$ 36,199,933	8.6 %
Claims incurred	388,186,493	350,726,220	37,460,273	10.7
Expenses incurred	64,623,161	49,315,132	15,308,029	31.0
Net underwriting gain	$ 4,860,151	$ 21,428,520	$ (16,568,369)	(77.3) %
Investment Income				
Net investment income earned	$ 9,661,595	$ 9,042,973	$ 618,622	6.8 %
Net realized capital gains (losses)	6,569,967	590,993	5,978,974	1,011.7
Net investment gain	$ 16,231,562	$ 9,633,966	$ 6,597,596	68.5 %
Other Income				
Other income (expense)	$ (2,459,716)	$ 722,646	$ (3,182,362)	(440.4)
Total other income (expense)	(2,459,716)	722,646	(3,182,362)	(440.4)
Net gain before federal income taxes	$ 18,631,997	$ 31,785,132	$ (13,153,135)	(41.4) %
Federal income tax provision	$ 3,107,244	$ 7,523,348	$ (4,416,104)	(58.7) %
Net gain	$ 15,524,753	$ 24,261,784	$ (8,737,031)	(36.0) %

Management's Discussion and Analysis

Table #3 - Cash Flow

	2007	2006	Difference Amount	Difference Percent
Operations				
Cash from underwriting	$ 11,158,870	$ 19,437,034	$ (8,278,164)	(42.6) %
Investment income	9,949,726	9,894,825	54,901	0.6
Federal taxes paid	(4,834,559)	(7,949,914)	3,115,355	-
Net cash from operations	$ 16,274,037	$ 21,381,945	$ (5,107,908)	(23.9) %
Investment Activities				
Proceeds from investments sold, matured or repaid	$ 134,543,296	$ 87,298,591	$ 47,244,705	54.1 %
Cost of investments acquired	(127,449,260)	(113,087,892)	(14,361,368)	12.7
Cash (used in) investment activities	$ 7,094,036	$ (25,789,301)	$ 32,883,337	(127.5) %
Financing Activities				
Other cash provided	$ 3,400,000	$ 1,638,013	$ 1,761,987	107.6 %
Other cash applied	(7,857,450)	(5,041,197)	(2,816,253)	55.9
Cash provided by (used in) financing activities	$ (4,457,450)	$ (3,403,184)	$ (1,054,266)	31.0 %
Net increase (decrease) in cash and short term investments	$ 18,910,623	$ (7,810,540)	$ 26,721,163	(342.1) %

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2007
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical							
1.1 With Contract Reserves	3,442,785	2,750,677	0	79.897	244	371	4,792
1.2 Without Contract Reserves				0.000			
1.3 Subtotal	3,442,785	2,750,677	0	79.897	244	371	4,792
2. Short-Term Medical							
2.1 With Contract Reserves				0.000			
2.2 Without Contract Reserves				0.000			
2.3 Subtotal	0	0	0	0.000	0	0	0
3. Other Medical (Non-Comprehensive)							
3.1 With Contract Reserves				0.000			
3.2 Without Contract Reserves				0.000			
3.3 Subtotal	0	0	0	0.000	0	0	0
4. Specified/Named Disease							
4.1 With Contract Reserves				0.000			
4.2 Without Contract Reserves				0.000			
4.3 Subtotal	0	0	0	0.000	0	0	0
5. Limited Benefit							
5.1 With Contract Reserves				0.000			
5.2 Without Contract Reserves				0.000			
5.3 Subtotal	0	0	0	0.000	0	0	0
6. Student							
6.1 With Contract Reserves				0.000			
6.2 Without Contract Reserves				0.000			
6.3 Subtotal	0	0	0	0.000	0	0	0
7. Accident Only or AD&D							
7.1 With Contract Reserves				0.000			
7.2 Without Contract Reserves				0.000			
7.3 Subtotal	0	0	0	0.000	0	0	0
8. Disability Income – Short-Term							
8.1 With Contract Reserves				0.000			
8.2 Without Contract Reserves				0.000			
8.3 Subtotal	0	0	0	0.000	0	0	0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2007
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change In Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS (Continued)							
9. Disability Income – Long-Term							
9.1 With Contract Reserves				0.000			
9.2 Without Contract Reserves				0.000			
9.3 Subtotal	0	0	0	0.000	0	0	0
10. Long-Term Care							
10.1 With Contract Reserves				0.000			
10.2 Without Contract Reserves				0.000			
10.3 Subtotal	0	0	0	0.000	0	0	0
11. Medicare Supplement (Medigap)							
11.1 With Contract Reserves	11,177,836	7,562,517	0	67.656	4,031	4,031	48,357
11.2 Without Contract Reserves				0.000			
11.3 Subtotal	11,177,836	7,562,517	0	67.656	4,031	4,031	48,357
12. Dental							
12.1 With Contract Reserves				0.000			
12.2 Without Contract Reserves				0.000			
12.3 Subtotal	0	0	0	0.000	0	0	0
13. State Children's Health Insurance Program							
13.1 With Contract Reserves				0.000			
13.2 Without Contract Reserves				0.000			
13.3 Subtotal	0	0	0	0.000	0	0	0
14. Medicare							
14.1 With Contract Reserves				0.000			
14.2 Without Contract Reserves				0.000			
14.3 Subtotal	0	0	0	0.000	0	0	0
15. Medicaid							
15.1 With Contract Reserves				0.000			
15.2 Without Contract Reserves				0.000			
15.3 Subtotal	0	0	0	0.000	0	0	0
16. Other Individual Business							
16.1 With Contract Reserves	14,808,899	10,634,947	0	71.815	5,908	9,226	81,371
16.2 Without Contract Reserves				0.000			
16.3 Subtotal	14,808,899	10,634,947	0	71.815	5,908	9,226	81,371
17. Total Individual Business							
17.1 With Contract Reserves	29,429,520	20,948,141	0	71.181	10,183	13,628	134,520
17.2 Without Contract Reserves	0	0	0	0.000	0	0	0
18 Grand Total Individual	29,429,520	20,948,141	0	71.181	10,183	13,628	134,520

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2007
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change In Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
B. GROUP BUSINESS							
Comprehensive Major Medical							
1. Single Employer							
1.1 Small Employer	143,515,408	116,232,434	0	80.990	19,414	36,018	428,222
1.2 Other Employer	192,076,088	164,752,981	0	85.775	25,519	52,946	583,405
1.3 Single Employer Subtotal	335,591,496	280,985,415	0	83.728	44,933	88,964	1,011,627
2. Multiple Employer Assns and Trusts				0.000			
3. Other Associations and Discretionary Trusts				0.000			
4. Other Comprehensive Major Medical				0.000			
5. Comprehensive/Major Medical Subtotal	335,591,496	280,985,415	0	83.728	44,933	88,964	1,011,627
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease				0.000			
7. Limited Benefit				0.000			
8. Student				0.000			
9. Accident Only or AD&D				0.000			
10. Disability Income – Short-Term				0.000			
11. Disability Income – Long-Term				0.000			
12. Long-Term Care				0.000			
13. Medicare Supplement (Medigap)				0.000			
14. Federal Employees Health Benefit Plans	79,999,856	53,779,515	0	67.225	9,212	17,363	207,348
15. Tricare				0.000			
16. Dental	2,372,119	1,733,095	0	73.061	4,772	9,210	108,541
17. Medicare				0.000			
18. Other Group Care	76,320	17,369	0	22.758	1,617	3,446	34,645
19. Grand Total Group Business	418,039,791	336,515,394	0	80.498	60,534	118,983	1,362,161
C. OTHER BUSINESS							
1. Credit (Individual and Group)				0.000			
2. Stop Loss/Excess Loss				0.000			
3. Administrative Services Only	XXX	XXX	XXX	XXX			
4. Administrative Services Contracts	XXX	XXX	XXX	XXX			
5. Grand Total Other Business	0	0	0	0.000	0	0	0
D. TOTAL BUSINESS							
1. Total Non U.S. Policy Forms				0.000			
2. Grand Total Individual, Group and Other Business	447,469,311	357,463,535	0	79.886	70,717	132,611	1,496,681

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

PART 1 - INDIVIDUAL POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	29,429,520	20,948,141	0	71.181
2. Other Forms Direct Business				0.000
3. Total Direct Business	29,429,520	20,948,141	0	71.181
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	29,429,520	20,948,141	0	71.181

PART 2 - GROUP POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	418,039,791	336,515,394	0	80.498
2. Other Forms Direct Business				0.000
3. Total Direct Business	418,039,791	336,515,394	0	80.498
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	418,039,791	336,515,394	0	80.498

PART 3 - CREDIT POLICIES (Individual and Group)

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 4 – ALL INDIVIDUAL,GROUP AND CREDIT POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	447,469,311	357,463,535	0	79.886
2. Other Forms Direct Business	0	0	0	0.000
3. Total Direct Business	447,469,311	357,463,535	0	79.886
4. Reinsurance Assumed	0	0	0	0.000
5. Less Reinsurance Ceded	0	0	0	0.000
6. Total	447,469,311	357,463,535	0	79.886

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2007

(To Be Filed by April 1)

OF The BCBSD, Inc.

Address (City, State and Zip Code) Wilmington, DE 19801-1368

NAIC Group Code 0000 NAIC Company Code 53287 Employer's ID Number 51-0020405

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 274,858,271

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Vanguard Group	Stock Index Fund	$ 13,732,206	5.0 %
2.02	Wachovia	Corporate Bond	$ 3,422,742	1.2 %
2.03	Bank of America	Corporate Bond	$ 2,944,261	1.1 %
2.04	Wells Fargo	Corporate Bond	$ 2,440,504	0.9 %
2.05	Small Business Admin	Corporate Bond	$ 2,339,290	0.9 %
2.06	JPMorgan	Corporate Bond	$ 2,117,877	0.8 %
2.07	Citi Group	Corporate Bond	$ 2,038,476	0.7 %
2.08	SLM Student Loan	Corporate Bond	$ 1,879,131	0.7 %
2.09	General Electric	Corporate Bond	$ 1,865,818	0.7 %
2.10	AOL / Time Warner	Corporate Bond	$ 1,863,594	0.7 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4	
3.01	NAIC-1	$ 150,740,053	54.8 %	3.07	P/RP-1	$ 1,237,814	0.5 %	
3.02	NAIC-2	$ 34,108,725	12.4 %	3.08	P/RP-2	$ 728,430	0.3 %	
3.03	NAIC-3	$ 279,440	0.1 %	3.09	P/RP-3	$	0.0 %	
3.04	NAIC-4	$ 0	0.0 %	3.10	P/RP-4	$	0.0 %	
3.05	NAIC-5	$ 0	0.0 %	3.11	P/RP-5	$	0.0 %	
3.06	NAIC-6	$ 0	0.0 %	3.12	P/RP-6	$	0.0 %	

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

4.02 Total admitted assets held in foreign investments $ 738,579 0.3 %

4.03 Foreign-currency-denominated investments $ 4,610,387 1.7 %

4.04 Insurance liabilities denominated in that same foreign currency $ 0 0.0 %

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:
6. Two largest foreign investment exposures in a single country, categorized by NAIC sovereign rating:

		1	2	
7. Aggregate unhedged foreign currency exposure	$		0.0	%

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:
9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:
10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?..... Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets ..... Yes [X] No [ ]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?..... Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end			At End of Each Quarter		
				1st Quarter	2nd Quarter	3rd Quarter
	1	2		3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$ 19,939,766	7.3	%	$ 29,230,832	$ 24,119,751	$ 21,715,590
20.02 Repurchase agreements	$ 0	0.0	%	$	$	$
20.03 Reverse repurchase agreements	$ 0	0.0	%	$	$	$
20.04 Dollar repurchase agreements	$ 0	0.0	%	$	$	$
20.05 Dollar reverse repurchase agreements	$ 0	0.0	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned			Written		
	1	2		3	4	
21.01 Hedging	$ 0	0.0	%	$	0.0	%
21.02 Income generation	$ 0	0.0	%	$	0.0	%
21.03 Other	$ 0	0.0	%	$	0.0	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end			At End of Each Quarter		
				1st Quarter	2nd Quarter	3rd Quarter
	1	2		3	4	5
22.01 Hedging	$ 0	0.0	%	$	$	$
22.02 Income generation	$ 0	0.0	%	$	$	$
22.03 Replications	$ 0	0.0	%	$	$	$
22.04 Other	$ 0	0.0	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end			At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
	1	2		3	4	5
23.01 Hedging	$ 0	0.0	%	$	$	$
23.02 Income generation	$ 0	0.0	%	$	$	$
23.03 Replications	$ 0	0.0	%	$	$	$
23.04 Other	$ 0	0.0	%	$	$	$

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	Individual CD7-B DE	1994				0		9.4	
1	XXX	XXX				0		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0	(201,749)	71.1	
10+	XXX	XXX	275,666	135,805	88,425	224,230	266,830	168.5	178
Total Calendar Year			275,666	135,805	88,425	224,230	65,081	XXX	178

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 81.3 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 168.5 (c) Actual to Anticipated Loss Percentage (a/b) 48.3

	1	2	3	4	5	6	7	8	9
0	Individual CD8-B-DE-TQ	1994		0		0		10.9	
1	XXX	XXX		0		0		16.5	
2	XXX	XXX		115		115		27.0	
3	XXX	XXX		0		0		37.5	
4	XXX	XXX		0		0		49.4	
5-9	XXX	XXX	6,607	0		0	(1,737,708)	69.9	5
10+	XXX	XXX	364,755	169,990	123,557	293,547	1,856,714	170.2	224
Total Calendar Year			371,362	170,105	123,557	293,662	119,006	XXX	229

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 79.1 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 168.4 (c) Actual to Anticipated Loss Percentage (a/b) 47.0

	1	2	3	4	5	6	7	8	9
0	Individual LBP8-B-DE-TQ	1995				0		13.4	
1	XXX	XXX				0		22.3	
2	XXX	XXX				0		30.5	
3	XXX	XXX				0		39.5	
4	XXX	XXX				0		48.4	
5-9	XXX	XXX	2,284			0	(600,748)	76.6	2
10+	XXX	XXX	87,537	34,760	28,588	63,348	648,619	163.4	76
Total Calendar Year			89,821	34,760	28,588	63,348	47,871	XXX	78

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 70.5 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 161.2 (c) Actual to Anticipated Loss Percentage (a/b) 43.8

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	Individual LPB-7-B-DE	1995				0		13.4	
1	XXX	XXX				0		22.3	
2	XXX	XXX		846		846		30.5	
3	XXX	XXX				0		39.5	
4	XXX	XXX				0		46.4	
5-9	XXX	XXX				0	(201,422)	76.6	
10+	XXX	XXX	147,387	82,172	44,452	126,624	239,662	163.4	142
Total Calendar Year			147,387	83,018	44,452	127,470	38,240	XXX	142

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 86.5 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 163.4 (c) Actual to Anticipated Loss Percentage (a/b) 52.9

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM – A

Part 2 – LTC INSURANCE EXPERIENCE BY LINE OF BUSINESS

	1 Earned Premiums By Duration	2 Incurred and Paid	3 Reserve for Incurred But Unpaid	4 Total Incurred Claims
1. Individual	884,236	423,688	285,022	708,710
2. Group direct response				0
3. Other group				0
4. Total (sum Lines 1 to 3)	884,236	423,688	285,022	708,710

Part 3 – EXPERIENCE FOR PRODUCTS PROVIDING LTC INSURANCE OTHER THAN ON A STAND ALONE BASIS

	Premiums and Annuity Considerations		Benefits	
	1 Total	2 Long-Term Care Benefit Component	3 Total	4 Applied to Provide Long-Term Care Benefits
A. Products Providing LTC Benefits With Distinct LTC Premiums				
1. Individual -- Life				
2. Individual -- Annuity				
3. Individual -- Disability				
4. Individual -- Other				
5. Group -- Life				
6. Group -- Annuity				
7. Group -- Disability				
8. Group -- Other				
B. Products Providing LTC Benefits Without Distinct LTC Premiums				
1. Individual -- Life				
2. Individual -- Annuity				
3. Individual -- Disability				
4. Individual -- Other				
5. Group -- Life				
6. Group -- Annuity				
7 Group -- Disability				
8. Group -- Other				

NONE

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000 NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	Individual LBP7-B-DE	1995	281,917	16,194	281,917	37,774		
1	XXX	XXX	518,336	1,206	467,458	104,158		
2	XXX	XXX	422,779	154,794	408,920	124,582		
3	XXX	XXX	389,313	134,383	372,485	146,949		
4	XXX	XXX	346,649	97,029	342,222	165,747		
5-9	XXX	XXX	1,332,283	549,850	1,318,756	987,332		
10+	XXX	XXX	444,612	256,051	481,968	536,790	984,466	134
Cumulative Total			3,735,889	1,209,507	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 32.4 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 57.3 (c) Actual to Anticipated Loss Percentage (a/b) 56.5

	1	2	3	4	5	6	7	8
0	Individual CD8-B-DE-TQ	1994	505,968	27,497	505,968	55,300		
1	XXX	XXX	984,901	1,232	838,968	138,650		
2	XXX	XXX	935,929	1,045	733,907	197,903		
3	XXX	XXX	824,712	162,778	688,516	250,404		
4	XXX	XXX	756,319	13,845	614,202	303,544		
5-9	XXX	XXX	2,882,441	1,069,753	2,366,831	1,620,482		
10+	XXX	XXX	803,102	785,139	658,881	669,737	2,166,864	212
Cumulative Total			7,693,372	2,061,289	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 26.8 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 50.7 (c) Actual to Anticipated Loss Percentage (a/b) 52.8

	1	2	3	4	5	6	7	8
0	Individual LBP8 DE	1995	130,515	3,651	130,515	17,488		
1	XXX	XXX	265,083	0	216,413	48,229		
2	XXX	XXX	240,980	0	188,313	57,676		
3	XXX	XXX	202,124	2,003	172,445	68,031		
4	XXX	XXX	175,285	1,113	158,434	76,734		
5-9	XXX	XXX	696,848	549,167	610,528	457,095	5,972	1
10+	XXX	XXX	184,479	163,754	171,051	184,961	737,908	73
Cumulative Total			1,895,314	719,688	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 38.0 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b) 0.0

	3	4	5	6	7	8
1. Individual	20,577,807	6,514,857	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	20,577,807	6,514,857	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year			XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year			XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	0	0	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [ ]
b. If yes, indicate the calendar years that were included:

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE
(TO BE FILED BY APRIL 1)

NAIC Group Code 0000 NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	Individual CO7-B-DE	1994	665,606	113,938	665,606	62,826		
1	XXX	XXX	1,098,252	64,118	1,103,619	158,046		
2	XXX	XXX	814,063	1,778	965,374	194,444		
3	XXX	XXX	724,619	207,203	879,320	240,699		
4	XXX	XXX	659,980	377,508	807,843	306,624		
5-9	XXX	XXX	2,437,183	1,083,388	3,112,642	2,151,970		
10+	XXX	XXX	853,529	676,440	1,206,409	1,374,359	1,701,576	168
Cumulative Total			7,253,232	2,524,373	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 34.8 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 51.4 (c) Actual to Anticipated Loss Percentage (a/b) 67.7

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	Individual CD8-B-DE-TQ	1994	505,968	27,497	505,958	55,100		
1	XXX	XXX	984,901	1,232	838,958	138,650		
2	XXX	XXX	935,929	1,045	733,907	197,903		
3	XXX	XXX	824,712	162,778	668,516	250,404		
4	XXX	XXX	756,319	13,845	614,202	303,544		
5-9	XXX	XXX	2,882,441	1,069,753	2,366,831	1,620,482		
10+	XXX	XXX	803,102	785,139	658,881	669,737	2,166,884	212
Cumulative Total			7,693,372	2,061,289	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 26.8 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 50.7 (c) Actual to Anticipated Loss Percentage (a/b) 52.8

	1	2	3	4	5	6	7	8
0	Individual LBP7-B-DE	1995	281,917	16,194	281,917	37,714		
1	XXX	XXX	518,336	1,205	487,458	104,158		
2	XXX	XXX	422,779	154,794	408,920	124,582		
3	XXX	XXX	389,313	134,383	372,485	146,948		
4	XXX	XXX	346,649	97,029	342,222	165,747		
5-9	XXX	XXX	1,332,283	549,850	1,318,756	987,332		
10+	XXX	XXX	444,612	256,051	481,968	536,790	984,466	134
Cumulative Total			3,735,889	1,209,506	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 32.4 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 57.3 (c) Actual to Anticipated Loss Percentage (a/b) 56.5

	1	2	3	4	5	6	7	8
0	Individual LBP8-B-DE-TQ	1995	130,515	3,651	130,515	17,488		
1	XXX	XXX	265,083	0	216,413	48,221		
2	XXX	XXX	240,990	0	189,313	57,676		
3	XXX	XXX	202,124	2,003	172,445	68,031		
4	XXX	XXX	175,285	1,113	158,434	78,734		
5-9	XXX	XXX	696,848	549,167	610,528	457,093	5,972	1
10+	XXX	XXX	184,479	163,754	171,051	184,961	737,908	73
Cumulative Total			1,895,324	719,688	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 38.0 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 55.2 (c) Actual to Anticipated Loss Percentage (a/b) 68.8

	3	4	5	6	7	8
1. Individual	20,577,817	6,514,856	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	20,577,817	6,514,856	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year			XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year			XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	0	0	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [ ]
b. If yes, indicate the calendar years that were included:

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2007 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	Individual CD7-B-DE	1994	665,606	113,938	665,605	62,826		
1	XXX	XXX	1,098,252	64,118	1,103,619	158,046		
2	XXX	XXX	814,063	1,778	965,374	194,444		
3	XXX	XXX	724,619	207,203	879,320	240,699		
4	XXX	XXX	659,980	377,508	807,843	306,624		
5-9	XXX	XXX	2,437,183	1,083,388	3,112,642	2,151,970		
10+	XXX	XXX	853,529	676,440	1,206,409	1,374,369	1,701,576	168
Cumulative Total			7,253,232	2,524,373	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 34.8 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 51.4 (c) Actual to Anticipated Loss Percentage (a/b) 67.7

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

BlueCross BlueShield of Delaware

Post Office Box 1991
Wilmington, DE 19899.1991
bcbsde.com

March 31, 2009

The Honorable Karen Weldin Stewart
Insurance Commissioner
State of Delaware
Department of Insurance
841 Silver Lake Blvd
Dover, DE 19904-2465

Dear Commissioner Weldin Stewart:

Enclosed is the April 1st NAIC filing for Blue Cross Blue Shield of Delaware (BCBSD) for the period ending December 31, 2008.

If you have any questions, please contact me on 302.421.3342 or Matthew Grajewski on 302.421.3046.

Very Truly Yours,

David W. Goins, CPA
Manager Corporate Accounting

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

Management's Discussion and Analysis

Results of Operations

The following is an assessment by management of the results of operations, the change in reserves an unassigned funds and the cash flow and liquidity of BCBSD, Inc. The information presented in th discussion summarizes and/or supplements that which is provided in the company's 2008 annual statement.

BCBSD, Inc., which was founded in 1935, is a provider of a comprehensive array of indemnity healt insurance and managed care services. These services include traditional health insurance, open and close panel type benefits, preferred provider benefits, point of service benefits, third party administrative servic and other managed care services.

The Company's balance sheet is summarized on Table #1. Explanations for variances are as follows:

The decrease in cash and short-term investments is attributable to funding operations.

The decrease in stocks and bonds are primarily attributable to the other than temporary impairment of stock and bonds as well as the funding of operations.

The increase in other assets is mainly current and deferred tax recievable arising from 2008's net loss.

The decrease in claims unpaid is attributable to reduced conservatism in calculating the liability

The decrease in federal taxes payable is due to the net loss incurred in 2008.

The increase in other liabilities in due to the increase in post retirement benefits due to the bridge t retirement program, partially offset by the decease in the premium stabilization reserve.

The decrease in reserves and unassigned funds is attributable to a net loss of $16,749,000, an increase in no admitted assets of $19,400,000, unrealized capital losses of $4,031,000 offset by an increase in the deferre tax asset of $10,348,000.

The operating results for 2008 and 2007 are displayed in Table #2. Explanations for variances are as follows

The net underwriting gain for 2008 decreased by $24,935,000 over 2007 to a net loss, this decline attributable to a 4.3% increase in premium more than offset by a 10.1% increase in incurred claims, and a 8.1% increase in operating expenses incurred. The increase in incurred claims was primarily in local grou and reinsurance business. The increase in operating expense is attributable to the bridge to retiremer program

Net investment income earned was unchanged from 2007. The large decrease in capital gains was attributab to other the than temporary impairment of investments in our portfolio due to market conditions.

The #3 shows that BCBSD had a net decrease in cash position consistent with our net loss and decline in ou investment portfolio.

Management's Discussion and Analysis

Prospective Information

BCBSD, Inc. projects static membership for 2008 when compared to the year-end 2007 levels. Membershi in local groups are expected to increase between 3% - 4%, and premium growth is expected to grow in lir with membership while medical costs are expected to trend slightly less resulting in improved underwritir results. Non risk membership should decline in 2008 as Bank of America moves out of the Blues system.

Investment Income is forecast to be lower then 2008 reflecting continued market turmoil.

Material Changes

A comment about affiliation?

Liquidity & Capital Resources

The Company maintains a strong financial position, and exceeds all requirements for Minimum Net Worth s by the State of Delaware.

Management's Discussion and Analysis

Table #1 - Balance Sheet

	2008	2007	Difference Amount	Difference Percent
Assets				
Bonds	$ 166,989,150	$ 185,128,218	$ (18,139,068)	(9.8) %
Stocks	18,096,150	21,270,312	(3,174,162)	(14.9)
Mortgage loans	223,482	229,307	(5,825)	0.0
Cash and short term investments	6,410,579	21,518,747	(15,108,168)	(70.2)
Accounts receivable relating to uninsured accident and health plans	21,342,051	22,497,285	(1,155,234)	(5.1)
Other assets	32,248,991	24,214,402	8,034,589	33.2
Total assets	$ 245,310,403	$ 274,858,271	$ (29,547,868)	(10.8) %
Liabilities				
Claims unpaid	$ 41,690,000	$ 44,402,500	$ (2,712,500)	(6.1) %
General expenses due and accrued	19,035,128	18,204,550	830,578	4.6
Advance deposits	8,678,503	8,649,028	29,475	0.3
Provision for experienced rated refunds	136,512	136,512	-	0.0
Other liabilities	45,600,914	43,463,855	2,137,059	4.9
Total liabilities	$ 115,141,057	$ 114,856,445	$ 284,612	0.2 %
Total capital and surplus	$ 130,169,346	$ 160,001,826	$ (29,832,480)	(18.6) %
Total liabilities, capital and surplus	$ 245,310,403	$ 274,858,271	$ (29,547,868)	(10.8) %

Table #2 - Underwriting and Investment Results

	2008	2007	Difference Amount	Difference Percent
Underwriting Income				
Premiums earned	$ 477,182,765	$ 457,669,805	$ 19,512,960	4.3 %
Claims incurred	427,401,283	388,186,493	39,214,790	10.1
Expenses incurred	69,855,832	64,623,161	5,232,671	8.1
Net underwriting gain	$ (20,074,350)	$ 4,860,151	$ (24,934,501)	(513.0) %
Investment Income				
Net investment income earned	$ 9,677,651	$ 9,661,595	$ 16,056	0.2 %
Net realized capital gains (losses)	(11,005,121)	6,569,967	(17,575,088)	(267.5)
Net investment gain	$ (1,327,470)	$ 16,231,562	$ (17,559,032)	(108.2) %
Other Income				
Other income (expense)	$ 424,385	$ (2,459,716)	$ 2,884,101	(117.3)
Total other income (expense)	424,385	(2,459,716)	2,884,101	(117.3)
Net gain before federal income taxes	$ (20,977,435)	$ 18,631,997	$ (39,609,432)	(212.6) %
Federal income tax provision	$ (4,228,427)	$ 3,107,244	$ (7,335,671)	(236.1) %
Net gain	$ (16,749,008)	$ 15,524,753	$ (32,273,761)	(207.9) %

Management's Discussion and Analysis

Table #3 - Cash Flow

	2008	2007	Difference Amount	Difference Percent
Operations				
Cash from underwriting	$ (18,907,125)	$ 11,158,870	$ (30,065,995)	(269.4) %
Investment income	10,373,969	9,949,726	424,243	4.3
Federal taxes paid	(3,035,394)	(4,834,559)	1,799,165	-
Net cash from operations	$ (11,568,550)	$ 16,274,037	$ (27,842,587)	(171.1) %
Investment Activities				
Proceeds from investments sold, matured or repaid	$ 172,623,824	$ 134,543,296	$ 38,080,528	28.3 %
Cost of investments acquired	(167,494,939)	(127,449,260)	(40,045,679)	31.4
Cash (used in) investment activities	$ 5,128,885	$ 7,094,036	$ (1,965,151)	(27.7) %
Financing Activities				
Other cash provided	$ -	$ 3,400,000	$ (3,400,000)	(100.0) %
Other cash applied	(8,668,503)	(7,857,450)	(811,053)	10.3
Cash provided by (used in) financing activitie	$ (8,668,503)	$ (4,457,450)	$ (4,211,053)	94.5 %
Net increase (decrease) in cash and short term investments	$ (15,108,168)	$ 18,910,623	$ (34,018,791)	(179.9) %

5 3 2 8 7 2 0 0 8 2 8 5 0 0 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2008

(To Be Filed by April 1)

OF The BCBSD, Inc.

Address (City, State and Zip Code) Wilmington, DE 19801-1368

NAIC Group Code 0000 NAIC Company Code 53287 Employer's ID Number 51-0020405

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the appticable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 245,310,403

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Vanguard	Index Mutual Fund #94	$ 6,512,723	2.7 %
2.02	Vanguard	Index Mutual Fund #856	$ 4,761,335	1.9 %
2.03	Vanguard	Mutual Fund V3	$ 4,615,769	1.9 %
2.04	AOL/Time Warner	Corp Bonds	$ 3,392,401	1.4 %
2.05	Sallie Mae	Bonds	$ 3,226,516	1.3 %
2.06	Wachovia	Corp Bonds	$ 3,002,093	1.2 %
2.07	Citigroup	Corp Bonds	$ 2,638,546	1.1 %
2.08	WellsFargo	Corp Bonds	$ 2,594,378	1.1 %
2.09	JPMorgan Chase	Corp Bonds	$ 2,090,042	0.9 %
2.10	Small Business Admin	Bonds	$ 2,061,531	0.8 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4	
3.01	NAIC-1	$ 147,567,516	60.2	%	3.07 P/RP-1	$	0.0	%
3.02	NAIC-2	$ 24,735,440	10.1	%	3.08 P/RP-2	$	0.0	%
3.03	NAIC-3	$ 402,172	0.2	%	3.09 P/RP-3	$	0.0	%
3.04	NAIC-4	$ 0	0.0	%	3.10 P/RP-4	$	0.0	%
3.05	NAIC-5	$ 0	0.0	%	3.11 P/RP-5	$	0.0	%
3.06	NAIC-6	$ 4,407	0.0	%	3.12 P/RP-6	$	0.0	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

4.02 Total admitted assets held in foreign investments $ 734,164 0.3 %

4.03 Foreign-currency-denominated investments $ 0.0 %

4.04 Insurance liabilities denominated in that same foreign currency $ 0.0 %

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:
6. Largest foreign investment exposures by country, categorized by NAIC sovereign rating:

	1	2
7. Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:
9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:
10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets ..... Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	Vanguard Index Fund #94	$ 6,512,723	2.7 %
13.03	Vanguard Index Fund #856	$ 4,761,355	1.9 %
13.04	Vanguard Fund V3	$ 4,615,769	1.9 %
13.05	BCS Financial Corp	$ 331,287	0.1 %
13.06	Citigroup, Inc 6.5% Preferred	$ 291,096	0.1 %
13.07	Bank of America Preferred	$ 283,403	0.1 %
13.08	Stanley Works Convertable Preferred	$ 271,688	0.1 %
13.09	Avery Dennison Corp 7.875% Preferred	$ 256,875	0.1 %
13.10	BCSI Holdings, Inc	$ 250,028	0.1 %
13.11	Plans Liability Insurance Company	$ 188,500	0.1 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ ] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ ] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest 3 investments with contractual sales restrictions:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? ..... Yes [ ] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

			Loans	
16.12	Construction Loans	$		0.0 %
16.13	Mortgage loans over 90 days past due	$		0.0 %
16.14	Mortgage loans in the process of foreclosure	$		0.0 %
16.15	Mortgage loans foreclosed	$		0.0 %
16.16	Restructured mortgage loans	$		0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential 1	Residential 2	Commercial 3	Commercial 4	Agricultural 5	Agricultural 6
17.01	above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02	91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03	81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04	71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05	below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$	0.0 %
18.03		$	0.0 %
18.04		$	0.0 %
18.05		$	0.0 %
18.06		$	0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

19.02 Aggregate statement value of investments held in mezzanine real estate loans: $ 0.0 %

Largest three investments held in mezzanine real estate loans:

	Description 1	2	3
19.03		$	0.0 %
19.04		$	0.0 %
19.05		$	0.0 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end			At End of Each Quarter		
				1st Quarter	2nd Quarter	3rd Quarter
	1	2		3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0	%	$	$	$
20.02 Repurchase agreements	$	0.0	%	$	$	$
20.03 Reverse repurchase agreements	$	0.0	%	$	$	$
20.04 Dollar repurchase agreements	$	0.0	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned			Written		
	1	2		3	4	
21.01 Hedging	$	0.0	%	$	0.0	%
21.02 Income generation	$	0.0	%	$	0.0	%
21.03 Other	$	0.0	%	$	0.0	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end			At End of Each Quarter		
				1st Quarter	2nd Quarter	3rd Quarter
	1	2		3	4	5
22.01 Hedging	$	0.0	%	$	$	$
22.02 Income generation	$	0.0	%	$	$	$
22.03 Replications	$	0.0	%	$	$	$
22.04 Other	$	0.0	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end			At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
	1	2		3	4	5
23.01 Hedging	$	0.0	%	$	$	$
23.02 Income generation	$	0.0	%	$	$	$
23.03 Replications	$	0.0	%	$	$	$
23.04 Other	$	0.0	%	$	$	$

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-CD7-B-DE	1994				0		9.4	0
1	XXX	XXX				0		14.3	0
2	XXX	XXX				0		20.1	0
3	XXX	XXX				0		27.4	0
4	XXX	XXX				0		38.0	0
5-9	XXX	XXX				0		71.1	0
10+	XXX	XXX	236,615	130,249	56,404	186,653	44,639	178.6	168
Total Calendar Year			236,615	130,249	56,404	186,653	44,639	XXX	168

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 78.9 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 178.6 (c) Actual to Anticipated Loss Percentage (a/b) 44.2

	1	2	3	4	5	6	7	8	9
0	LTC-CD8-B-DE-TQ	1994				0		10.9	
1	XXX	XXX				0		16.5	
2	XXX	XXX				0		27.0	
3	XXX	XXX				0		37.5	
4	XXX	XXX				0		49.4	
5-9	XXX	XXX				0	(47,328)	69.9	
10+	XXX	XXX	345,241	301,874	103,915	405,789	74,403	1,756.0	212
Total Calendar Year			345,241	301,874	103,915	405,789	27,075	XXX	212

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 117.5 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 175.6 (c) Actual to Anticipated Loss Percentage (a/b) 66.9

	1	2	3	4	5	6	7	8	9
0	LTC-LBP7-B-DE	1995				0		13.4	
1	XXX	XXX				0		22.3	
2	XXX	XXX				0		30.5	
3	XXX	XXX				0		39.5	
4	XXX	XXX				0		48.4	
5-9	XXX	XXX				0		76.6	
10+	XXX	XXX	136,010	0	0	0	23,822	172.3	134
Total Calendar Year			136,010	0	0	0	23,822	XXX	134

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 0.0 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 172.3 (c) Actual to Anticipated Loss Percentage (a/b) 0.0

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

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Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-LBP8-B-DE-TO	1995				0		13.4	
1	XXX	XXX				0		22.3	
2	XXX	XXX				0		30.5	
3	XXX	XXX				0		39.5	
4	XXX	XXX				0		48.4	
5-9	XXX	XXX	769			0	(22,428)	76.6	1
10+	XXX	XXX	86,920			0	71,461	172.3	7
Total Calendar Year			87,689	0	0	0	49,033	XXX	7

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 0.0 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 171.4 (c) Actual to Anticipated Loss Percentage (a/b) 0.0

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM – A (Continued)

Part 2 – LTC INSURANCE EXPERIENCE BY LINE OF BUSINESS

	1 Earned Premiums By Duration	2 Incurred and Paid	3 Reserve for Incurred But Unpaid	4 Total Incurred Claims
1. Individual	805,555	432,123	160,319	592,442
2. Group direct response				0
3. Other group				0
4. Total (sum Lines 1 to 3)	805,555	432,123	160,319	592,442

Part 3 – EXPERIENCE FOR PRODUCTS PROVIDING LTC INSURANCE OTHER THAN ON A STAND ALONE BASIS

	Premiums and Annuity Considerations		Benefits	
	1 Total	2 Long-Term Care Benefit Component	3 Total	4 Applied to Provide Long-Term Care Benefits
A. Products Providing LTC Benefits With Distinct LTC Premiums				
1. Individual -- Life				
2. Individual -- Annuity				
3. Individual -- Disability				
4. Individual -- Other				
5. Group -- Life				
6. Group -- Annuity				
7. Group -- Disability				
8. Group -- Other				
B. Products Providing LTC Benefits Without Distinct LTC Premiums				
1. Individual -- Life				
2. Individual -- Annuity				
3. Individual -- Disability				
4. Individual -- Other				
5. Group -- Life				
6. Group -- Annuity				
7 Group -- Disability				
8. Group -- Other				

NONE

5 3 2 8 7 2 0 0 8 3 2 0 0 0 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-CD7-B-DE	1994	695,589	119,065	695,589	65,656		
1	XXX	XXX	1,147,859	67,004	1,153,334	165,166		
2	XXX	XXX	850,823	1,858	1,008,861	203,203		
3	XXX	XXX	757,288	216,527	918,930	251,542		
4	XXX	XXX	689,737	394,496	844,234	320,437		
5-9	XXX	XXX	2,547,022	1,255,440	3,252,853	2,248,907		
10+	XXX	XXX	1,111,878	1,086,909	1,611,812	1,918,414	1,627,676	158
Cumulative Total			7,800,196	3,141,299	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 40.3 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 54.4 (c) Actual to Anticipated Loss Percentage (a/b) 74.0

	1	2	3	4	5	6	7	8
0	LTC-CD8-DE-TQ	1994	528,737	28,734	528,737	57,580		
1	XXX	XXX	1,029,221	1,288	876,721	144,889		
2	XXX	XXX	978,052	1,092	766,933	206,809		
3	XXX	XXX	861,868	170,103	698,599	261,672		
4	XXX	XXX	790,397	14,468	641,841	317,203		
5-9	XXX	XXX	3,012,337	1,110,319	2,473,338	1,693,403		
10+	XXX	XXX	1,176,173	1,071,454	985,046	1,087,443	2,095,749	200
Cumulative Total			8,376,785	2,397,458	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 28.6 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 54.1 (c) Actual to Anticipated Loss Percentage (a/b) 52.9

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	294,603		294,603	39,474		
1	XXX	XXX	541,662		488,493	108,845		
2	XXX	XXX	441,804		427,321	130,188		
3	XXX	XXX	406,832		389,247	153,561		
4	XXX	XXX	362,248		357,622	173,205		
5-9	XXX	XXX	1,392,236		1,378,100	1,031,762		
10+	XXX	XXX	584,831		655,773	758,105	913,175	117
Cumulative Total			4,024,216	0	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 0.0 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 60.0 (c) Actual to Anticipated Loss Percentage (a/b) 0.0

	3	4	5	6	7	8
1. Individual	22,266,605	5,538,755	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	22,266,605	5,538,755	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year	15,806,931	6,656,245	XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year	15,061,862	5,440,471	XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	745,069	1,215,774	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [X]
b. If yes, indicate the calendar years that were included:

5 3 2 8 7 2 0 0 8 3 2 0 0 0 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995	136,389		136,389	18,275		
1	XXX	XXX	277,012		226,152	50,391		
2	XXX	XXX	251,835		197,832	60,272		
3	XXX	XXX	211,220		180,205	71,092		
4	XXX	XXX	183,173		165,564	80,187		
5-9	XXX	XXX	728,206		638,002	477,662		
10+	XXX	XXX	277,573		255,115	286,558	730,244	70
Cumulative Total			2,065,408	0	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 0.0 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 58.0 (c) Actual to Anticipated Loss Percentage (a/b) 0.0

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

5 3 2 8 7 2 0 0 8 3 3 0 0 8 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-CD7-B-DE	1994	695,589	119,065	695,589	65,656		
1	XXX	XXX	1,147,859	67,004	1,153,334	165,166		
2	XXX	XXX	850,823	1,858	1,008,861	203,203		
3	XXX	XXX	757,288	216,527	918,930	251,542		
4	XXX	XXX	689,737	394,496	844,234	320,437		
5-9	XXX	XXX	2,547,022	1,255,440	3,252,853	2,248,907		
10+	XXX	XXX	1,111,878	1,086,909	1,611,812	1,918,414	1,627,676	158
Cumulative Total			7,800,196	3,141,299	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 40.3 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 54.5 (c) Actual to Anticipated Loss Percentage (a/b) 73.9

	1	2	3	4	5	6	7	8
0	LTC-CD8-B-DE-TO	1994	528,737	28,734	528,737	57,580		
1	XXX	XXX	1,029,221	1,288	876,721	144,889		
2	XXX	XXX	978,052	1,092	766,933	206,809		
3	XXX	XXX	861,868	170,103	698,599	261,672		
4	XXX	XXX	790,397	14,468	641,841	317,203		
5-9	XXX	XXX	3,012,337	1,110,319	2,473,338	1,693,403		
10+	XXX	XXX	1,176,173	1,071,454	985,046	1,087,443	2,095,749	200
Cumulative Total			8,376,785	2,397,458	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 28.6 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 54.1 (c) Actual to Anticipated Loss Percentage (a/b) 52.9

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	294,603		294,603	39,474		
1	XXX	XXX	541,662		488,493	108,845		
2	XXX	XXX	441,804		427,321	130,188		
3	XXX	XXX	406,832		389,247	153,561		
4	XXX	XXX	362,248		357,622	173,205		
5-9	XXX	XXX	1,392,236		1,378,100	1,031,762		
10+	XXX	XXX	584,831		655,773	758,105	913,175	117
Cumulative Total			4,024,216	0	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 0.0 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 60.0 (c) Actual to Anticipated Loss Percentage (a/b) 0.0

	3	4	5	6	7	8
1. Individual	22,266,605	5,538,755	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	22,266,605	5,538,755	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year	15,806,932	6,656,245	XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year	15,061,862	5,440,471	XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	745,070	1,215,774	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [X]
b. If yes, indicate the calendar years that were included:

5 3 2 8 7 2 0 0 8 3 3 0 0 8 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2008 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-B-DE-TO	1995	136,389		136,389	18,275		
1	XXX	XXX	277,012		226,152	50,391		
2	XXX	XXX	251,835		197,832	60,272		
3	XXX	XXX	211,220		180,205	71,092		
4	XXX	XXX	183,173		165,564	80,187		
5-9	XXX	XXX	728,206		638,002	477,662		
10+	XXX	XXX	277,573		255,115	286,558	730,244	70
Cumulative Total			2,065,408	0	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 0.0 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 58.0 (c) Actual to Anticipated Loss Percentage (a/b) 0.0

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

BlueCross BlueShield of Delaware

Post Office Box 1991
Wilmington, DE 19899.1991
bcbsde.com

March 31, 2010

The Honorable Karen Weldin Stewart
Insurance Commissioner
State of Delaware
Department of Insurance
841 Silver Lake Blvd
Dover, DE 19904-2465

Dear Commissioner Weldin Stewart:

Enclosed is the April 1st NAIC filing for Blue Cross Blue Shield of Delaware (BCBSD) for the period ending December 31, 2009. Included is both the electronic version as well as the paper copy.

If you have any questions, please contact me on 302.421.3342 or Matthew Grajewski on 302.421.3046.

Very Truly Yours,

David W. Goins, CPA
Manager Corporate Accounting

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

Management's Discussion and Analysis

Results of Operations

The following is an assessment by management of the results of operations, the change in reserves and unassigned funds and the cash flow and liquidity of BCBSD, Inc. The information presented in this discussion summarizes and/or supplements that which is provided in the company's 2009 annual statement.

BCBSD, Inc., which was founded in 1935, is a provider of health coverage, both insured and administered to individuals and groups. These services include traditional health insurance, open and closed panel type benefits, preferred provider benefits, point of service benefits, third party administrative services and other managed care services.

The Company's balance sheet is summarized on Table #1. Explanations for variances are as follows:

The decrease in cash and short-term investments is attributable to funding operations.

The increase in stocks and bonds are primarily attributable to the recovery of market values of our stock portfolio and the net gain recorded in 2009.

The decrease in accounts receivable relating to uninsured accident and health plans is attributable to the timing of the billing cycle between 2009 and 2008.

The decrease in claims unpaid is attributable to reduced conservatism in calculating the liability combined with a 6% decline in contracts.

The increase in other liabilities is due to the increase in the premium stabilization reserve partially offset by the decease in post retirement benefits.

The increase in reserves and unassigned funds is attributable to a net gain of $827,000, a decrease in non-admitted assets of $5,818,000, unrealized capital gains of $8,105,000 offset by a decrease in the deferred tax asset of $1,184,000.

The operating results for 2009 and 2008 are displayed in Table #2. Explanations for variances are as follows:

The net underwriting loss for 2009 decreased by $12,520,000 over 2008, this decline is attributable to a 1.0% increase in premium combined with a 1.2% decrease in incurred claims, and a 3.5% decrease in operating expenses incurred. The decrease in incurred claims was primarily due to a decrease in the actuarial estimate of claims incurred but not yet reported. The variance in operating expense is attributable to much higher expense in FY 2008 due to a bridge to retirement program implemented in that year.

Net investment income earned was slightly below 2008. The large increase in capital gains was attributable to the improvement in market conditions during 2009.

The #3 shows that BCBSD had a net decrease in cash position consistent with the increase in the investment portfolio.

Prospective Information
BCBSD, Inc. projects a small 2.0% increase in membership for 2010 when compared to the year-end 2009 levels. This growth in membership is projected in the over 65 and in large local group segment, premium growth is expected to grow in line with membership while medical costs are expected to trend slightly less resulting in improved underwriting results. Non risk membership is expected to drop by 6,400 members in 2010 mainly due to the lapsing of coverage from the members lost due to the auto plants closing in 2008 and 2009.

Investment Income is forecast to be unchanged in 2010.

Material Changes
None

Liquidity & Capital Resources

Management's Discussion and Analysis

The Company maintains a strong financial position, and exceeds all requirements for Minimum Net Worth set by the State of Delaware.

Table #1 - Balance Sheet

	2009	2008	Difference Amount	Difference Percent
Assets				
Bonds	$ 176,423,695	$ 166,989,150	$ 9,434,545	5.6 %
Stocks	36,717,720	18,096,150	18,621,570	102.9
Mortgage loans	217,293	223,482	(6,189)	0.0
Cash and short term investments	711,638	6,410,579	(5,698,941)	(88.9)
Accounts receivable relating to uninsured accident and health plans	14,113,002	21,342,051	(7,229,049)	(33.9)
Other assets	33,805,539	32,248,991	1,556,548	4.8
Total assets	$ 261,988,887	$ 245,310,403	$ 16,678,484	6.8 %
Liabilities				
Claims unpaid	$ 36,885,440	$ 41,690,000	$ (4,804,560)	(11.5) %
General expenses due and accrued	18,180,110	19,035,128	(855,018)	(4.5)
Advance deposits	8,535,859	8,678,503	(142,644)	(1.6)
Provision for experienced rated refunds	136,512	136,512	-	0.0
Other liabilities	58,562,306	54,963,103	3,599,203	6.5
Total liabilities	$ 122,300,227	$ 124,503,246	$ (2,203,019)	(1.8) %
Total capital and surplus	$ 139,688,660	$ 120,807,157	$ 18,881,503	15.6 %
Total liabilities, capital and surplus	$ 261,988,887	$ 245,310,403	$ 16,678,484	6.8 %

Table #2 - Underwriting and Investment Results

	2009	2008	Difference Amount	Difference Percent
Underwriting Income				
Premiums earned	$ 482,122,236	$ 477,182,765	$ 4,939,471	1.0 %
Claims incurred	422,232,892	427,401,283	(5,168,391)	(1.2)
Expenses incurred	67,443,195	69,855,832	(2,412,637)	(3.5)
Net underwriting gain	$ (7,553,851)	$ (20,074,350)	$ 12,520,499	(62.4) %
Investment Income				
Net investment income earned	$ 9,083,081	$ 9,677,651	$ (594,570)	(6.1) %
Net realized capital gains (losses)	636,884	(11,005,121)	11,642,005	(105.8)
Net investment gain	$ 9,719,965	$ (1,327,470)	$ 11,047,435	(832.2) %
Other Income				
Other income (expense)	$ 383,960	$ 424,385	$ (40,425)	(9.5)
Total other income (expense)	383,960	424,385	(40,425)	(9.5)
Net gain before federal income taxes	$ 2,550,074	$ 20,977,435)	$ 23,527,509	(112.2) %
Federal income tax provision	$ 1,723,066	$ (4,228,427)	$ 5,951,493	(140.7) %
Net gain	$ 827,008	$ 16,749,008)	$ 17,576,016	(104.9) %

Table #3 - Cash Flow

	2009	2008	Difference Amount	Difference Percent
Operations				

Management's Discussion and Analysis

Cash from underwriting	$ (12,741,975)	$ (18,907,125)	$ 6,165,150	(32.6)	%
Investment income	7,812,993	10,373,969	(2,560,976)	(24.7)	
Federal taxes paid (recovered)	3,302,726	(3,035,394)	6,338,120	-	
Net cash from operations	$ (1,626,256)	$ (11,568,550)	$ 9,942,294	(85.9)	%
Investment Activities					
Proceeds from investments sold, matured or repaid	$ 124,038,396	$ 172,623,824	$ (48,585,428)	(28.1)	%
Cost of investments acquired	(142,006,415)	(167,494,939)	25,488,524	(15.2)	
Cash (used in) investment activities	$ 17,968,019)	$ 5,128,885	$ (23,096,904)	(450.3)	%
Financing Activities					
Other cash provided	$ -	$ -	$ -	-	%
Other cash applied	13,895,334	(8,668,503)	22,563,837	(260.3)	
Cash provided by (used in) financing activities	$ 13,895,334	$ (8,668,503)	$ 22,563,837	(260.3)	%
Net increase (decrease) in cash and short term investments	$ (5,698,941)	$ 15,108,168)	$ 9,409,227	(62.3)	%

5 3 2 8 7 2 0 0 9 2 1 0 0 0 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2009
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical							
1.1 With Contract Reserves	2,866,802	2,193,832	(114,934)	72.516	202	320	3,758
1.2 Without Contract Reserves				0.000			
1.3 Subtotal	2,866,802	2,193,832	(114,934)	72.516	202	320	3,758
2. Short-Term Medical							
2.1 With Contract Reserves				0.000			
2.2 Without Contract Reserves				0.000			
2.3 Subtotal	0	0	0	0.000	0	0	0
3. Other Medical (Non-Comprehensive)							
3.1 With Contract Reserves				0.000			
3.2 Without Contract Reserves				0.000			
3.3 Subtotal	0	0	0	0.000	0	0	0
4. Specified/Named Disease							
4.1 With Contract Reserves				0.000			
4.2 Without Contract Reserves				0.000			
4.3 Subtotal	0	0	0	0.000	0	0	0
5. Limited Benefit							
5.1 With Contract Reserves				0.000			
5.2 Without Contract Reserves				0.000			
5.3 Subtotal	0	0	0	0.000	0	0	0
6. Student							
6.1 With Contract Reserves				0.000			
6.2 Without Contract Reserves				0.000			
6.3 Subtotal	0	0	0	0.000	0	0	0
7. Accident Only or AD&D							
7.1 With Contract Reserves				0.000			
7.2 Without Contract Reserves				0.000			
7.3 Subtotal	0	0	0	0.000	0	0	0
8. Disability Income – Short-Term							
8.1 With Contract Reserves				0.000			
8.2 Without Contract Reserves				0.000			
8.3 Subtotal	0	0	0	0.000	0	0	0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2009
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS (Continued)							
9. Disability Income – Long-Term							
9.1 With Contract Reserves				0.000			
9.2 Without Contract Reserves				0.000			
9.3 Subtotal	0	0	0	0.000	0	0	0
10. Long-Term Care							
10.1 With Contract Reserves				0.000			
10.2 Without Contract Reserves				0.000			
10.3 Subtotal	0	0	0	0.000	0	0	0
11. Medicare Supplement (Medigap)							
11.1 With Contract Reserves	11,264,533	7,285,540	81,149	65.397	3,591	3,591	44,261
11.2 Without Contract Reserves				0.000			
11.3 Subtotal	11,264,533	7,285,540	81,149	65.397	3,591	3,591	44,261
12. Dental							
12.1 With Contract Reserves				0.000			
12.2 Without Contract Reserves				0.000			
12.3 Subtotal	0	0	0	0.000	0	0	0
13. State Children's Health Insurance Program							
13.1 With Contract Reserves				0.000			
13.2 Without Contract Reserves				0.000			
13.3 Subtotal	0	0	0	0.000	0	0	0
14. Medicare							
14.1 With Contract Reserves				0.000			
14.2 Without Contract Reserves				0.000			
14.3 Subtotal	0	0	0	0.000	0	0	0
15. Medicaid							
15.1 With Contract Reserves				0.000			
15.2 Without Contract Reserves				0.000			
15.3 Subtotal	0	0	0	0.000	0	0	0
16. Medicare Part D – Stand-alone							
16.1 With Contract Reserves				0.000			
16.2 Without Contract Reserves				0.000			
16.3 Subtotal	0	0	0	0.000	0	0	0
17. Other Individual Business							
17.1 With Contract Reserves	25,727,716	23,842,105	(929,817)	89.057	6,002	9,472	119,640
17.2 Without Contract Reserves				0.000			
17.3 Subtotal	25,727,716	23,842,105	(929,817)	89.057	6,002	9,472	119,640
18. Total Individual Business							
18.1 With Contract Reserves	39,859,051	33,321,477	(963,602)	81.181	9,795	13,383	167,659
18.2 Without Contract Reserves	0	0	0	0.000	0	0	0
19. Grand Total Individual	39,859,051	33,321,477	(963,602)	81.181	9,795	13,383	167,659

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2009
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
B. GROUP BUSINESS							
Comprehensive Major Medical							
1. Single Employer							
1.1 Small Employer	143,718,612	119,336,064	(4,019,517)	80.238	17,075	32,327	423,039
1.2 Other Employer	208,648,591	194,919,384	(247,027)	93.302	25,871	49,849	579,775
1.3 Single Employer Subtotal	352,367,203	314,255,448	(4,266,544)	87.973	42,946	82,176	1,002,814
2. Multiple Employer Assns and Trusts				0.000			
3. Other Associations and Discretionary Trusts				0.000			
4. Other Comprehensive Major Medical				0.000			
5. Comprehensive/Major Medical Subtotal	352,367,203	314,255,448	(4,266,544)	87.973	42,946	82,176	1,002,814
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease				0.000			
7. Limited Benefit				0.000			
8. Student				0.000			
9. Accident Only or AD&D				0.000			
10. Disability Income – Short-Term				0.000			
11. Disability Income – Long-Term				0.000			
12. Long-Term Care				0.000			
13. Medicare Supplement (Medigap)				0.000			
14. Federal Employees Health Benefit Plans	83,804,534	57,350,546	(275,711)	68.105	9,461	17,661	211,285
15. Tricare				0.000			
16. Dental	3,517,758	2,608,977	13,399	74.547	4,803	9,689	116,383
17. Medicare	0			0.000			
18. Medicare Part D – Stand-alone				0.000			
19. Other Group Care	86,902	9,093	0	10.464	1,397	2,939	34,380
20. Grand Total Group Business	439,776,397	374,224,064	(4,528,856)	84.064	58,607	112,665	1,364,862
C. OTHER BUSINESS							
1. Credit (Individual and Group)				0.000			
2. Stop Loss/Excess Loss				0.000			
3. Administrative Services Only	XXX	XXX	XXX	XXX			
4. Administrative Services Contracts	XXX	XXX	XXX	XXX			
5. Grand Total Other Business	0	0	0	0.000	0	0	0
D. TOTAL BUSINESS							
1. Total Non U.S. Policy Forms				0.000			
2. Grand Total Individual, Group and Other Business	479,635,448	407,545,541	(5,492,458)	83.825	68,402	126,048	1,532,521

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

PART 1 - INDIVIDUAL POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 2 - GROUP POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 3 - CREDIT POLICIES (Individual and Group)

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 4 – ALL INDIVIDUAL,GROUP AND CREDIT POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	0	0	0	0.000
2. Other Forms Direct Business	0	0	0	0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed	0	0	0	0.000
5. Less Reinsurance Ceded	0	0	0	0.000
6. Total	0	0	0	0.000

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2009

(To Be Filed by April 1)

OF The BCBSD, Inc.

Address (City, State and Zip Code) Wilmington, DE 19801-1368

NAIC Group Code 0000 NAIC Company Code 53287 Employer's ID Number 51-0020405

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following Interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 261,988,887

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	The Vanguard Group	Equity mutual funds	$ 34,676,297	13.2 %
2.02	JP Morgan Chase & Company	Corporate bonds	$ 4,641,603	1.8 %
2.03	AOL	Corporate bonds	$ 4,496,515	1.7 %
2.04	Bank of America	Corporate bonds	$ 4,201,691	1.6 %
2.05	Wells Fargo	Corporate bonds	$ 3,339,267	1.3 %
2.06	California	Bonds	$ 2,430,933	0.9 %
2.07	AT&T	Corporate bonds	$ 1,846,897	0.7 %
2.08	SBA	Bonds	$ 1,807,235	0.7 %
2.09	Comcast Corporation	Corporate bonds	$ 1,654,140	0.6 %
2.10	Capital One	Corporate bonds	$ 1,502,722	0.6 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2			Preferred Stocks	3	4	
3.01	NAIC-1	$ 148,863,256	56.8	%	3.07	P/RP-1	$ 355,500	0.1	%
3.02	NAIC-2	$ 34,925,461	13.3	%	3.08	P/RP-2	$ 799,592	0.3	%
3.03	NAIC-3	$ 1,298,439	0.5	%	3.09	P/RP-3	$	0.0	%
3.04	NAIC-4	$ 82,321	0.0	%	3.10	P/RP-4	$	0.0	%
3.05	NAIC-5	$ 520,099	0.2	%	3.11	P/RP-5	$	0.0	%
3.06	NAIC-6	$ 0	0.0	%	3.12	P/RP-6	$	0.0	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

4.02 Total admitted assets held in foreign investments $ 2,443,751 0.9 %

4.03 Foreign-currency-denominated investments $ 0 0.0 %

4.04 Insurance liabilities denominated in that same foreign currency $ 0 0.0 %

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:
6. Largest foreign investment exposures by country, categorized by NAIC sovereign rating:

	1	2	
7. Aggregate unhedged foreign currency exposure	$	0.0	%

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:
9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:
10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets ..... Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	Vanguard Index Fund # 859	$ 13,468,468	5.1 %
13.03	Vanguard Index Fund #94	$ 13,392,141	5.1 %
13.04	Vanguard V3 Fund	$ 6,107,992	2.3 %
13.05	Reinsurance Group 5.75% Perferred	$ 799,592	0.3 %
13.06	Stanley Works Covertiable Perferred	$ 355,500	0.1 %
13.07	BCS Financial Corporation	$ 331,287	0.1 %
13.08	BCSI Holding Company	$ 250,028	0.1 %
13.09	Plans Liability Insurance Company	$ 188,500	0.1 %
13.10	HCC Insurance Holdings Inc	$ 66,335	0.0 %
13.11	ContinentalInfo Systems	$ 173	0.0 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end			At End of Each Quarter		
				1st Quarter	2nd Quarter	3rd Quarter
	1	2		3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$ 19,901,474	7.6	%	$ 16,793,959	$ 16,463,723	$ 14,045,201
20.02 Repurchase agreements	$	0.0	%	$	$	$
20.03 Reverse repurchase agreements	$	0.0	%	$	$	$
20.04 Dollar repurchase agreements	$	0.0	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned			Written		
	1	2		3	4	
21.01 Hedging	$	0.0	%	$	0.0	%
21.02 Income generation	$	0.0	%	$	0.0	%
21.03 Other	$	0.0	%	$	0.0	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end			At End of Each Quarter		
				1st Quarter	2nd Quarter	3rd Quarter
	1	2		3	4	5
22.01 Hedging	$	0.0	%	$	$	$
22.02 Income generation	$	0.0	%	$	$	$
22.03 Replications	$	0.0	%	$	$	$
22.04 Other	$	0.0	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end			At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
	1	2		3	4	5
23.01 Hedging	$	0.0	%	$	$	$
23.02 Income generation	$	0.0	%	$	$	$
23.03 Replications	$	0.0	%	$	$	$
23.04 Other	$	0.0	%	$	$	$

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SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 1
ACTUAL VS. EXPECTED CLAIMS AND PERSISTENCY

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000

NAIC Company Code 53287

	1 Earned Premiums	2 Incurred Claims	3 Valuation Expected Incurred Claims	4 Actual to Expected Incurred Claims	5 Open Claim Count	6 New Claim Count	7 Lives Inforce End of Year	8 Expected Lives Inforce End of Year	9 Actual to Expected Lives Inforce
A. Individual									
Comprehensive:									
1. Current	483,619	1,362,898	732,198	186.1	40	10	327	339	96.5
2. Prior				0.0					0.0
3. 2nd Prior				0.0					0.0
4. 3rd Prior				0.0					0.0
5. 4th Prior				0.0					0.0
6. 5th Prior				0.0					0.0
7. Form Inception-to-Date	483,619	1,462,813	732,198	199.8	40	10	327	339	96.5
8. Total Inception-to-Date	11,963,160	5,412,194	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Institutional Only:									
9. Current	185,575	463,699	260,766	177.8	12	4	179	177	101.1
10. Prior				0.0					0.0
11. 2nd Prior				0.0					0.0
12. 3rd Prior				0.0					0.0
13. 4th Prior				0.0					0.0
14. 5th Prior				0.0					0.0
15. Form Inception-to-Date	185,575	500,814	260,766	192.1	12	4	179	177	101.1
16. Total Inception-to-Date	4,512,966	2,201,754	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Non-Institutional Only:									
17. Current				0.0					0.0
18. Prior				0.0					0.0
19. 2nd Prior				0.0					0.0
20. 3rd Prior				0.0					0.0
21. 4th Prior				0.0					0.0
22. 5th Prior				0.0					0.0
23. Form Inception-to-Date				0.0					0.0
24. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
B. Group									
Comprehensive:									
1. Current				0.0					0.0
2. Prior				0.0					0.0
3. 2nd Prior				0.0					0.0
4. 3rd Prior				0.0					0.0
5. 4th Prior				0.0					0.0
6. 5th Prior				0.0					0.0
7. Form Inception-to-Date				0.0					0.0
8. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Institutional Only:									
9. Current				0.0					0.0
10. Prior				0.0					0.0
11. 2nd Prior				0.0					0.0
12. 3rd Prior				0.0					0.0
13. 4th Prior				0.0					0.0
14. 5th Prior				0.0					0.0
15. Form Inception-to-Date				0.0					0.0
16. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Non-Institutional Only:									
17. Current				0.0					0.0
18. Prior				0.0					0.0
19. 2nd Prior				0.0					0.0
20. 3rd Prior				0.0					0.0
21. 4th Prior				0.0					0.0
22. 5th Prior				0.0					0.0
23. Form Inception-to-Date				0.0					0.0
24. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
C. Summary									
1. Form Inception-to-Date	669,194	1,963,627	992,964	197.8	52	14	506	516	98.1
2. Total Inception-to-Date	16,476,126	7,613,948	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 2
EXPERIENCE RESERVE VS. REPORTED RESERVE BY CALENDAR YEAR

NAIC Group Code 0000 — Reporting Year (TO BE FILED BY APRIL 1) — NAIC Company Code 53267

Reporting Year	1 Policy Form	2 First Year Issue	3 Last Year Issue	4 Earned Premiums	5 Incurred Claims	6 Loss Ratio	7 Annual Net/ Annual Gross Premiums	8 Current Year Net Premiums	9 Inforce Count Beginning of Year	10 New Issues Current Year	11 Inforce Count End of Year	12 Persistency Rate	13 Experience Policy Reserves	14 Reported Policy Reserves	15 Experience/ Reported Ratio
A. Individual															
1. Current	LTC-LBP8-B-DE-TQ	1995	1998	78,796	80,093	101.6	71.2	56,076	70	0	66	0.9	914,218	847,879	107.8
2. Prior	LTC-LBP8-B-DE-TQ	1995	1998	82,947	125,774	151.6	73.5	60,977	74	0	70	0.9	892,219	902,703	98.8
3. 2nd Prior	LTC-LBP8-B-DE-TQ	1995	1998	87,689	183,042	208.7	72.1	63,235	78	0	74	0.9	913,601	913,601	100.0
1. Current	LTC-C07-B-DE	1994	1996	191,803	315,441	164.5	62.5	119,780	158	0	148	0.9	1,686,222	2,298,671	73.4
2. Prior	LTC-C07-B-DE	1994	1996	215,058	492,287	228.9	59.5	127,955	168	0	158	0.9	1,793,779	2,163,045	82.9
3. 2nd Prior	LTC-C07-B-DE	1994	1996	236,615	393,811	166.4	60.7	142,654	178	0	168	0.9	2,054,103	2,054,103	100.0
1. Current	LTC-C08-B-DE-TQ	1994	1997	291,816	236,852	81.2	58.2	169,752	200	0	179	0.9	2,757,250	2,575,406	107.1
2. Prior	LTC-C08-B-DE-TQ	1994	1997	329,470	278,913	84.7	59.4	195,767	212	0	200	0.9	2,674,279	2,433,921	109.9
3. 2nd Prior	LTC-C08-B-DE-TQ	1994	1997	345,241	491,850	142.5	61.0	210,463	229	0	212	0.9	2,621,344	2,621,344	100.0
B. Group															
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
C. Summary															
1. Total Current-Individual				669,193	652,287	XXX	XXX	423,205	545	0	506	XXX	6,422,779	6,714,460	XXX
2. Total Prior-Individual				745,070	1,162,970	XXX	XXX	468,348	588	0	545	XXX	6,315,326	6,628,590	XXX
3. Total 2nd Prior-Individual				805,555	1,076,387	XXX	XXX	513,550	627	0	588	XXX	6,665,971	6,665,971	XXX
4. Total Current-Group				0	0	XXX	XXX	0	0	0	0	XXX	0	0	XXX
5. Total Prior-Group				0	0	XXX	XXX	0	0	0	0	XXX	0	0	XXX
6. Total 2nd Prior-Group				0	0	XXX	XXX	0	0	0	0	XXX	0	0	XXX
7. Current Year Total				669,193	652,287	97.5	264.6	423,205	545	0	506	0.928	6,422,779	6,714,460	95.7

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 2
EXPERIENCE RESERVE VS. REPORTED RESERVE BY CALENDAR YEAR

NAIC Group Code 0000

Reporting Year
(TO BE FILED BY APRIL 1)

NAIC Company Code 53287

Reporting Year	1 Policy Form	2 First Year Issue	3 Last Year Issue	4 Earned Premiums	5 Incurred Claims	6 Loss Ratio	7 Annual Net/ Annual Gross Premiums	8 Current Year Net Premiums	9 Inforce Count Beginning of Year	10 New Issues Current Year	11 Inforce Count End of Year	12 Persistency Rate	13 Experience Policy Reserves	14 Reported Policy Reserves	15 Experience/ Reported Ratio
A. Individual															
1. Current	LTC-LBP7-B-DE	1995	1997	106,778	19,901	18.6	72.7	77,597	117	0	113	1.0	1,065,089	992,504	107.3
2. Prior	LTC-LBP7-B-DE	1995	1997	117,595	265,996	226.2	71.1	83,649	134	0	117	0.9	955,049	1,128,921	84.6
3. 2nd Prior	LTC-LBP7-B-DE	1995	1997	136,010	7,684	5.6	71.5	97,198	142	0	134	0.9	1,076,923	1,076,923	100.0
1. Current															
2. Prior															
3. 2nd Prior															
1. Current															
2. Prior															
3. 2nd Prior															
B. Group															
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
1. Current															
2. Prior															
3. 2nd Prior															
1. Current															
2. Prior															
3. 2nd Prior															

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SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 3
LTC EXPERIENCE DEVELOPMENT ($000 OMITTED)

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000 NAIC Company Code 53287

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
A. Individual								
PART 1 – Total (Direct and Transferred) Amount Paid Policyholders								
1. Prior	233	146	25	0	0	31	31	0
2. 2002	73	253	203	39	17	26	47	34
3. 2003	XXX	111	181	135	41	23	23	8
4. 2004	XXX	XXX	156	312	210	102	53	42
5. 2005	XXX	XXX	XXX	189	355	180	81	15
6. 2006	XXX	XXX	XXX	XXX	109	315	250	151
7. 2007	XXX	XXX	XXX	XXX	XXX	206	283	192
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	253	429
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	105

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
PART 2 – Sum of Total Amount Paid Policyholders and Claim Liability and Reserve Outstanding at End of Year								
1. Prior	233	146	25	0	0	34	31	0
2. 2002	539	431	241	59	30	39	126	99
3. 2003	XXX	587	332	166	58	23	23	8
4. 2004	XXX	XXX	640	565	261	143	127	42
5. 2005	XXX	XXX	XXX	829	599	255	82	15
6. 2006	XXX	XXX	XXX	XXX	619	600	488	159
7. 2007	XXX	XXX	XXX	XXX	XXX	860	488	262
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	920	804
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	575

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
PART 3 – Transferred Reserves								
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
PART 4 – Present Value of Incurred Claims								
1. Prior	216	134	22	0	0	23	20	0
2. 2002	528	409	220	51	25	31	96	72
3. 2003	XXX	576	315	169	50	20	19	6
4. 2004	XXX	XXX	628	536	238	124	105	33
5. 2005	XXX	XXX	XXX	813	569	232	71	13
6. 2006	XXX	XXX	XXX	XXX	612	568	442	139
7. 2007	XXX	XXX	XXX	XXX	XXX	849	463	239
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	903	721
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	564

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 3 (continued)
LTC EXPERIENCE DEVELOPMENT ($000 OMITTED)

NONE

B. Group

PART 1 – Total Incurred and Transferred Amount Paid Policyholders

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

PART 2 – Sum of Total Amount Paid Policyholders and Claim Liability and Reserve Outstanding at End of Year

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

PART 3 – Transferred Reserves

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

PART 4 – Present Value of Incurred Claims

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	216	134	22	0	0	23	20	0
2. 2002	528	409	220	51	25	31	95	72
3. 2003	XXX	576	315	169	50	20	19	6
4. 2004	XXX	XXX	628	536	238	124	105	33
5. 2005	XXX	XXX	XXX	813	569	232	71	13
6. 2006	XXX	XXX	XXX	XXX	612	568	442	139
7. 2007	XXX	XXX	XXX	XXX	XXX	849	463	239
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	903	761
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	564

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 3 (continued)
LTC EXPERIENCE DEVELOPMENT ($000 OMITTED)

C. Summary

PART 1 – Total (Direct and Transferred) Amount Paid Policyholders

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	233	146	25	0	0	31	31	0
2. 2002	73	253	203	39	17	26	47	34
3. 2003	XXX	111	181	135	41	23	23	8
4. 2004	XXX	XXX	156	312	210	102	53	42
5. 2005	XXX	XXX	XXX	189	355	180	81	15
6. 2006	XXX	XXX	XXX	XXX	109	315	250	151
7. 2007	XXX	XXX	XXX	XXX	XXX	206	283	192
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	253	429
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	105

PART 2 – Sum of Total Amount Paid Policyholders and Claim Liability and Reserve Outstanding at End of Year

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	233	146	25	0	0	34	31	0
2. 2002	539	431	241	59	30	39	126	99
3. 2003	XXX	587	332	186	58	23	23	8
4. 2004	XXX	XXX	640	565	261	143	127	42
5. 2005	XXX	XXX	XXX	829	599	255	82	15
6. 2006	XXX	XXX	XXX	XXX	619	600	468	159
7. 2007	XXX	XXX	XXX	XXX	XXX	860	488	262
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	920	804
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	575

PART 3 – Transferred Reserves

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	0	0	0	0	0	0	0	0
2. 2002	0	0	0	0	0	0	0	0
3. 2003	XXX	0	0	0	0	0	0	0
4. 2004	XXX	XXX	0	0	0	0	0	0
5. 2005	XXX	XXX	XXX	0	0	0	0	0
6. 2006	XXX	XXX	XXX	XXX	0	0	0	0
7. 2007	XXX	XXX	XXX	XXX	XXX	0	0	0
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	0	0
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0

PART 4 – Present Value of Incurred Claims

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	432	268	44	0	0	46	40	0
2. 2002	1,056	818	440	102	50	62	191	144
3. 2003	XXX	1,152	630	338	100	40	38	12
4. 2004	XXX	XXX	1,256	1,072	476	248	210	66
5. 2005	XXX	XXX	XXX	1,626	1,138	464	142	26
6. 2006	XXX	XXX	XXX	XXX	1,224	1,136	884	278
7. 2007	XXX	XXX	XXX	XXX	XXX	1,698	926	478
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	1,806	1,482
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,128

5 3 2 8 7 2 0 0 9 3 0 4 0 0 1 0 0

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 4
LIFE AND ANNUITY PRODUCTS WITH LTC ACCELERATED BENEFITS

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000 NAIC Company Code 53287

Incurred Year	1 Number of Policies in Force	2 Number of Certificates	3 Death Claims	4 LTC Accelerated Claims	5 Total Reserves
A. Individual					
1. Current					
2. Prior					
3. 2nd Prior					
B. Group					
1. Current					
2. Prior					
3. 2nd Prior					
C. Summary					
1. Total Inception-to-Date					

NONE

Total Reserves are reserves for these particular life products with LTC accelerated benefits.
Incurred claims are only the policies that claims have been triggered due to acceleration.

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 5
EXPERIENCE IN THE STATE OF Delaware

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000 NAIC Company Code 53287

	1 Earned Premiums	2 Incurred Claims	3 Inforce Count End of Year
1. Individual	669,194	652,288	506
2. Group		0	
3. Total	669,194	652,288	506
4. Actual total reported experience through prior year	15,806,931	6,656,245	XXX
5. Actual total reported experience through statement year	16,476,125	7,308,533	XXX

LONG-TERM CARE EXPERIENCE REPORTING FORM 5
EXPERIENCE IN THE STATE OF Consolidated

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000 NAIC Company Code 53287

	1 Earned Premiums	2 Incurred Claims	3 Inforce Count End of Year
1. Individual	669,194	652,288	506
2. Group	0	0	0
3. Total	669,194	652,288	506
4. Actual total reported experience through prior year	15,806,931	6,656,245	XXX
5. Actual total reported experience through statement year	16,476,125	7,308,533	XXX

5 3 2 8 7 2 0 0 9 3 1 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-CD7-B-DE	1994				0		9.4	
1	XXX	XXX				0		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0		71.1	
10+	XXX	XXX	215,058	265,450	306,759	572,209	(73,900)	189.2	158
Total Calendar Year			215,058	265,450	306,759	572,209	(73,900)	XXX	158

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 266.1 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 140.6

	1	2	3	4	5	6	7	8	9
0	LTC-CD8-B-DE-TQ	1994				0		9.4	
1	XXX	XXX				0		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0		71.1	
10+	XXX	XXX	329,470	207,143	8,750	215,893	(71,135)	189.2	200
Total Calendar Year			329,470	207,143	8,750	215,893	(71,135)	XXX	200

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 65.5 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 34.6

	1	2	3	4	5	6	7	8	9
0	LTC-LBP7-B-DE	1995				0		9.4	
1	XXX	XXX				0		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0		71.1	
10+	XXX	XXX	117,595	172,787	44,036	216,823	(71,291)	189.2	117
Total Calendar Year			117,595	172,787	44,036	216,823	(71,291)	XXX	117

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 184.4 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 97.5

5 3 2 8 7 2 0 0 9 3 1 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-LBP8-B-DE-TO	1995				0		9.4	
1	XXX	XXX		1,902		1,902		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0	(5,972)	71.1	
10+	XXX	XXX	82,947	35,195	14,711	49,906	(7,664)	189.2	70
Total Calendar Year			82,947	37,097	14,711	51,808	(13,636)	XXX	70

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 62.5 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 33.0

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM – A (Continued)

Part 2 – LTC INSURANCE EXPERIENCE BY LINE OF BUSINESS

	1 Earned Premiums By Duration	2 Incurred and Paid	3 Reserve for Incurred But Unpaid	4 Total Incurred Claims
1. Individual	745,070	682,477	374,256	1,056,733
2. Group direct response				0
3. Other group				0
4. Total (sum Lines 1 to 3)	745,070	682,477	374,256	1,056,733

Part 3 – EXPERIENCE FOR PRODUCTS PROVIDING LTC INSURANCE OTHER THAN ON A STAND ALONE BASIS

	Premiums and Annuity Considerations		Benefits	
	1 Total	2 Long-Term Care Benefit Component	3 Total	4 Applied to Provide Long-Term Care Benefits
A. Products Providing LTC Benefits With Distinct LTC Premiums				
1. Individual -- Life				
2. Individual -- Annuity				
3. Individual -- Disability				
4. Individual -- Other				
5. Group -- Life				
6. Group -- Annuity				
7. Group -- Disability				
8. Group -- Other				
B. Products Providing LTC Benefits Without Distinct LTC Premiums				
1. Individual -- Life				
2. Individual -- Annuity				
3. Individual -- Disability				
4. Individual -- Other				
5. Group -- Life				
6. Group -- Annuity				
7 Group -- Disability				
8. Group -- Other				

5 3 2 8 7 2 0 0 9 3 2 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000 NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-CD7-B-DE	1994	726,924	124,423	726,924	68,614	0	0
1	XXX	XXX	1,199,707	70,019	1,205,289	172,606	0	0
2	XXX	XXX	889,244	1,942	1,054,308	212,357	0	0
3	XXX	XXX	791,430	226,271	960,325	262,873	0	0
4	XXX	XXX	720,837	412,248	882,264	334,871	0	0
5-9	XXX	XXX	2,661,813	1,329,577	3,399,382	2,350,212	0	0
10+	XXX	XXX	1,358,092	1,440,647	2,009,656	2,491,982	1,745,406	148
Cumulative Total			8,348,047	3,605,127	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 43.2 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 57.6 (c) Actual to Anticipated Loss Percentage (a/b) 75.0

	1	2	3	4	5	6	7	8
0	LTC-CD8-B-DE-TQ	1994	552,530	30,027	552,530	52,153	0	0
1	XXX	XXX	1,075,536	1,346	916,174	131,203	0	0
2	XXX	XXX	1,022,071	1,141	801,445	161,425	0	0
3	XXX	XXX	900,698	177,758	730,036	199,835	0	0
4	XXX	XXX	826,011	15,119	670,724	254,580	0	0
5-9	XXX	XXX	3,148,087	1,223,535	2,584,639	1,786,951	0	0
10+	XXX	XXX	1,527,575	1,342,148	1,305,397	1,558,428	2,323,421	179
Cumulative Total			9,052,508	2,791,074	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 30.8 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 54.8 (c) Actual to Anticipated Loss Percentage (a/b) 56.3

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	307,860	17,684	307,860	29,059	0	0
1	XXX	XXX	566,036	1,317	510,476	73,104	0	0
2	XXX	XXX	461,686	198,311	446,551	89,943	0	0
3	XXX	XXX	425,139	146,750	406,763	111,345	0	0
4	XXX	XXX	378,549	105,958	373,715	141,847	0	0
5-9	XXX	XXX	1,454,887	600,450	1,440,114	995,657	0	0
10+	XXX	XXX	720,303	554,836	826,360	1,017,645	902,784	113
Cumulative Total			4,314,460	1,625,306	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 37.7 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 57.0 (c) Actual to Anticipated Loss Percentage (a/b) 66.1

	3	4	5	6	7	8
1. Individual	23,953,914	9,023,619	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	23,953,914	9,023,619	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year	16,476,125	7,278,439	XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year	15,806,932	6,656,244	XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	669,193	622,195	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [X]
b. If yes, indicate the calendar years that were included:

5 3 2 8 7 2 0 0 9 3 2 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000

NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995	142,526	3,966	142,526	13,453	0	0
1	XXX	XXX	289,477	2,017	236,328	33,844	0	0
2	XXX	XXX	263,168	0	206,734	41,640	0	0
3	XXX	XXX	220,725	2,188	188,314	51,548	0	0
4	XXX	XXX	191,416	1,215	173,014	65,669	0	0
5-9	XXX	XXX	760,975	671,302	666,712	460,947	0	0
10+	XXX	XXX	370,614	321,426	337,679	403,322	755,028	66
Cumulative Total			2,238,901	1,002,114	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 44.8 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 54.9 (c) Actual to Anticipated Loss Percentage (a/b) 81.5

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

5 3 2 8 7 2 0 0 9 3 3 0 0 8 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-C07-B-DE	1994	726,924	124,423	726,924	68,614	0	0
1	XXX	XXX	1,199,707	70,019	1,205,289	172,606	0	0
2	XXX	XXX	889,244	1,942	1,054,308	212,357	0	0
3	XXX	XXX	791,430	226,271	960,325	262,873	0	0
4	XXX	XXX	720,837	412,248	882,264	334,871	0	0
5-9	XXX	XXX	2,661,813	1,329,577	3,399,382	2,350,212	0	0
10+	XXX	XXX	1,358,092	1,440,647	2,009,656	2,491,982	1,745,406	148
Cumulative Total			8,348,047	3,605,127	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 43.2 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 57.6 (c) Actual to Anticipated Loss Percentage (a/b) 75.0

	1	2	3	4	5	6	7	8
0	LTC-C08-B-DE-TQ	1994	552,530	30,027	552,530	52,153	0	0
1	XXX	XXX	1,075,536	1,346	916,174	131,203	0	0
2	XXX	XXX	1,022,071	1,141	801,445	161,425	0	0
3	XXX	XXX	900,698	177,758	730,036	199,835	0	0
4	XXX	XXX	826,011	15,119	670,724	254,580	0	0
5-9	XXX	XXX	3,148,087	1,223,535	2,584,639	1,786,951	0	0
10+	XXX	XXX	1,527,575	1,342,148	1,305,397	1,558,428	2,323,421	179
Cumulative Total			9,052,508	2,791,074	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 30.8 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 54.8 (c) Actual to Anticipated Loss Percentage (a/b) 56.3

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	307,860	17,684	307,860	29,059	0	0
1	XXX	XXX	566,036	1,317	510,476	73,104	0	0
2	XXX	XXX	461,686	198,311	446,551	89,943	0	0
3	XXX	XXX	425,139	146,750	406,763	111,345	0	0
4	XXX	XXX	378,549	105,958	373,715	141,847	0	0
5-9	XXX	XXX	1,454,887	600,450	1,440,114	995,657	0	0
10+	XXX	XXX	720,303	554,836	826,360	1,017,645	902,784	113
Cumulative Total			4,314,460	1,625,306	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 37.7 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 57.0 (c) Actual to Anticipated Loss Percentage (a/b) 66.1

	3	4	5	6	7	8
1. Individual	23,953,914	9,023,619	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	23,953,914	9,023,619	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year	16,476,125	7,278,439	XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year	15,806,932	6,656,244	XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	669,193	622,195	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [X]
b. If yes, indicate the calendar years that were included:

5 3 2 8 7 2 0 0 9 3 3 0 0 8 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000

NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995	142,526	3,966	142,526	13,453	0	0
1	XXX	XXX	289,477	2,017	236,328	33,844	0	0
2	XXX	XXX	263,168	0	206,734	41,640	0	0
3	XXX	XXX	220,725	2,188	188,314	51,548	0	0
4	XXX	XXX	191,416	1,215	173,014	65,669	0	0
5-9	XXX	XXX	760,975	671,302	666,712	460,947	0	0
10+	XXX	XXX	370,614	321,426	337,679	403,322	755,028	66
Cumulative Total			2,238,901	1,002,114	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 44.8 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 54.9 (c) Actual to Anticipated Loss Percentage (a/b) 81.5

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

BlueCross BlueShield of Delaware

Post Office Box 1991
Wilmington, DE 19899.1991
bcbsde.com

March 31, 2010

The Honorable Karen Weldin Stewart
Insurance Commissioner
State of Delaware
Department of Insurance
841 Silver Lake Blvd
Dover, DE 19904-2465

Dear Commissioner Weldin Stewart:

Enclosed is the April 1st NAIC filing for Blue Cross Blue Shield of Delaware (BCBSD) for the period ending December 31, 2009. Included is both the electronic version as well as the paper copy.

If you have any questions, please contact me on 302.421.3342 or Matthew Grajewski on 302.421.3046.

Very Truly Yours,

David W. Goins, CPA
Manager Corporate Accounting

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

Management's Discussion and Analysis

Results of Operations

The following is an assessment by management of the results of operations, the change in reserves and unassigned funds and the cash flow and liquidity of BCBSD, Inc. The information presented in this discussion summarizes and/or supplements that which is provided in the company's 2009 annual statement.

BCBSD, Inc., which was founded in 1935, is a provider of health coverage, both insured and administered to individuals and groups. These services include traditional health insurance, open and closed panel type benefits, preferred provider benefits, point of service benefits, third party administrative services and other managed care services.

The Company's balance sheet is summarized on Table #1. Explanations for variances are as follows:

The decrease in cash and short-term investments is attributable to funding operations.

The increase in stocks and bonds are primarily attributable to the recovery of market values of our stock portfolio and the net gain recorded in 2009.

The decrease in accounts receivable relating to uninsured accident and health plans is attributable to the timing of the billing cycle between 2009 and 2008.

The decrease in claims unpaid is attributable to reduced conservatism in calculating the liability combined with a 6% decline in contracts.

The increase in other liabilities is due to the increase in the premium stabilization reserve partially offset by the decease in post retirement benefits.

The increase in reserves and unassigned funds is attributable to a net gain of $827,000, a decrease in non-admitted assets of $5,818,000, unrealized capital gains of $8,105,000 offset by a decrease in the deferred tax asset of $1,184,000.

The operating results for 2009 and 2008 are displayed in Table #2. Explanations for variances are as follows:

The net underwriting loss for 2009 decreased by $12,520,000 over 2008, this decline is attributable to a 1.0% increase in premium combined with a 1.2% decrease in incurred claims, and a 3.5% decrease in operating expenses incurred. The decrease in incurred claims was primarily due to a decrease in the actuarial estimate of claims incurred but not yet reported. The variance in operating expense is attributable to much higher expense in FY 2008 due to a bridge to retirement program implemented in that year.

Net investment income earned was slightly below 2008. The large increase in capital gains was attributable to the improvement in market conditions during 2009.

The #3 shows that BCBSD had a net decrease in cash position consistent with the increase in the investment portfolio.

Prospective Information
BCBSD, Inc. projects a small 2.0% increase in membership for 2010 when compared to the year-end 2009 levels. This growth in membership is projected in the over 65 and in large local group segment, premium growth is expected to grow in line with membership while medical costs are expected to trend slightly less resulting in improved underwriting results. Non risk membership is expected to drop by 6,400 members in 2010 mainly due to the lapsing of coverage from the members lost due to the auto plants closing in 2008 and 2009.

Investment Income is forecast to be unchanged in 2010.

Material Changes
None

Liquidity & Capital Resources

Management's Discussion and Analysis

The Company maintains a strong financial position, and exceeds all requirements for Minimum Net Worth set by the State of Delaware.

Table #1 - Balance Sheet

	2009	2008	Difference Amount	Difference Percent
Assets				
Bonds	$ 176,423,695	$ 166,989,150	$ 9,434,545	5.6 %
Stocks	36,717,720	18,096,150	18,621,570	102.9
Mortgage loans	217,293	223,482	(6,189)	0.0
Cash and short term investments	711,638	6,410,579	(5,698,941)	(88.9)
Accounts receivable relating to uninsured accident and health plans	14,113,002	21,342,051	(7,229,049)	(33.9)
Other assets	33,805,539	32,248,991	1,556,548	4.8
Total assets	$ 261,988,887	$ 245,310,403	$ 16,678,484	6.8 %
Liabilities				
Claims unpaid	$ 36,885,440	$ 41,690,000	$ (4,804,560)	(11.5) %
General expenses due and accrued	18,180,110	19,035,128	(855,018)	(4.5)
Advance deposits	8,535,859	8,678,503	(142,644)	(1.6)
Provision for experienced rated refunds	136,512	136,512	-	0.0
Other liabilities	58,562,306	54,963,103	3,599,203	6.5
Total liabilities	$ 122,300,227	$ 124,503,246	$ (2,203,019)	(1.8) %
Total capital and surplus	$ 139,688,660	$ 120,807,157	$ 18,881,503	15.6 %
Total liabilities, capital and surplus	$ 261,988,887	$ 245,310,403	$ 16,678,484	6.8 %

Table #2 - Underwriting and Investment Results

	2009	2008	Difference Amount	Difference Percent
Underwriting Income				
Premiums earned	$ 482,122,236	$ 477,182,765	$ 4,939,471	1.0 %
Claims incurred	422,232,892	427,401,283	(5,168,391)	(1.2)
Expenses incurred	67,443,195	69,855,832	(2,412,637)	(3.5)
Net underwriting gain	$ (7,553,851)	$ (20,074,350)	$ 12,520,499	(62.4) %
Investment Income				
Net investment income earned	$ 9,083,081	$ 9,677,651	$ (594,570)	(6.1) %
Net realized capital gains (losses)	636,884	(11,005,121)	11,642,005	(105.8)
Net investment gain	$ 9,719,965	$ (1,327,470)	$ 11,047,435	(832.2) %
Other Income				
Other income (expense)	$ 383,960	$ 424,385	$ (40,425)	(9.5)
Total other income (expense)	383,960	424,385	(40,425)	(9.5)
Net gain before federal income taxes	$ 2,550,074	$ 20,977,435)	$ 23,527,509	(112.2) %
Federal income tax provision	$ 1,723,066	$ (4,228,427)	$ 5,951,493	(140.7) %
Net gain	$ 827,008	$ 16,749,008)	$ 17,576,016	(104.9) %

Table #3 - Cash Flow

	2009	2008	Difference Amount	Difference Percent
Operations				

Management's Discussion and Analysis

Cash from underwriting	$ (12,741,975)	$ (18,907,125)	$ 6,165,150	(32.6)	%
Investment income	7,812,993	10,373,969	(2,560,976)	(24.7)	
Federal taxes paid (recovered)	3,302,726	(3,035,394)	6,338,120	-	
Net cash from operations	$ (1,626,256)	$ (11,568,550)	$ 9,942,294	(85.9)	%
Investment Activities					
Proceeds from investments sold, matured or repaid	$ 124,038,396	$ 172,623,824	$ (48,585,428)	(28.1)	%
Cost of investments acquired	(142,006,415)	(167,494,939)	25,488,524	(15.2)	
Cash (used in) investment activities	$ 17,968,019)	$ 5,128,885	$ (23,096,904)	(450.3)	%
Financing Activities					
Other cash provided	$ -	$ -	$ -	-	%
Other cash applied	13,895,334	(8,668,503)	22,563,837	(260.3)	
Cash provided by (used in) financing activities	$ 13,895,334	$ (8,668,503)	$ 22,563,837	(260.3)	%
Net increase (decrease) in cash and short term investments	$ (5,698,941)	$ 15,108,168)	$ 9,409,227	(62.3)	%

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2009
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical							
1.1 With Contract Reserves	2,866,802	2,193,832	(114,934)	72.516	202	320	3,758
1.2 Without Contract Reserves				0.000			
1.3 Subtotal	2,866,802	2,193,832	(114,934)	72.516	202	320	3,758
2. Short-Term Medical							
2.1 With Contract Reserves				0.000			
2.2 Without Contract Reserves				0.000			
2.3 Subtotal	0	0	0	0.000	0	0	0
3. Other Medical (Non-Comprehensive)							
3.1 With Contract Reserves				0.000			
3.2 Without Contract Reserves				0.000			
3.3 Subtotal	0	0	0	0.000	0	0	0
4. Specified/Named Disease							
4.1 With Contract Reserves				0.000			
4.2 Without Contract Reserves				0.000			
4.3 Subtotal	0	0	0	0.000	0	0	0
5. Limited Benefit							
5.1 With Contract Reserves				0.000			
5.2 Without Contract Reserves				0.000			
5.3 Subtotal	0	0	0	0.000	0	0	0
6. Student							
6.1 With Contract Reserves				0.000			
6.2 Without Contract Reserves				0.000			
6.3 Subtotal	0	0	0	0.000	0	0	0
7. Accident Only or AD&D							
7.1 With Contract Reserves				0.000			
7.2 Without Contract Reserves				0.000			
7.3 Subtotal	0	0	0	0.000	0	0	0
8. Disability Income – Short-Term							
8.1 With Contract Reserves				0.000			
8.2 Without Contract Reserves				0.000			
8.3 Subtotal	0	0	0	0.000	0	0	0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2009
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
A. INDIVIDUAL BUSINESS (Continued)							
9. Disability Income – Long-Term							
9.1 With Contract Reserves				0.000			
9.2 Without Contract Reserves				0.000			
9.3 Subtotal	0	0	0	0.000	0	0	0
10. Long-Term Care							
10.1 With Contract Reserves				0.000			
10.2 Without Contract Reserves				0.000			
10.3 Subtotal	0	0	0	0.000	0	0	0
11. Medicare Supplement (Medigap)							
11.1 With Contract Reserves	11,264,533	7,285,540	81,149	65.397	3,591	3,591	44,261
11.2 Without Contract Reserves				0.000			
11.3 Subtotal	11,264,533	7,285,540	81,149	65.397	3,591	3,591	44,261
12. Dental							
12.1 With Contract Reserves				0.000			
12.2 Without Contract Reserves				0.000			
12.3 Subtotal	0	0	0	0.000	0	0	0
13. State Children's Health Insurance Program							
13.1 With Contract Reserves				0.000			
13.2 Without Contract Reserves				0.000			
13.3 Subtotal	0	0	0	0.000	0	0	0
14. Medicare							
14.1 With Contract Reserves				0.000			
14.2 Without Contract Reserves				0.000			
14.3 Subtotal	0	0	0	0.000	0	0	0
15. Medicaid							
15.1 With Contract Reserves				0.000			
15.2 Without Contract Reserves				0.000			
15.3 Subtotal	0	0	0	0.000	0	0	0
16. Medicare Part D – Stand-alone							
16.1 With Contract Reserves				0.000			
16.2 Without Contract Reserves				0.000			
16.3 Subtotal	0	0	0	0.000	0	0	0
17. Other Individual Business							
17.1 With Contract Reserves	25,727,716	23,842,105	(929,817)	89.057	6,002	9,472	119,640
17.2 Without Contract Reserves				0.000			
17.3 Subtotal	25,727,716	23,842,105	(929,817)	89.057	6,002	9,472	119,640
18. Total Individual Business							
18.1 With Contract Reserves	39,859,051	33,321,477	(963,602)	81.181	9,795	13,383	167,659
18.2 Without Contract Reserves	0	0	0	0.000	0	0	0
19. Grand Total Individual	39,859,051	33,321,477	(963,602)	81.181	9,795	13,383	167,659

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only
For The Year Ended December 31, 2009
(To Be Filed by April 1)

	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1	5 Number of Policies or Certificates as of Dec. 31	6 Number of Covered Lives As of Dec. 31	7 Member Months
B. GROUP BUSINESS							
Comprehensive Major Medical							
1. Single Employer							
1.1 Small Employer	143,718,612	119,336,064	(4,019,517)	80.238	17,075	32,327	423,039
1.2 Other Employer	208,648,591	194,919,384	(247,027)	93.302	25,871	49,849	579,775
1.3 Single Employer Subtotal	352,367,203	314,255,448	(4,266,544)	87.973	42,946	82,176	1,002,814
2. Multiple Employer Assns and Trusts				0.000			
3. Other Associations and Discretionary Trusts				0.000			
4. Other Comprehensive Major Medical				0.000			
5. Comprehensive/Major Medical Subtotal	352,367,203	314,255,448	(4,266,544)	87.973	42,946	82,176	1,002,814
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease				0.000			
7. Limited Benefit				0.000			
8. Student				0.000			
9. Accident Only or AD&D				0.000			
10. Disability Income – Short-Term				0.000			
11. Disability Income – Long-Term				0.000			
12. Long-Term Care				0.000			
13. Medicare Supplement (Medigap)				0.000			
14. Federal Employees Health Benefit Plans	83,804,534	57,350,546	(275,711)	68.105	9,461	17,661	211,285
15. Tricare				0.000			
16. Dental	3,517,758	2,608,977	13,399	74.547	4,803	9,889	116,383
17. Medicare	0			0.000			
18. Medicare Part D – Stand-alone				0.000			
19. Other Group Care	86,902	9,093	0	10.464	1,397	2,939	34,380
20. Grand Total Group Business	439,776,397	374,224,064	(4,528,856)	84.064	58,607	112,665	1,364,862
C. OTHER BUSINESS							
1. Credit (Individual and Group)				0.000			
2. Stop Loss/Excess Loss				0.000			
3. Administrative Services Only	XXX	XXX	XXX	XXX			
4. Administrative Services Contracts	XXX	XXX	XXX	XXX			
5. Grand Total Other Business	0	0	0	0.000	0	0	0
D. TOTAL BUSINESS							
1. Total Non U.S. Policy Forms				0.000			
2. Grand Total Individual, Group and Other Business	479,635,448	407,545,541	(5,492,458)	83.825	68,402	126,048	1,532,521

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

PART 1 - INDIVIDUAL POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 2 - GROUP POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 3 - CREDIT POLICIES (Individual and Group)

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business				0.000
2. Other Forms Direct Business				0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed				0.000
5. Less Reinsurance Ceded				0.000
6. Total	0	0	0	0.000

PART 4 – ALL INDIVIDUAL,GROUP AND CREDIT POLICIES

SUMMARY

Description	1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2+3)/1
1. U.S. Forms Direct Business	0	0	0	0.000
2. Other Forms Direct Business	0	0	0	0.000
3. Total Direct Business	0	0	0	0.000
4. Reinsurance Assumed	0	0	0	0.000
5. Less Reinsurance Ceded	0	0	0	0.000
6. Total	0	0	0	0.000

5 3 2 8 7 2 0 0 9 2 8 5 0 0 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2009

(To Be Filed by April 1)

OF The BCBSD, Inc.

Address (City, State and Zip Code) Wilmington, DE 19801-1368

NAIC Group Code 0000 NAIC Company Code 53287 Employer's ID Number 51-0020405

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 261,988,887

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	The Vanguard Group	Equity mutual funds	$ 34,676,297	13.2 %
2.02	JP Morgan Chase & Company	Corporate bonds	$ 4,641,603	1.8 %
2.03	AOL	Corporate bonds	$ 4,496,515	1.7 %
2.04	Bank of America	Corporate bonds	$ 4,201,691	1.6 %
2.05	Wells Fargo	Corporate bonds	$ 3,339,267	1.3 %
2.06	California	Bonds	$ 2,430,933	0.9 %
2.07	AT&T	Corporate bonds	$ 1,846,897	0.7 %
2.08	SBA	Bonds	$ 1,807,235	0.7 %
2.09	Comcast Corporation	Corporate bonds	$ 1,654,140	0.6 %
2.10	Capital One	Corporate bonds	$ 1,502,722	0.6 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4	
3.01	NAIC-1	$ 148,863,256	56.8 %	3.07	P/RP-1	$ 355,500	0.1 %	
3.02	NAIC-2	$ 34,925,461	13.3 %	3.08	P/RP-2	$ 799,592	0.3 %	
3.03	NAIC-3	$ 1,298,439	0.5 %	3.09	P/RP-3	$	0.0 %	
3.04	NAIC-4	$ 82,321	0.0 %	3.10	P/RP-4	$	0.0 %	
3.05	NAIC-5	$ 520,099	0.2 %	3.11	P/RP-5	$	0.0 %	
3.06	NAIC-6	$ 0	0.0 %	3.12	P/RP-6	$	0.0 %	

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

4.02 Total admitted assets held in foreign investments $ 2,443,751 0.9 %

4.03 Foreign-currency-denominated investments $ 0 0.0 %

4.04 Insurance liabilities denominated in that same foreign currency $ 0 0.0 %

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

6. Largest foreign investment exposures by country, categorized by NAIC sovereign rating:

	1	2
7. Aggregate unhedged foreign currency exposure	$	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets ..... Yes [ ] No [X]

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1 Name of Issuer	2	3
13.02	Vanguard Index Fund # 859	$ 13,468,468	5.1 %
13.03	Vanguard Index Fund #94	$ 13,392,141	5.1 %
13.04	Vanguard V3 Fund	$ 6,107,992	2.3 %
13.05	Reinsurance Group 5.75% Perferred	$ 799,592	0.3 %
13.06	Stanley Works Covertiable Perferred	$ 355,500	0.1 %
13.07	BCS Financial Corporation	$ 331,287	0.1 %
13.08	BCSI Holding Company	$ 250,028	0.1 %
13.09	Plans Liability Insurance Company	$ 188,500	0.1 %
13.10	HCC Insurance Holdings Inc	$ 66,335	0.0 %
13.11	Continental Info Systems	$ 173	0.0 %

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?..... Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? ..... Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (cont.)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end			At End of Each Quarter		
	1	2		1st Quarter 3	2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$ 19,901,474	7.6	%	$ 16,793,959	$ 16,463,723	$ 14,045,201
20.02 Repurchase agreements	$	0.0	%	$	$	$
20.03 Reverse repurchase agreements	$	0.0	%	$	$	$
20.04 Dollar repurchase agreements	$	0.0	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned			Written		
	1	2		3	4	
21.01 Hedging	$	0.0	%	$	0.0	%
21.02 Income generation	$	0.0	%	$	0.0	%
21.03 Other	$	0.0	%	$	0.0	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end			At End of Each Quarter		
	1	2		1st Quarter 3	2nd Quarter 4	3rd Quarter 5
22.01 Hedging	$	0.0	%	$	$	$
22.02 Income generation	$	0.0	%	$	$	$
22.03 Replications	$	0.0	%	$	$	$
22.04 Other	$	0.0	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end			At End of Each Quarter		
	1	2		1st Qtr 3	2nd Qtr 4	3rd Qtr 5
23.01 Hedging	$	0.0	%	$	$	$
23.02 Income generation	$	0.0	%	$	$	$
23.03 Replications	$	0.0	%	$	$	$
23.04 Other	$	0.0	%	$	$	$

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SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 1
ACTUAL VS. EXPECTED CLAIMS AND PERSISTENCY

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000

NAIC Company Code 53287

	1 Earned Premiums	2 Incurred Claims	3 Valuation Expected Incurred Claims	4 Actual to Expected Incurred Claims	5 Open Claim Count	6 New Claim Count	7 Lives Inforce End of Year	8 Expected Lives Inforce End of Year	9 Actual to Expected Lives Inforce
A. Individual									
Comprehensive:									
1. Current	483,619	1,362,898	732,198	186.1	40	10	327	339	96.5
2. Prior				0.0					0.0
3. 2nd Prior				0.0					0.0
4. 3rd Prior				0.0					0.0
5. 4th Prior				0.0					0.0
6. 5th Prior				0.0					0.0
7. Form Inception-to-Date	483,619	1,462,813	732,198	199.8	40	10	327	339	96.5
8. Total Inception-to-Date	11,963,160	5,412,194	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Institutional Only:									
9. Current	185,575	463,699	260,766	177.8	12	4	179	177	101.1
10. Prior				0.0					0.0
11. 2nd Prior				0.0					0.0
12. 3rd Prior				0.0					0.0
13. 4th Prior				0.0					0.0
14. 5th Prior				0.0					0.0
15. Form Inception-to-Date	185,575	500,814	260,766	192.1	12	4	179	177	101.1
16. Total Inception-to-Date	4,512,966	2,201,754	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Non-Institutional Only:									
17. Current				0.0					0.0
18. Prior				0.0					0.0
19. 2nd Prior				0.0					0.0
20. 3rd Prior				0.0					0.0
21. 4th Prior				0.0					0.0
22. 5th Prior				0.0					0.0
23. Form Inception-to-Date				0.0					0.0
24. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
B. Group									
Comprehensive:									
1. Current				0.0					0.0
2. Prior				0.0					0.0
3. 2nd Prior				0.0					0.0
4. 3rd Prior				0.0					0.0
5. 4th Prior				0.0					0.0
6. 5th Prior				0.0					0.0
7. Form Inception-to-Date				0.0					0.0
8. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Institutional Only:									
9. Current				0.0					0.0
10. Prior				0.0					0.0
11. 2nd Prior				0.0					0.0
12. 3rd Prior				0.0					0.0
13. 4th Prior				0.0					0.0
14. 5th Prior				0.0					0.0
15. Form Inception-to-Date				0.0					0.0
16. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Non-Institutional Only:									
17. Current				0.0					0.0
18. Prior				0.0					0.0
19. 2nd Prior				0.0					0.0
20. 3rd Prior				0.0					0.0
21. 4th Prior				0.0					0.0
22. 5th Prior				0.0					0.0
23. Form Inception-to-Date				0.0					0.0
24. Total Inception-to-Date	0	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX
C. Summary									
1. Form Inception-to-Date	669,194	1,963,627	992,964	197.8	52	14	506	516	98.1
2. Total Inception-to-Date	16,476,126	7,613,948	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 2
EXPERIENCE RESERVE VS. REPORTED RESERVE BY CALENDAR YEAR

NAIC Group Code 0000 — Reporting Year (TO BE FILED BY APRIL 1) — NAIC Company Code 53287

Reporting Year	1 Policy Form	2 First Year Issue	3 Last Year Issue	4 Earned Premiums	5 Incurred Claims	6 Loss Ratio	7 Annual Net/ Annual Gross Premiums	8 Current Year Net Premiums	9 Inforce Count Beginning of Year	10 New Issues Current Year	11 Inforce Count End of Year	12 Persistency Rate	13 Experience Policy Reserves	14 Reported Policy Reserves	15 Experience/ Reported Ratio
A. Individual															
1. Current	LTC-LBP8-B-DE-TQ	1995	1998	78,796	80,093	101.6	71.2	56,076	70	0	66	0.9	914,218	847,879	107.8
2. Prior	LTC-LBP8-B-DE-TQ	1995	1998	82,947	125,774	151.6	73.5	60,977	74	0	70	0.9	892,219	902,703	98.8
3. 2nd Prior	LTC-LBP8-B-DE-TQ	1995	1998	87,689	183,042	208.7	72.1	63,235	78	0	74	0.9	913,601	913,601	100.0
1. Current	LTC-CD7-B-DE	1994	1996	191,803	315,441	164.5	62.5	119,780	158	0	148	0.9	1,686,222	2,298,671	73.4
2. Prior	LTC-CD7-B-DE	1994	1996	215,058	492,287	228.9	59.5	127,955	168	0	158	0.9	1,793,779	2,163,045	82.9
3. 2nd Prior	LTC-CD7-B-DE	1994	1996	236,615	393,811	166.4	60.7	142,654	178	0	168	0.9	2,054,103	2,054,103	100.0
1. Current	LTC-CD8-B-DE-TQ	1994	1997	291,816	236,852	81.2	58.2	169,752	200	0	179	0.9	2,757,250	2,575,406	107.1
2. Prior	LTC-CD8-B-DE-TQ	1994	1997	329,470	278,913	84.7	59.4	195,767	212	0	200	0.9	2,674,279	2,433,921	109.9
3. 2nd Prior	LTC-CD8-B-DE-TQ	1994	1997	345,241	491,850	142.5	61.0	210,463	229	0	212	0.9	2,621,344	2,621,344	100.0
B. Group															
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
C. Summary															
1. Total Current-Individual				669,193	652,287	XXX	XXX	423,205	545	0	506	XXX	6,422,779	6,714,460	XXX
2. Total Prior-Individual				745,070	1,162,970	XXX	XXX	468,348	588	0	545	XXX	6,315,326	6,628,590	XXX
3. Total 2nd Prior-Individual				805,555	1,076,387	XXX	XXX	513,550	627	0	588	XXX	6,665,971	6,665,971	XXX
4. Total Current-Group				0	0	XXX	XXX	0	0	0	0	XXX	0	0	XXX
5. Total Prior-Group				0	0	XXX	XXX	0	0	0	0	XXX	0	0	XXX
6. Total 2nd Prior-Group				0	0	XXX	XXX	0	0	0	0	XXX	0	0	XXX
7. Current Year Total				669,193	652,287	97.5	264.6	423,205	545	0	506	0.928	6,422,779	6,714,460	95.7

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SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 2
EXPERIENCE RESERVE VS. REPORTED RESERVE BY CALENDAR YEAR

NAIC Group Code 0000 | Reporting Year (TO BE FILED BY APRIL 1) | NAIC Company Code 53287

Reporting Year	1 Policy Form	2 First Year Issue	3 Last Year Issue	4 Earned Premiums	5 Incurred Claims	6 Loss Ratio	7 Annual Net/ Annual Gross Premiums	8 Current Year Net Premiums	9 Inforce Count Beginning of Year	10 New Issues Current Year	11 Inforce Count End of Year	12 Persistency Rate	13 Experience Policy Reserves	14 Reported Policy Reserves	15 Experience/ Reported Ratio
A. Individual															
1. Current	LTC-LBP7-B-DE	1995	1997	106,778	19,901	18.6	72.7	77,597	117	0	113	1.0	1,065,089	992,504	107.3
2. Prior	LTC-LBP7-B-DE	1995	1997	117,595	265,996	226.2	71.1	83,649	134	0	117	0.9	955,049	1,128,921	84.6
3. 2nd Prior	LTC-LBP7-B-DE	1995	1997	136,010	7,684	5.6	71.5	97,198	142	0	134	0.9	1,076,923	1,076,923	100.0
1. Current															
2. Prior															
3. 2nd Prior															
1. Current															
2. Prior															
3. 2nd Prior															
B. Group															
1. Current						0.0						0.0			0.0
2. Prior						0.0						0.0			0.0
3. 2nd Prior						0.0						0.0			0.0
1. Current															
2. Prior															
3. 2nd Prior															
1. Current															
2. Prior															
3. 2nd Prior															

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SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 3
LTC EXPERIENCE DEVELOPMENT ($000 OMITTED)

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000 NAIC Company Code 53287

A. Individual

PART 1 – Total (Direct and Transferred) Amount Paid Policyholders

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	233	146	25	0	0	31	31	0
2. 2002	73	253	203	39	17	26	47	34
3. 2003	XXX	111	181	135	41	23	23	8
4. 2004	XXX	XXX	156	312	210	102	53	42
5. 2005	XXX	XXX	XXX	169	355	180	81	15
6. 2006	XXX	XXX	XXX	XXX	109	315	250	151
7. 2007	XXX	XXX	XXX	XXX	XXX	206	283	192
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	253	429
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	105

PART 2 – Sum of Total Amount Paid Policyholders and Claim Liability and Reserve Outstanding at End of Year

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	233	146	25	0	0	34	31	0
2. 2002	539	431	241	59	30	39	126	99
3. 2003	XXX	587	332	186	58	23	23	8
4. 2004	XXX	XXX	640	565	261	143	127	42
5. 2005	XXX	XXX	XXX	829	599	255	82	15
6. 2006	XXX	XXX	XXX	XXX	619	500	488	159
7. 2007	XXX	XXX	XXX	XXX	XXX	860	488	262
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	920	804
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	575

PART 3 – Transferred Reserves

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

PART 4 – Present Value of Incurred Claims

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	216	134	22	0	0	23	20	0
2. 2002	528	409	220	51	25	31	96	72
3. 2003	XXX	576	315	169	50	20	19	6
4. 2004	XXX	XXX	628	536	238	124	105	33
5. 2005	XXX	XXX	XXX	813	569	232	71	13
6. 2006	XXX	XXX	XXX	XXX	612	568	442	139
7. 2007	XXX	XXX	XXX	XXX	XXX	849	453	239
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	903	721
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	564

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 3 (continued)
LTC EXPERIENCE DEVELOPMENT ($000 OMITTED)

B. Group

NONE

PART 1 – Total Incurred and Transferred Amount Paid Policyholders

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

PART 2 – Sum of Total Amount Paid Policyholders and Claim Liability and Reserve Outstanding at End of Year

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

NONE

PART 3 – Transferred Reserves

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior								
2. 2002								
3. 2003	XXX							
4. 2004	XXX	XXX						
5. 2005	XXX	XXX	XXX					
6. 2006	XXX	XXX	XXX	XXX				
7. 2007	XXX	XXX	XXX	XXX	XXX			
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX		
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

PART 4 – Present Value of Incurred Claims

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	216	134	22	0	0	23	20	0
2. 2002	528	409	220	51	25	31	95	72
3. 2003	XXX	576	315	169	50	20	19	6
4. 2004	XXX	XXX	628	536	238	124	105	33
5. 2005	XXX	XXX	XXX	813	569	232	71	13
6. 2006	XXX	XXX	XXX	XXX	512	568	442	139
7. 2007	XXX	XXX	XXX	XXX	XXX	849	463	239
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	503	761
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	564

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 3 (continued)
LTC EXPERIENCE DEVELOPMENT ($000 OMITTED)

C. Summary

PART 1 – Total (Direct and Transferred) Amount Paid Policyholders

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	233	146	25	0	0	31	31	0
2. 2002	73	253	203	39	17	26	47	34
3. 2003	XXX	111	181	135	41	23	23	8
4. 2004	XXX	XXX	156	312	210	102	53	42
5. 2005	XXX	XXX	XXX	189	355	180	81	15
6. 2006	XXX	XXX	XXX	XXX	109	315	250	151
7. 2007	XXX	XXX	XXX	XXX	XXX	206	283	192
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	253	429
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	105

PART 2 – Sum of Total Amount Paid Policyholders and Claim Liability and Reserve Outstanding at End of Year

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	233	146	25	0	0	34	31	0
2. 2002	539	431	241	59	30	39	126	99
3. 2003	XXX	587	332	188	58	23	23	8
4. 2004	XXX	XXX	540	565	261	143	127	42
5. 2005	XXX	XXX	XXX	829	599	255	82	15
6. 2006	XXX	XXX	XXX	XXX	619	600	488	159
7. 2007	XXX	XXX	XXX	XXX	XXX	860	488	262
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	920	804
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	575

PART 3 – Transferred Reserves

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	0	0	0	0	0	0	0	0
2. 2002	0	0	0	0	0	0	0	0
3. 2003	XXX	0	0	0	0	0	0	0
4. 2004	XXX	XXX	0	0	0	0	0	0
5. 2005	XXX	XXX	XXX	0	0	0	0	0
6. 2006	XXX	XXX	XXX	XXX	0	0	0	0
7. 2007	XXX	XXX	XXX	XXX	XXX	0	0	0
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	0	0
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0

PART 4 – Present Value of Incurred Claims

Incurred Year	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009
1. Prior	432	268	44	0	0	46	40	0
2. 2002	1,056	818	440	102	50	62	191	144
3. 2003	XXX	1,152	630	338	100	40	38	12
4. 2004	XXX	XXX	1,256	1,072	476	248	210	56
5. 2005	XXX	XXX	XXX	1,626	1,138	464	142	26
6. 2006	XXX	XXX	XXX	XXX	1,224	1,136	884	278
7. 2007	XXX	XXX	XXX	XXX	XXX	1,698	926	478
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	1,806	1,482
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,128

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SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 4
LIFE AND ANNUITY PRODUCTS WITH LTC ACCELERATED BENEFITS

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000 NAIC Company Code 53287

NONE

Incurred Year	1 Number of Policies in Force	2 Number of Certificates	3 Death Claims	4 LTC Accelerated Claims	5 Total Reserves
A. Individual					
1. Current					
2. Prior					
3. 2nd Prior					
B. Group					
1. Current					
2. Prior					
3. 2nd Prior					
C. Summary					
1. Total Inception-to-Date					

Total Reserves are reserves for these particular life products with LTC accelerated benefits.
Incurred claims are only the policies that claims have been triggered due to acceleration.

5 3 2 8 7 2 0 0 9 3 0 5 0 8 1 1 0

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 5
EXPERIENCE IN THE STATE OF Delaware

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000

NAIC Company Code 53287

	1 Earned Premiums	2 Incurred Claims	3 Inforce Count End of Year
1. Individual	669,194	652,288	506
2. Group		0	
3. Total	669,194	652,288	506
4. Actual total reported experience through prior year	15,806,931	6,656,245	XXX
5. Actual total reported experience through statement year	16,476,125	7,308,533	XXX

5 3 2 8 7 2 0 0 9 3 0 5 5 9 1 1 0

SUPPLEMENT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM 5
EXPERIENCE IN THE STATE OF Consolidated

Reporting Year 2009
(To Be Filed By April 1)

NAIC Group Code 0000 NAIC Company Code 53287

	1 Earned Premiums	2 Incurred Claims	3 Inforce Count End of Year
1. Individual	669,194	652,288	506
2. Group	0	0	0
3. Total	669,194	652,288	506
4. Actual total reported experience through prior year	15,806,931	6,656,245	XXX
5. Actual total reported experience through statement year	16,476,125	7,308,533	XXX

5 3 2 8 7 2 0 0 9 3 1 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-CD7-B-DE	1994				0		9.4	
1	XXX	XXX				0		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0		71.1	
10+	XXX	XXX	215,058	265,450	306,759	572,209	(73,900)	189.2	158
Total Calendar Year			215,058	265,450	306,759	572,209	(73,900)	XXX	158

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 266.1 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 140.6

	1	2	3	4	5	6	7	8	9
0	LTC-CD8-B-DE-TQ	1994				0		9.4	
1	XXX	XXX				0		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0		71.1	
10+	XXX	XXX	329,470	207,143	8,750	215,893	(71,135)	189.2	200
Total Calendar Year			329,470	207,143	8,750	215,893	(71,135)	XXX	200

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 65.5 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 34.6

	1	2	3	4	5	6	7	8	9
0	LTC-LBP7-B-DE	1995				0		9.4	
1	XXX	XXX				0		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0		71.1	
10+	XXX	XXX	117,595	172,787	44,036	216,823	(71,291)	189.2	117
Total Calendar Year			117,595	172,787	44,036	216,823	(71,291)	XXX	117

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 184.4 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 97.5

5 3 2 8 7 2 0 0 9 3 1 0 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM - A
NATIONWIDE EXPERIENCE
PART 1 – LTC INSURANCE EXPERIENCE BY CALENDAR DURATION

NAIC Group Code 0000 (TO BE FILED BY APRIL 1) NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Earned Premiums by Duration	4 Incurred and Paid	5 Reserve for Incurred but Unpaid	6 Total Incurred Claims	7 Change in Policy (Active Life) Reserves Over the Experience Period	8 Anticipated Calendar Duration Loss Percentage	9 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995				0		9.4	
1	XXX	XXX		1,902		1,902		14.3	
2	XXX	XXX				0		20.1	
3	XXX	XXX				0		27.4	
4	XXX	XXX				0		38.0	
5-9	XXX	XXX				0	(5,972)	71.1	
10+	XXX	XXX	82,947	35,195	14,711	49,906	(7,664)	189.2	70
Total Calendar Year			82,947	37,097	14,711	51,808	(13,636)	XXX	70

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) 62.5 ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) 189.2 (c) Actual to Anticipated Loss Percentage (a/b) 33.0

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8	9
0									
1	XXX	XXX							
2	XXX	XXX							
3	XXX	XXX							
4	XXX	XXX							
5-9	XXX	XXX							
10+	XXX	XXX							
Total Calendar Year								XXX	

Policy Form - Calendar Year (a) Actual Loss Percentage (Col. 6/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form A Item 9) (c) Actual to Anticipated Loss Percentage (a/b)

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE (LTC) EXPERIENCE REPORTING FORM – A (Continued)

Part 2 – LTC INSURANCE EXPERIENCE BY LINE OF BUSINESS

	1 Earned Premiums By Duration	2 Incurred and Paid	3 Reserve for Incurred But Unpaid	4 Total Incurred Claims
1. Individual	745,070	682,477	374,256	1,056,733
2. Group direct response				0
3. Other group				0
4. Total (sum Lines 1 to 3)	745,070	682,477	374,256	1,056,733

Part 3 – EXPERIENCE FOR PRODUCTS PROVIDING LTC INSURANCE OTHER THAN ON A STAND ALONE BASIS

	Premiums and Annuity Considerations		Benefits	
	1 Total	2 Long-Term Care Benefit Component	3 Total	4 Applied to Provide Long-Term Care Benefits
A. Products Providing LTC Benefits With Distinct LTC Premiums				
1. Individual – Life				
2. Individual – Annuity				
3. Individual – Disability				
4. Individual – Other				
5. Group – Life				
6. Group – Annuity				
7. Group – Disability				
8. Group – Other				
B. Products Providing LTC Benefits Without Distinct LTC Premiums				
1. Individual – Life				
2. Individual – Annuity				
3. Individual – Disability				
4. Individual – Other				
5. Group – Life				
6. Group – Annuity				
7 Group – Disability				
8. Group – Other				

5 3 2 8 7 2 0 0 9 3 2 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000 NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-CD7-B-DE	1994	726,924	124,423	726,924	68,614	0	0
1	XXX	XXX	1,199,707	70,019	1,205,289	172,606	0	0
2	XXX	XXX	889,244	1,942	1,054,308	212,357	0	0
3	XXX	XXX	791,430	226,271	960,325	262,873	0	0
4	XXX	XXX	720,837	412,248	882,264	334,871	0	0
5-9	XXX	XXX	2,661,813	1,329,577	3,399,382	2,350,212	0	0
10+	XXX	XXX	1,358,092	1,440,647	2,009,656	2,491,982	1,745,406	148
Cumulative Total			8,348,047	3,605,127	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 43.2 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 57.6 (c) Actual to Anticipated Loss Percentage (a/b) 75.0

	1	2	3	4	5	6	7	8
0	LTC-CD8-B-DE-TQ	1994	552,530	30,027	552,530	52,153	0	0
1	XXX	XXX	1,075,536	1,346	916,174	131,203	0	0
2	XXX	XXX	1,022,071	1,141	801,445	161,425	0	0
3	XXX	XXX	900,698	177,758	730,036	199,835	0	0
4	XXX	XXX	826,011	15,119	670,724	254,580	0	0
5-9	XXX	XXX	3,148,087	1,223,535	2,584,639	1,786,951	0	0
10+	XXX	XXX	1,527,575	1,342,148	1,305,397	1,558,428	2,323,421	179
Cumulative Total			9,052,508	2,791,074	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 30.8 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 54.8 (c) Actual to Anticipated Loss Percentage (a/b) 56.3

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	307,860	17,684	307,860	29,059	0	0
1	XXX	XXX	566,036	1,317	510,476	73,104	0	0
2	XXX	XXX	461,686	198,311	446,551	89,943	0	0
3	XXX	XXX	425,139	146,750	406,763	111,345	0	0
4	XXX	XXX	378,549	105,958	373,715	141,847	0	0
5-9	XXX	XXX	1,454,887	600,450	1,440,114	995,657	0	0
10+	XXX	XXX	720,303	554,836	826,360	1,017,645	902,784	113
Cumulative Total			4,314,460	1,625,306	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 37.7 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 57.0 (c) Actual to Anticipated Loss Percentage (a/b) 66.1

	3	4	5	6	7	8
1. Individual	23,953,914	9,023,619	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	23,953,914	9,023,619	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year	16,476,125	7,278,439	XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year	15,806,932	6,656,244	XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	669,193	622,195	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [X]
b. If yes, indicate the calendar years that were included:

5 3 2 8 7 2 0 0 9 3 2 0 0 0 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - B
NATIONWIDE EXPERIENCE
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000 NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-B-DE-TQ	1995	142,526	3,966	142,526	13,453	0	0
1	XXX	XXX	289,477	2,017	236,328	33,844	0	0
2	XXX	XXX	263,168	0	206,734	41,640	0	0
3	XXX	XXX	220,725	2,188	188,314	51,548	0	0
4	XXX	XXX	191,416	1,215	173,014	65,669	0	0
5-9	XXX	XXX	760,975	671,302	666,712	460,947	0	0
10+	XXX	XXX	370,614	321,426	337,679	403,322	755,028	66
Cumulative Total			2,238,901	1,002,114	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 44.8 ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) 54.9 (c) Actual to Anticipated Loss Percentage (a/b) 81.5

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form B Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

5 3 2 8 7 2 0 0 9 3 3 0 0 8 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000

NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-CD7-B-DE	1994	726,924	124,423	726,924	68,614	0	0
1	XXX	XXX	1,199,707	70,019	1,205,289	172,606	0	0
2	XXX	XXX	889,244	1,942	1,054,308	212,357	0	0
3	XXX	XXX	791,430	226,271	960,325	262,873	0	0
4	XXX	XXX	720,837	412,248	882,264	334,871	0	0
5-9	XXX	XXX	2,661,813	1,329,577	3,399,382	2,350,212	0	0
10+	XXX	XXX	1,358,092	1,440,647	2,009,656	2,491,982	1,745,406	148
Cumulative Total			8,348,047	3,605,127	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 43.2 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 57.6 (c) Actual to Anticipated Loss Percentage (a/b) 75.0

	1	2	3	4	5	6	7	8
0	LTC-CD8-B-DE-TQ	1994	552,530	30,027	552,530	52,153	0	0
1	XXX	XXX	1,075,536	1,346	916,174	131,203	0	0
2	XXX	XXX	1,022,071	1,141	801,445	161,425	0	0
3	XXX	XXX	900,698	177,758	730,036	199,835	0	0
4	XXX	XXX	826,011	15,119	670,724	254,580	0	0
5-9	XXX	XXX	3,148,087	1,223,535	2,584,639	1,786,951	0	0
10+	XXX	XXX	1,527,575	1,342,148	1,305,397	1,558,428	2,323,421	179
Cumulative Total			9,052,508	2,791,074	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 30.8 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 54.8 (c) Actual to Anticipated Loss Percentage (a/b) 56.3

	1	2	3	4	5	6	7	8
0	LTC-LBP7-B-DE	1995	307,860	17,684	307,860	29,059	0	0
1	XXX	XXX	566,036	1,317	510,476	73,104	0	0
2	XXX	XXX	461,686	198,311	446,551	89,943	0	0
3	XXX	XXX	425,139	146,750	406,763	111,345	0	0
4	XXX	XXX	378,549	105,958	373,715	141,847	0	0
5-9	XXX	XXX	1,454,887	600,450	1,440,114	995,657	0	0
10+	XXX	XXX	720,303	554,836	826,360	1,017,645	902,784	113
Cumulative Total			4,314,460	1,625,306	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 37.7 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 57.0 (c) Actual to Anticipated Loss Percentage (a/b) 66.1

	3	4	5	6	7	8
1. Individual	23,953,914	9,023,619	XXX	XXX	XXX	XXX
2. Group direct response			XXX	XXX	XXX	XXX
3. Other group			XXX	XXX	XXX	XXX
4. Total (sum Lines 1 to 3)	23,953,914	9,023,619	XXX	XXX	XXX	XXX
5. Actual total reported experience through statement year	16,476,125	7,278,439	XXX	XXX	XXX	XXX
6. Actual total reported experience through prior year	15,806,932	6,656,244	XXX	XXX	XXX	XXX
7. Calendar year reported experience (Lines 5 minus 6)	669,193	622,195	XXX	XXX	XXX	XXX

Note: a. Was experience prior to 1991 used in preparing this form? Yes [ ] No [X]

b. If yes, indicate the calendar years that were included:

5 3 2 8 7 2 0 0 9 3 3 0 0 8 1 0 0

SUPPLEMENTAL EXHIBIT FOR THE YEAR 2009 OF THE BCBSD, Inc.

LONG-TERM CARE EXPERIENCE REPORTING FORM - C
EXPERIENCE IN THE STATE OF Delaware
CUMULATIVE CLAIM EXPERIENCE

(TO BE FILED BY APRIL 1)

NAIC Group Code 0000

NAIC Company Code 53287

Calendar Duration	1 Policy Form	2 First Year Issued	3 Actual Earned Premiums	4 Actual Incurred Claims	5 Anticipated Earned Premium	6 Anticipated Incurred Claim	7 Policy Reserves	8 Number of Insured Lives
0	LTC-LBP8-8-DE-TQ	1995	142,526	3,966	142,526	13,453	0	0
1	XXX	XXX	269,477	2,017	236,328	33,844	0	0
2	XXX	XXX	263,168	0	206,734	41,640	0	0
3	XXX	XXX	220,725	2,188	188,314	51,548	0	0
4	XXX	XXX	191,416	1,215	173,014	65,669	0	0
5-9	XXX	XXX	760,975	671,302	666,712	460,947	0	0
10+	XXX	XXX	370,614	321,426	337,679	403,322	755,028	66
Cumulative Total			2,238,901	1,002,114	XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) 44.8 ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) 54.9 (c) Actual to Anticipated Loss Percentage (a/b) 81.5

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

	1	2	3	4	5	6	7	8
0								
1	XXX	XXX						
2	XXX	XXX						
3	XXX	XXX						
4	XXX	XXX						
5-9	XXX	XXX						
10+	XXX	XXX						
Cumulative Total					XXX	XXX	XXX	XXX

Policy Form - Cumulative (a) Actual Loss Percentage (Col. 4/Col. 3) ; (b) Anticipated Loss Percentage (see Instruction Form C Items 9 and 10) (c) Actual to Anticipated Loss Percentage (a/b)

Combined Financial Report

December 31, 2006

As of March 29, 2007

Highmark is an Independent Licensee of the Blue Cross and Blue Shield Association

EXHIBIT
JOINT-83

Company Profile and Organization
Highmark Inc. (Highmark) is the largest health care financing organization in Pennsylvania based on membership and one of the largest health insurers in the United States. Highmark operates as a Pennsylvania nonprofit hospital plan and a nonprofit professional health service plan. Highmark is the parent company of our combined group of companies and our primary operating company. As an independent licensee of the Blue Cross and Blue Shield Association, we underwrite various indemnity and managed care health insurance products, as well as Medicare supplemental products, in our Pennsylvania service areas. In addition, we jointly market various health insurance products in northeastern Pennsylvania and southeastern Pennsylvania through joint arrangements with Blue Cross of Northeastern Pennsylvania and Independence Blue Cross (IBC), respectively. We also operate as a Medicare Part A fiscal intermediary and a Medicare Part B carrier, performing claims processing, customer service and provider relation functions.

We have a long history – covering 69 years – serving health insurance needs, and currently provide fully insured and self-funded health products to approximately 4.2 million members in Pennsylvania and West Virginia. Our Pennsylvania service areas include the 29 counties within the western Pennsylvania region and the 21 counties within the central Pennsylvania region.

We have developed and continue to maintain strong and extensive contracted provider networks for our health insurance business. Our goal is to ensure member choice while implementing effective management programs designed to improve the quality of care received by our members. Our contracted networks in western Pennsylvania and central Pennsylvania include all acute care hospitals, a majority of physicians and other professional providers, as well as an extensive network of skilled nursing facilities, home health agencies, durable medical equipment companies and other ancillary providers. We contract with more than 40,000 physicians and other professional providers statewide who participate in one or more of our three professional networks and provide services for our various regional and national accounts.

Our national health business includes administration of self-funded groups, third-party administration, network access arrangements, claims processing and other services on behalf of other Blue Cross and Blue Shield plans. We participate in the BlueCard program, which offers members in-network benefits through the provider networks of other Blue Cross and Blue Shield plans in other states and regions.

Highmark West Virginia Inc., d/b/a Mountain State Blue Cross & Blue Shield (MSBCBS), our controlled affiliate, is incorporated as a nonprofit health services corporation in the state of West Virginia and offers a variety of health insurance products and services to customers in that state.

Our non-Blue branded subsidiaries provide a broad array of specialty products nationwide, including dental, vision, and life and casualty insurance, and related products and services. Our dental subsidiary, United Concordia Companies, Inc., is one of the nation's largest dental insurance companies on the basis of enrollment. Our managed care vision subsidiary, Davis Vision, Inc., provides fully integrated eye care services and eyewear to approximately 14 million lives. Viva Optique, Inc. is a designer and distributor of ophthalmic frames and sunglasses with distribution in more than 50 countries. Eye Care Centers of America, Inc. (ECCA) operates optical retail stores nationwide. HM Insurance Group's core ancillary employee benefits products include employer medical stop loss, group disability, group life, limited medical and workers compensation.

Company Website
Our 2005 annual report, company press releases and other information are available through our Internet homepage at http://www.highmark.com.

Recent Developments
On March 28, 2007, our Board of Directors and the Board of Directors of IBC voted unanimously to approve the consolidation of our two companies.

IBC is a Pennsylvania nonprofit hospital plan corporation headquartered in Philadelphia. IBC and its subsidiaries are the Philadelphia region's largest health insurers with more than 2.5 million members locally and 3.3 million members overall. IBC employs approximately 9,500 people, processes more than 38 million claims annually and responds to over 5.7 million customer inquiries per year. IBC serves all areas of the health care market with products and services in various business lines including managed care, traditional indemnity, Medicare and Medicaid. At December 31, 2006, consolidated IBC had total assets of $4.1 billion, total liabilities of $2.5 billion, and total surplus of over $1.6 billion. For the year ended December 31, 2006, IBC reported net income of $210.9 million.

The consolidation of Highmark and IBC is subject to various conditions, including the approval of our corporate members and various governmental entities, and no date has been set for the closing. If the consolidation is consummated, the resulting corporation will be a Pennsylvania nonprofit corporation and will continue to operate the businesses of each of Highmark and IBC. The new entity will assume Highmark's obligations under our Senior Notes and the related Indenture.

For additional information regarding the consolidation, please refer to the press release located on our website.

In December 2006, we purchased a $163.6 million Allegheny County Industrial Development Authority hospital revenue drawdown note for the benefit of Children's Hospital of Pittsburgh of UPMC Health System (Children's) and made an initial advance to Children's in the amount of $80 million. Children's has advised us that it intends to draw the remaining balance of the note in June 2007. The note is secured by a mortgage and gross revenues pledge from Children's and a guarantee secured by a gross revenues pledge by UPMC. The note pays interest only until April 2010, at which time principal installments also begin to become due. The note matures in 2032.

On March 5, 2007, A.M. Best affirmed our financial strength rating of A (Excellent) and senior unsecured debt rating of a- (Excellent), maintaining a stable outlook.

On March 7, 2007, we announced an agreement with Penn State Milton S. Hershey Medical Center (Hershey Medical Center) providing for a grant by us of $25 million for cancer research and to assist in construction of a new children's hospital. The grant agreement includes a commitment by the parties to collaborate in the development of community health initiatives, including the study and enhancement of wellness and prevention programs. We also entered into agreements to serve as the exclusive administrator of the employee health benefit plans of The Pennsylvania State University and Hershey Medical Center for a period of ten years, beginning January 1, 2008. Hershey Medical Center also has agreed to remain part of our network of hospitals and professional providers through 2017. We recorded our $25 million grant commitment in December 2006.

Some of the statements in this document that are not historical facts may constitute forward-looking statements. These statements may be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "goals," "may," "outlook," "plan," "pro forma," "seek," "trend," "should," "strategy," "will" and similar words. In particular, statements that we make relating to trends, beliefs and expectations concerning results of operations, financial condition and our ability to meet working capital, capital expenditure and debt service obligations are forward-looking statements. Management has based these

forward-looking statements on current assumptions and expectations about future events. Although management believes that these assumptions and expectations are reasonable, it cannot assure you that they will prove to be correct.

Forward-looking statements are subject to various risks and uncertainties including, among other things, the risk factors discussed in the final Offering Memorandum, dated August 14, 2003, for our $375,000,000 principal amount of 6.80% Senior Notes due 2013.

Many factors, including those referred to above, may cause actual results to differ materially from those expressed or implied by the forward-looking statements. There may be events in the future that management is not able to predict accurately or over which management has no control. You should not place undue reliance on forward-looking statements. Management undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Highmark Inc. Executive Officers
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Nanette P. DeTurk - Exec. VP, Finance, CFO and Treasurer
Gary R. Truitt, Esquire - Sr. VP, General Counsel and Corporate Secretary

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Highmark Inc.
Combined Balance Sheets
December 31, 2006 and 2005
(in thousands of dollars)

	2006	2005
Assets		
Cash and cash equivalents	$ 778,609	$ 926,562
Investments		
Debt securities, available-for-sale at fair value (amortized cost of $2,717,382 at December 31, 2006 and $2,631,573 at December 31, 2005)	2,733,678	2,645,654
Equity securities, available-for-sale at fair value (cost of $698,706 at December 31, 2006 and $628,442 at December 31, 2005)	1,055,662	895,853
Investment in affiliates	125,055	107,704
Other	168,846	172,807
Accounts receivable		
Trade	919,337	938,888
Government programs	219,639	209,986
Other	73,125	79,299
Reinsurance recoverables	196,550	201,141
Pharmacy rebates receivable	94,450	63,425
Securities lending cash collateral	549,363	2,821
Property and equipment, net	355,685	296,982
Deferred income taxes, net	112,890	127,668
Goodwill	788,002	255,588
Other intangible assets, net	45,562	37,649
Other assets	236,138	148,708
Total assets	$ 8,452,591	$ 7,110,735
Liabilities and Reserves		
Claims outstanding	$ 1,499,985	$ 1,622,474
Unearned subscription revenue	393,354	374,259
Amounts held for others	304,889	288,995
Other payables and accrued expenses	1,012,579	810,256
Securities lending payable	549,363	2,821
Premium deficiency reserves	6,662	13,472
Benefit plan liabilities	195,110	245,483
Debt	881,676	611,717
Total liabilities	4,843,618	3,969,477
Accumulated other comprehensive income	249,261	179,836
General reserves	3,359,712	2,961,422
Total reserves	3,608,973	3,141,258
Total liabilities and reserves	$ 8,452,591	$ 7,110,735

Highmark Inc.
Combined Statements of Operations
Years Ended December 31, 2006 and 2005
(in thousands of dollars)

	2006	2005
Revenue		
Premium revenue	$ 9,433,387	$ 8,539,012
Management services revenue	685,182	686,061
Vision revenue	629,709	396,197
Net investment income	226,363	167,259
Net realized gain on investments	25,910	49,372
Gain on sale of business interests	42,059	-
Other revenue	41,193	9,397
Total revenue	11,083,803	9,847,298
Expenses		
Claims incurred	7,986,422	7,269,022
Operating expenses, net of reimbursements received from others	2,490,816	2,071,048
Change in premium deficiency reserves	(6,810)	(7,128)
Total expenses	10,470,428	9,332,942
Income before income taxes	613,375	514,356
Income tax provision	215,085	172,759
Net income	$ 398,290	$ 341,597

Highmark Inc.
Combined Statements of Changes in Reserves
Years Ended December 31, 2006 and 2005
(in thousands of dollars)

	Accumulated Other Comprehensive Income	General Reserves	Total Reserves
Balances at December 31, 2004	$ 205,470	$ 2,619,825	$ 2,825,295
Comprehensive income			
Net income	-	341,597	341,597
Other comprehensive loss			
Foreign currency translation adjustments, net of deferred income taxes of $(8,267)	(15,354)	-	(15,354)
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income taxes of $14,931	27,728	-	27,728
Reclassification adjustments for net gains included in income, net of deferred income taxes of $(17,419)	(32,348)	-	(32,348)
Increase in additional minimum pension liability, net of deferred income taxes of $(3,047)	(5,660)	-	(5,660)
Total other comprehensive loss	(25,634)	-	(25,634)
Total comprehensive income	(25,634)	341,597	315,963
Balances at December 31, 2005	179,836	2,961,422	3,141,258
Comprehensive income			
Net income	-	398,290	398,290
Other comprehensive income			
Foreign currency translation adjustments, net of deferred income taxes of $3,812	7,080	-	7,080
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income taxes of $39,495	76,356	-	76,356
Reclassification adjustments for net gains included in income, net of deferred income taxes of $(9,358)	(17,380)	-	(17,380)
Decrease in additional minimum pension liability, net of deferred income taxes of $1,814	3,369	-	3,369
Total other comprehensive income	69,425	-	69,425
Total comprehensive Income	69,425	398,290	467,715
Balances at December 31, 2006	$ 249,261	$ 3,359,712	$ 3,608,973

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2006 and 2005
(in thousands of dollars)

	2006	2005
Cash flows from operating activities		
Net income	$ 398,290	$ 341,597
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	90,975	81,305
Deferred tax benefit	(6,972)	(6,605)
Loss on sale/disposal of property and equipment	1,955	1,121
Net realized gain on investments	(31,994)	(59,896)
Gain on sale of business interests	(42,059)	-
Undistributed earnings of affiliates	(31,300)	(1,160)
Loss on impairment of investments	6,084	10,524
Change in premium deficiency reserves	(6,810)	(7,128)
Contribution of investments	-	15,829
Increase (decrease) due to change in		
Accounts receivable	35,489	(93,175)
Reinsurance recoverables	4,591	(26,512)
Pharmacy rebates receivable	(31,025)	(27,484)
Other assets	(40,215)	(15,421)
Claims outstanding	(122,489)	143,221
Benefit plan liabilities	(50,373)	777
Unearned subscription revenue	19,095	(122,643)
Other liabilities	74,123	36,992
Net cash provided by operating activities	267,365	271,342
Cash flows from investing activities		
Purchases of available-for-sale securities	(2,373,013)	(2,185,463)
Proceeds from sales and maturities of available-for-sale securities and other investments	2,241,930	2,068,466
Proceeds from sale of affiliate interest	51,226	-
Purchase of affiliate interests and affiliate surplus notes	(520)	(34,349)
Purchase of subsidiaries, net of cash acquired	(289,562)	(159,610)
Proceeds from repayment of notes receivable	5,000	-
Securities lending cash collateral	(546,542)	(2,821)
Purchases of property and equipment	(88,060)	(91,762)
Proceeds from sales of property and equipment	1,881	11,757
Net cash used in investing activities	(997,660)	(393,782)
Cash flows from financing activities		
Book overdraft	57,461	9,469
Receipts from CMS contract deposits	104,845	-
Withdrawals from CMS contract deposits	(85,089)	-
Dividends received from affiliates	5,325	644
Securities lending payable	546,542	2,821
Proceeds from issuance of debt	198,000	57,000
Repayment of debt	(244,742)	(38,067)
Net cash provided by financing activities	582,342	31,867
Decrease in cash and cash equivalents	(147,953)	(90,573)
Cash and cash equivalents, January 1	926,562	1,017,135
Cash and cash equivalents, December 31	$ 778,609	$ 926,562

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2006 and 2005
(in thousands of dollars)

	2006	2005
Supplemental disclosures of cash flow information		
Interest paid	$ 51,427	$ 36,776
Net income taxes paid	$ 227,030	$ 233,529
Supplemental schedule of noncash investing and financing activities		
Assets acquired under capital lease obligations	$ 1,515	$ 1,242
Details of subsidiary purchase transactions		
Fair value of assets acquired	$ 719,493	$ 216,665
Liabilities assumed	(387,012)	(48,560)
Cash paid for acquisitions	$ 332,481	$ 168,105

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

We manage and analyze our operations and financial results by segmenting our business into four distinct classifications, which we refer to as fully-insured health business, self-funded health business, specialty product business, and corporate and other subsidiary business.

Fully-insured health business is that health business for which we assume underwriting risk. Fully-insured health business includes our wholly owned subsidiary health maintenance organization (HMO) business in western Pennsylvania. Financial results of our fully-insured health business are included in premium revenue, claims incurred and operating expenses in our combined statements of operations.

Self-funded health business is that health business for which we perform administrative services but do not assume underwriting risk. Self-funded health business includes administrative services contracts and cost plus contracts. Because we are not at risk for the underwriting of self-funded arrangements, neither premium revenue nor claims incurred on these arrangements are reflected in our financial results. The administrative fees we receive under self-funded arrangements are reported as management services revenue. Self-funded health business results also include fees from the BlueCard program and claims processing services, including service contract arrangements. Under the BlueCard program, we do not maintain membership but we receive network access fees and administrative fees from other Blue Cross and Blue Shield plans for services that we, through our provider network, provide for members of those plans. Under service contract arrangements, we do not maintain membership but we receive fees for administrative, membership and claims processing services from other Blue Cross and Blue Shield plans.

Specialty product business includes primarily dental, vision and stop loss insurance product offerings that are marketed nationally by our for-profit subsidiaries. Specialty product business includes insurance business for which we assume underwriting risk, self-funded arrangements and non-insurance vision business which is comprised of fully integrated eye care services, including optical retail stores and the wholesale design and distribution of ophthalmic frames and sunglasses. Financial results of our fully-insured specialty product business are included in premium revenue, claims incurred and operating expenses in our combined statements of operations. Administrative fees on self-funded specialty product insurance business are included in management services revenue. Results of our non-insurance vision business are included in vision revenue and net operating expenses.

Corporate and other subsidiary business includes net investment results, other revenue, including equity in net income of affiliates, and other expenses, including interest expense, as these amounts are not tracked and reported at the segment level. In addition, this category includes the revenue and expenses of certain other non-insurance subsidiaries, which consist primarily of facilities management, Medicare claims processing and workers' compensation case management companies.

Financial Summary for Year Ended December 31, 2006

Overall, our fully-insured health business benefited from enrollment growth driven by our stand-alone Medicare Part D product, which was introduced January 1, 2006. Lower operating margins, however, resulted from higher claim trends that exceeded rate increases, primarily on new business. Our self-funded health business was impacted by rate increases, offset by higher operating expenses and declines in enrollment as groups selected competitors' products.

Results in our specialty product business were driven primarily by the performance of our dental and vision subsidiaries. Business growth and rate increases exceeding utilization trends drove profitability in

our dental subsidiary. Profitability in our vision business was favorably impacted by the acquisition of ECCA. HVHC Inc., our wholly owned vision holding company subsidiary, acquired ECCA, a Texas-based retail optical chain, in August 2006 for a purchase price of $317.2 million (equity value). At the time of the acquisition, ECCA had $314.6 million in outstanding debt.

Corporate and other subsidiary business results were favorably impacted by higher average investment balances and portfolio yields in addition to the sale of our remaining affiliate interest in Medmark Holdings Inc. (Medmark Holdings) in the third quarter of 2006 (see page 15). Conversely, corporate and other subsidiary business results were unfavorably impacted by a $100.0 million commitment to the Highmark Foundation (see page 17) and a $25.0 million grant to Hershey Medical Center.

The following summary of financial data for our four segments and selected financial information for the years ended December 31, 2006 and 2005 was derived from our audited combined financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

	Fully-insured Health Business	Self-funded Health Business	Specialty Product Business	Corporate and Other Subsidiary Business	Combined Total
	(in millions of dollars)				
Year Ended December 31, 2006					
Premium revenue	$ 7,828.4	$ -	$ 1,605.0	$ -	$ 9,433.4
Management services revenue	-	633.9	51.3	-	685.2
Vision revenue	-	-	629.7	-	629.7
Net investment results	-	-	-	294.3	294.3
Other revenue	-	-	-	41.2	41.2
Total revenue	7,828.4	633.9	2,286.0	335.5	11,083.8
Claims incurred	6,727.1	-	1,259.3	-	7,986.4
Net operating expenses	720.5	591.8	916.2	262.3	2,490.8
Change in premium deficiency reserves	(6.8)	-	-	-	(6.8)
Total expenses	7,440.8	591.8	2,175.5	262.3	10,470.4
Income before income taxes	387.6	42.1	110.5	73.2	613.4
Income tax provision					215.1
Net income					$ 398.3
Year Ended December 31, 2005					
Premium revenue	$ 7,043.9	$ -	$ 1,495.1	$ -	$ 8,539.0
Management services revenue	-	641.0	45.1	-	686.1
Vision revenue	-	-	396.2	-	396.2
Net investment results	-	-	-	216.6	216.6
Other revenue	-	-	-	9.4	9.4
Total revenue	7,043.9	641.0	1,936.4	226.0	9,847.3
Claims incurred	6,080.1	-	1,188.9	-	7,269.0
Net operating expenses	583.0	582.4	678.2	227.4	2,071.0
Change in premium deficiency reserves	(7.1)	-	-	-	(7.1)
Total expenses	6,656.0	582.4	1,867.1	227.4	9,332.9
Income (loss) before income taxes	387.9	58.6	69.3	(1.4)	514.4
Income tax provision					172.8
Net income					$ 341.6

	December 31,	
	2006	2005
	(in millions of dollars)	
Net income margin (1)	3.59%	3.47%
Return on assets (2)	4.71%	4.80%
Debt to total capitalization (3)	19.63%	16.30%
Premium equivalents (4)	$ 5,347.2	$ 5,061.9
Tangible net equity (5)	$ 2,775.4	$ 2,848.0

(1) Net income margin is equal to net income divided by total revenue.
(2) Return on assets is equal to net income divided by total assets.
(3) Debt to total capitalization is equal to total debt divided by total debt and total reserves.
(4) Premium equivalents (claims incurred on self-funded health business) represent amounts by which premium revenue and claims incurred would have increased had self-funded members been considered as fully-insured.
(5) Tangible net equity is equal to total reserves less goodwill and other intangible assets.

As a regulated entity, we also prepare statutory financial statements in accordance with statutory accounting principles (SAP). Financial statements prepared under SAP differ in certain significant respects from statements prepared under GAAP. Most significantly, SAP-reported amounts are based on unconsolidated financial information while GAAP-reported amounts are based on combined financial information.

The following is a comparison of certain financial results on a SAP basis and on a GAAP basis:

	December 31, 2006	
	SAP	GAAP
	(in millions of dollars)	
Total admitted assets	$ 5,049.6	$ 8,452.6
Surplus	$ 3,206.8	$ 3,609.0
Net income	$ 132.4	$ 398.3

On May 1, 2004, Highmark became the sole corporate member of MSBCBS, and for GAAP financial accounting and reporting purposes MSBCBS was combined with Highmark in a retroactive pooling of interests. Notwithstanding the accounting treatment, MSBCBS is a separate legal entity (a West Virginia nonprofit corporation). In accordance with its articles of incorporation, no part of the funds, income or net earnings of MSBCBS may inure to the benefit of Highmark and, in the event of its dissolution or the winding up of its affairs, its assets are required to be distributed in the manner provided for nonprofit corporations by the statutes of the State of West Virginia or the rules and regulations of the Insurance Commissioner of the State of West Virginia, each as then in effect. Creditors of Highmark should not anticipate that any of the assets or revenues of MSBCBS are or will be available to pay their claims, either currently or at any time in the future.

The following table shows the combination of assets, reserves, revenue and net income of Highmark and MSBCBS:

	December 31,	
	2006	2005
	(in millions of dollars)	
Assets		
Consolidated Highmark	$ 8,155.1	$ 6,806.1
MSBCBS	299.2	306.2
Eliminations	(1.7)	(1.6)
Combined assets	$ 8,452.6	$ 7,110.7
Reserves		
Consolidated Highmark	$ 3,468.5	$ 3,018.8
MSBCBS	140.5	122.5
Combined reserves	$ 3,609.0	$ 3,141.3
Revenue		
Consolidated Highmark	$ 10,382.1	$ 9,251.2
MSBCBS	710.8	603.4
Eliminations	(9.1)	(7.3)
Combined revenue	$ 11,083.8	$ 9,847.3
Net Income		
Consolidated Highmark	$ 380.8	$ 319.0
MSBCBS	17.5	22.6
Combined net income	$ 398.3	$ 341.6

The following table shows the number of lives served within our combined health business at December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
	(in thousands)	
Fully-insured Health Members		
Consolidated Highmark	2,076	1,857
MSBCBS	176	171
Self-funded Health Members		
Consolidated Highmark	1,852	1,923
MSBCBS	76	74
Highmark Service Contract Arrangements	174	147
Total	4,354	4,172

Results of Operations for the Year Ended December 31, 2006 Compared to the Results of Operations for the Year Ended December 31, 2005

Premium Revenue

Premium revenue was $9,433.4 million for the year ended December 31, 2006, an increase of $894.4 million or 10%, compared to $8,539.0 million for the year ended December 31, 2005.

Fully-insured health business premium revenue was $7,828.4 million for the year ended December 31, 2006, an increase of $784.5 million or 11%, compared to $7,043.9 million for the year ended December 31, 2005.

Premium revenue in our western Pennsylvania fully-insured health business, excluding senior business, was $3,191.0 million for the year ended December 31, 2006, an increase of $214.3 million or 7%,

compared to $2,976.7 million for the year ended December 31, 2005. This increase was driven primarily by enrollment growth, which contributed $194.9 million to premium revenue. Additionally, premium revenue was impacted by both group rate increases averaging 6% and changes in our business composition, which resulted in increased premium revenue of $19.4 million for the year ended December 31, 2006.

Premium revenue in our central Pennsylvania fully-insured health business was $1,040.1 million for the year ended December 31, 2006, an increase of $10.2 million or 1%, compared to $1,029.9 million for the year ended December 31, 2005. The increase was driven by average rate increases of 6%, which contributed $10.1 million to premium revenue.

Premium revenue in our fully-insured senior health business was $2,722.4 million for the year ended December 31, 2006, an increase of $478.9 million or 21%, compared to $2,243.5 million for the year ended December 31, 2005. This increase was attributable to premium revenue growth of $212.2 million in our Medicare Advantage HMO product related to increases in government contract reimbursements as a result of Medicare Part D offerings and changes in our membership risk profile. In addition, premium revenue benefited from enrollment growth of approximately 20,000 members in our Medicare Advantage PPO product, which added $173.3 million to premium revenue, and the addition of our stand-alone Medicare Part D product, which added $124.1 million. Conversely, premium revenue decreased $30.7 million as a result of declines in enrollment in Medigap products.

Premium revenue of MSBCBS was $652.1 million for the year ended December 31, 2006, an increase of $102.1 million or 19%, compared to $550.0 million for the year ended December 31, 2005. This increase was primarily attributable to group rate increases averaging 15%, which added $86.0 million to premium revenue.

Specialty product premium revenue was $1,605.0 million for the year ended December 31, 2006, an increase of $109.9 million or 7%, compared to $1,495.1 million for the year ended December 31, 2005.

Specialty product premium revenue of our dental subsidiary was $1,144.0 million for the year ended December 31, 2006, an increase of $109.8 million or 11%, compared to $1,034.2 million for the year ended December 31, 2005. The increase was attributable to enrollment growth that contributed $55.5 million to premium revenue. Additionally, rate increases averaging 6% in our dental commercial business and 12% in our government dental contract contributed $54.3 million to premium revenue.

Management Services Revenue

Management services revenue of $685.2 million for the year ended December 31, 2006 was consistent with management services revenue of $686.1 million for the year ended December 31, 2005.

Self-funded health business management services revenue was $633.9 million for the year ended December 31, 2006, a decrease of $7.1 million or 1%, compared to $641.0 million for the year ended December 31, 2005. The decrease was driven by a decrease in enrollment as members selected competitors' products, offset by favorable rate increases.

Specialty product management services revenue was $51.3 million for the year ended December 31, 2006, an increase of $6.2 million or 14%, compared to $45.1 million for the year ended December 31, 2005. This increase was driven primarily by enrollment growth in our commercial dental self-funded business.

Vision Revenue

Vision revenue was $629.7 million for the year ended December 31, 2006, an increase of $233.5 million or 59%, compared to $396.2 million for the year ended December 31, 2005. The increase was primarily attributable to the acquisition of ECCA, which added $173.2 million in retail sales, and business growth in wholesale design and distribution of ophthalmic frames and sunglasses. Additionally, an increase in lives served in new and existing vision business contributed $55.5 million to vision revenue for the year ended December 31, 2006.

Net Investment Results

Net investment results were $294.3 million for the year ended December 31, 2006, an increase of $77.7 million or 36%, compared to $216.6 million for the year ended December 31, 2005.

Net investment income was $226.3 million for the year ended December 31, 2006, an increase of $59.1 million or 35%, compared to $167.2 million for the year ended December 31, 2005. Higher average investment balances and a higher investment portfolio yield contributed to the increase in investment income. The investment portfolio yield for the year ended December 31, 2006 was 5.0%, compared to a yield of 3.9% for the year ended December 31, 2005.

Net realized gain on investments was $25.9 million for the year ended December 31, 2006, a decrease of $23.5 million or 48%, compared to $49.4 million for the year ended December 31, 2005. This decrease was driven by an increase in net realized losses on debt security sales, offset by both an increase in net realized gains on marketable equity security sales and lower net realized losses associated with impairments of securities.

In July 2006, we sold our remaining 48.38% ownership interest in Medmark Holdings for $51.2 million, which resulted in a realized gain on sale of business interests of $37.4 million. Our existing contracts with Medmark Inc. (Medmark), a specialty pharmacy distribution company and a wholly owned subsidiary of Medmark Holdings, remain in effect. An additional gain of up to $5.4 million may be earned if Medmark meets certain financial targets measured through March 31, 2007.

In June 2006, our indirectly owned life and disability company entered into an Assumption Reinsurance Agreement (reinsurance agreement) with Fort Dearborn Life (FDL) for approximately $16.0 million. In the reinsurance agreement, all life and disability business was ceded to FDL, which resulted in a gain of $5.0 million, recognized as contracts novate to FDL. For the year ended December 31, 2006, $4.7 million was recognized as a gain on sale of business interests, with the remaining gain of $0.3 million deferred to the first quarter of 2007 as contracts novate to FDL.

Other Revenue

Other revenue was $41.2 million for the year ended December 31, 2006, an increase of $31.8 million or 338%, compared to $9.4 million for the year ended December 31, 2005.

The increase in other revenue was driven by an increase in equity in net income of Gateway Health Plan, L.P. (Gateway), our Medicaid HMO affiliate. Our share of Gateway's net income was $20.9 million for the year ended December 31, 2006, an increase of $25.6 million, compared to our share of Gateway's net loss of $4.7 million for the year ended December 31, 2005. The increase was mainly due to enrollment growth, rate increases, lower pharmacy costs and controlled spending.

Claims Incurred

Claims incurred were $7,986.4 million for the year ended December 31, 2006, an increase of $717.4 million or 10%, compared to $7,269.0 million for the year ended December 31, 2005.

Claims incurred on fully-insured health business, excluding senior business, were $4,359.3 million for the year ended December 31, 2006, an increase of $297.2 million or 7%, compared to $4,062.1 million for the year ended December 31, 2005. The increase was driven by higher enrollment, provider rate increases and utilization. The medical loss ratio for fully-insured health business was 85% for the years ended December 31, 2006 and 2005.

Claims incurred on fully-insured senior health business were $2,367.8 million for the year ended December 31, 2006, an increase of $349.8 or 17%, compared to $2,018.0 million for the year ended December 31, 2005. The medical loss ratio for fully-insured senior health business improved to 87% for the year ended December 31, 2006, compared to 90% for the year ended December 31, 2005, primarily as a result of pricing trends exceeding claim trends. Additionally, our stand-alone Medicare Part D product, which was introduced into the marketplace in 2006, included prescription drug claims incurred of $106.0 million for the year ended December 31, 2006.

Specialty product claims incurred were $1,259.3 million for the year ended December 31, 2006, an increase of $70.4 million or 6%, compared to $1,188.9 million for the year ended December 31, 2005. These increases were the result of increased enrollment and utilization in our dental and stop loss businesses. The medical loss ratio for specialty product business improved to 78% for the year ended December 31, 2006, compared to 80% for the year ended December 31, 2005. This improvement resulted from pricing trends exceeding claim trends.

Net Operating Expenses

Net operating expenses were $2,490.8 million for the year ended December 31, 2006, an increase of $419.8 million or 20%, compared to $2,071.0 million for the year ended December 31, 2005.

Net operating expenses for our fully-insured health business, excluding senior business, were $485.1 million for the year ended December 31, 2006, an increase of $59.6 million or 14%, compared to $425.5 million for the year ended December 31, 2005. The increase was primarily the result of enrollment growth. Net operating expenses for fully-insured health business as a percentage of premium revenue remained consistent for the year ended December 31, 2006 compared to the year ended December 31, 2005.

Net operating expenses in our fully-insured senior health business were $235.4 million for the year ended December 31, 2006, an increase of $77.9 million or 49%, compared to $157.5 million for the year ended December 31, 2005. The increase in net operating expenses was driven by marketing initiatives and customer service costs associated with the Medicare Part D components of our Medicare Advantage products, enrollment growth in our Medicare Advantage PPO product and net operating expenses of our stand-alone Medicare Part D subsidiary, which were $29.3 million for the year ended December 31, 2006.

Net operating expenses for our specialty product business were $916.2 million for the year ended December 31, 2006, an increase of $238.0 million or 35%, compared to $678.2 million for the year ended December 31, 2005. The increase resulted from the acquisition of ECCA, which contributed $162.2 million in net operating expenses in 2006. In addition, we experienced operating expense increases in our dental and vision businesses consistent with revenue growth from enrollment.

The increase in net operating expenses of $34.9 million or 15% in corporate and other subsidiary business was principally the result of an increase in commitments, offset by a decrease in contingency reserves and

start-up costs. In 2006, we recognized a grant of $25.0 million to Hershey Medical Center and committed $100.0 million, of which $20.0 million was paid in 2006, to the Highmark Foundation to fund health education, communications, community activities, grants and programming to promote healthy behaviors in children and adolescents. In 2005, we committed $28.0 million to an ePrescribing initiative to establish programs for funding to qualifying physicians in western and central Pennsylvania, and we recorded contingency reserves of approximately $25.0 million and recognized start-up costs of $21.1 million for our Medicare Part D subsidiary.

Change in Premium Deficiency Reserves

We recorded a net change in premium deficiency reserves of $6.8 million for the year ended December 31, 2006. This change resulted from the release of $11.5 million in premium deficiency reserves on several managed care products recorded in 2005. During 2006, premium deficiency reserves of $4.7 million were established related primarily to managed care products of our wholly owned HMO subsidiary in western Pennsylvania.

We recorded a change in premium deficiency reserves of $7.1 million for the year ended December 31, 2005, which resulted from the release of $11.0 million in premium deficiency reserves established in 2004 on managed care products of our wholly owned HMO subsidiary in central Pennsylvania offset by a net increase of $3.9 million in premium deficiency reserves related to several managed care products due to higher than anticipated cost and utilization trends.

Financial Condition at December 31, 2006 Compared to the Financial Condition at December 31, 2005

Total Assets

Total assets were $8,452.6 million at December 31, 2006, an increase of $1,341.9 million or 19%, compared to $7,110.7 million at December 31, 2005. The increase was due primarily to increases in cash and investments, securities lending cash collateral, property and equipment, goodwill and other assets.

Collectively, cash and investments were $4,861.9 million at December 31, 2006, an increase of $113.3 million or 2%, compared to $4,748.6 million at December 31, 2005. The increase in cash and investments was attributable mainly to an increase in available-for-sale securities, which were favorably impacted by positive operating cash flows and growth in the equity market. Our investment portfolio remained diversified among cash equivalents, fixed income and equity securities, limited partnerships, notes receivable and affiliate investments.

Securities lending cash collateral was $549.4 million at December 31, 2006, an increase of $546.6 million compared to $2.8 million at December 31, 2005. Historically, we have engaged in securities lending throughout the year and curtailed such activities at year-end. At December 31, 2006, we continued participation in securities lending to take advantage of favorable investment returns.

The acquisition of ECCA added $57.7 million to property and equipment and $523.3 million to goodwill at December 31, 2006.

Other assets were $236.1 million at December 31, 2006, an increase of $87.4 million or 59%, compared to $148.7 million at December 31, 2005. The increase resulted primarily from an increase in prepaid assets due mainly to the timing of payments on agreements for consulting and software maintenance service contracts and the acquisition of ECCA, which added $42.3 million to other current assets.

Total Liabilities

Total liabilities were $4,843.6 million at December 31, 2006, an increase of $874.1 million or 22%, compared to $3,969.5 million at December 31, 2005. The increase was due primarily to increases in other payables and accrued expenses, securities lending payable and debt, offset by a decrease in claims outstanding.

Other payables and accrued expenses were $1,012.6 million at December 31, 2006, an increase of $202.3 million or 25%, compared to $810.3 million at December 31, 2005. This increase resulted primarily from the Highmark Foundation commitment of $71.7 million at December 31, 2006, the acquisition of ECCA, which contributed $53.7 million at December 31, 2006, and cash disbursement timing differences. Included in other payables and accrued expenses were book overdrafts in the amount of $290.8 million and $233.3 million at December 31, 2006 and 2005, respectively. Book overdrafts represent outstanding checks for provider claim payments in excess of specific financial institution cash accounts. These provider claim payments will be satisfied at presentation and do not represent borrowings from financial institutions.

Securities lending payable increased $546.6 million to $549.4 million at December 31, 2006, compared to $2.8 million at December 31, 2005. Securities lending payable represents our obligation to return cash collateral on securities lending transactions. The increase in securities lending payable completely offset the increase in securities lending cash collateral.

Debt was $881.7 million at December 31, 2006, an increase of $270.0 million or 44%, compared to $611.7 million at December 31, 2005. This increase resulted primarily from partial financing of $84.5 million for the ECCA acquisition, existing ECCA notes and bonds payable of $288.6 million at December 31, 2006, and proceeds from a revolving credit agreement of $35.0 million used to fund year-end obligations. This increase was offset by repayment of borrowings under a revolving credit facility of $125.0 million.

Claims outstanding was $1,500.0 million at December 31, 2006, a decrease of $122.5 million or 8%, compared to $1,622.5 million at December 31, 2005. The decrease was primarily attributable to the sale of life and disability business to FDL (see page 15).

Combined Financial Report

December 31, 2007

As of March 28, 2008

Highmark is an Independent Licensee of the Blue Cross and Blue Shield Association

Company Profile and Organization
Highmark Inc. (Highmark) is the largest health care financing organization in Pennsylvania based on membership and one of the largest health insurers in the United States. Highmark operates in Pennsylvania as a nonprofit hospital plan corporation and as a nonprofit professional health service plan corporation. Highmark is the parent company of our combined group of companies and our primary operating company. As an independent licensee of the Blue Cross and Blue Shield Association (BCBSA), we underwrite various indemnity and managed care health insurance products, as well as Medicare supplemental products, in our Pennsylvania service areas. In addition, we jointly market various health insurance products in northeastern Pennsylvania and southeastern Pennsylvania through joint arrangements with Blue Cross of Northeastern Pennsylvania and Independence Blue Cross (IBC), respectively. We also operate as a Medicare Part A fiscal intermediary and a Medicare Part B carrier, performing claims processing, customer service and provider relation functions.

We have a long history – covering over 70 years – serving health insurance needs, and currently provide fully insured and self-funded health products to approximately 4.3 million members in Pennsylvania and West Virginia. Our Pennsylvania service areas include the 29 counties within the western Pennsylvania region and the 21 counties within the central Pennsylvania region.

We have developed and continue to maintain strong and extensive contracted provider networks for our health insurance business. Our goal is to ensure member choice while implementing effective management programs designed to improve the quality of care received by our members. Our contracted networks in western Pennsylvania and central Pennsylvania include all acute care hospitals, a majority of physicians and other professional providers, as well as an extensive network of skilled nursing facilities, home health agencies, durable medical equipment companies and other ancillary providers. We contract with more than 40,000 physicians and other professional providers statewide who participate in one or more of our three professional networks and provide services for our various regional and national accounts.

Our national health business includes administration of self-funded groups, third-party administration, network access arrangements, claims processing and other services on behalf of other Blue Cross and Blue Shield plans. We participate in the BlueCard program, which offers members in-network benefits through the provider networks of other Blue Cross and Blue Shield plans in other states and regions.

Highmark West Virginia Inc., d/b/a Mountain State Blue Cross & Blue Shield (MSBCBS), our affiliate, is incorporated as a nonprofit health services corporation in the state of West Virginia and offers a variety of health insurance products and services to customers in that state.

Our non-Blue branded subsidiaries provide a broad array of specialty products nationwide, including dental, vision, and stop loss insurance, and related products and services. Our dental subsidiary, United Concordia Companies, Inc., is one of the nation's largest dental insurance companies on the basis of enrollment. Our managed care vision subsidiary, Davis Vision, Inc., provides fully integrated eye care services and eyewear to more than 16 million lives. Viva Optique, Inc. is a designer and distributor of ophthalmic frames and sunglasses with distribution in more than 50 countries. Eye Care Centers of America, Inc. (ECCA) operates optical retail stores nationwide. HM Insurance Group's core ancillary employee benefits products include employer medical stop loss, limited medical and workers compensation.

Company Website
Our annual report, company press releases and other information are available through our Internet homepage at http://www.highmark.com.

Consolidation with IBC
On March 28, 2007, our Board of Directors and the Board of Directors of IBC voted to approve the consolidation of our two companies to form a new Pennsylvania nonprofit corporation (the resulting corporation). IBC, a Pennsylvania nonprofit

hospital plan corporation, and its subsidiaries are the Philadelphia region's largest health insurers with more than 2.5 million members locally and 3.4 million members overall at December 31, 2007. At December 31, 2007, consolidated IBC had total assets of $4.2 billion, total liabilities of $2.4 billion, and total surplus of over $1.7 billion. For the year ended December 31, 2007, IBC reported net income of $170.9 million. The consolidation is subject to various conditions, including receipt of certain regulatory approvals, and a closing date has not been set. If the consolidation is consummated, the resulting corporation will succeed to all assets and liabilities of Highmark and IBC, and will assume Highmark's obligations under our Senior Notes and the related Indenture.

On April 27, 2007, we and IBC each filed applications with the Pennsylvania Insurance Department (Department) for approval of the change in control of our respective insurance company subsidiaries upon the consolidation of our two companies. The public filings are available on the Department's website at http://www.ins.state.pa.us. The Acting Insurance Commissioner of Pennsylvania recently has indicated that the Department intends to hold hearings in connection with the consolidation in July 2008 and that the Department likely will issue its decision by December 2008. For additional information regarding the consolidation, please refer to our website.

Recent Developments

On October 24, 2007, the Centers for Medicare & Medicaid Services (CMS) entered into a contract with Highmark Medicare Services Inc. (HMS), one of our wholly owned subsidiaries, designating it as the Medicare Administrative Contractor (MAC) for MAC Jurisdiction 12. Under the contract, HMS will be responsible for performing Medicare Part A and Part B fee-for-service claims adjudication and other administrative services for hospitals, other institutional providers, physicians and other health care practitioners in the states of Delaware, Maryland, New Jersey, and Pennsylvania, as well as the District of Columbia. Jurisdiction 12 is the largest MAC jurisdiction in the nation in terms of claims processed. HMS currently administers the Medicare Part A contract on behalf of Highmark for Maryland, Pennsylvania and the District of Columbia and the Medicare Part B contract for Pennsylvania. On November 6, 2007, CMS informed HMS that another bidder for the MAC Jurisdiction 12 contract had filed a protest of the award of the contract to HMS and that it was suspending all activity related to contract implementation. On March 5, 2008, CMS notified HMS that it was lifting its stop work order, and HMS immediately resumed implementation activities. On March 17, 2008, CMS informed HMS that the unsuccessful bidder for the MAC Jurisdiction 12 work had determined not to further protest the award to HMS.

Since 2003, Highmark and MSBCBS have been defendants in a class action lawsuit brought by physicians, certain state medical societies and other professional organizations alleging a conspiracy to delay, diminish and deny payments to physicians for services rendered (Love – formerly Thomas – litigation). Highmark also has been a defendant in a similar lawsuit brought on behalf of providers in the Keystone Health Plan Central, Inc. (KHPC) network (Grider litigation). KHPC is a health maintenance organization (HMO) formerly jointly owned by Highmark and Capital Blue Cross (CBC). In October 2007, we entered into a settlement of the Love matter and, in February 2008, we entered into a settlement of the Grider matter, each subject to court approval. In March 2008, the Love settlement was given final approval by the court and the Grider settlement was given preliminary approval, with a final approval hearing scheduled for May 30, 2008. Provision for liability in these two cases was made in our financial statements, and the amounts of the settlements in the cases do not exceed this provision. Highmark remains a defendant in a class action lawsuit brought by chiropractors and other professional providers (Solomon litigation) based on allegations similar to those in the Love case, and MSBCBS remains a defendant in a similar state court case. We do not expect any of the remaining litigation to have a material adverse effect on our financial condition.

In December 1996, certain parties petitioned the Commonwealth Court of Pennsylvania (Commonwealth Court), challenging a November

1996 order of the Pennsylvania Insurance Commissioner (Commissioner) related to the consolidation of Medical Services Association of Pennsylvania (d/b/a Pennsylvania Blue Shield) and Veritus Inc. (d/b/a Blue Cross of Western Pennsylvania) to form Highmark. In May 2006, following transfer of the matter back to her, the Commissioner dismissed the challenge. The then sole remaining original challenger, an individual physician, petitioned the Commonwealth Court for review of the Commissioner's actions. CBC and Capital Advantage Insurance Company (collectively, Capital), which had not been party to the initial challenge, also petitioned for review. In November 2007, the Commonwealth Court dismissed the individual challenger's petition and quashed Capital's petition, affirming the Commissioner's 1996 and 2006 orders. The individual challenger has filed a petition for allowance of appeal with the Pennsylvania Supreme Court, seeking review of the Commonwealth Court's decision. Capital did not seek further review, and the time for it to do so has passed.

Some of the statements in this document that are not historical facts may constitute forward-looking statements. These statements may be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "goals," "may," "outlook," "plan," "pro forma," "seek," "trend," "should," "strategy," "will" and similar words. In particular, statements that we make relating to trends, beliefs and expectations concerning results of operations, financial condition and our ability to meet working capital, capital expenditure and debt service obligations are forward-looking statements. Management has based these forward-looking statements on current assumptions and expectations about future events. Although management believes that these assumptions and expectations are reasonable, it cannot assure you that they will prove to be correct.

Forward-looking statements are subject to various risks and uncertainties. We are subject to the following risks, among others: our ability to effectively address healthcare costs; our ability to implement premium rate increases and to obtain appropriate reimbursements; our ability to contract on favorable terms with hospitals, physicians and other providers; our ability to maintain adequate claims reserves; our ability to develop and maintain effective and efficient infrastructure; regulation; litigation; and economic and market conditions generally. These and other risk factors are discussed in the final Offering Memorandum, dated August 14, 2003, for our $375,000,000 principal amount of 6.80% Senior Notes due 2013.

Many factors, including those referred to above, may cause actual results to differ materially from those expressed or implied by the forward-looking statements. There may be events in the future that management is not able to predict accurately or over which management has no control. You should not place undue reliance on forward-looking statements. Management undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Highmark Inc. Executive Officers
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Nanette P. DeTurk - Exec. VP, Finance, CFO and Treasurer
Gary R. Truitt, Esquire - Sr. VP, General Counsel and Corporate Secretary

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Highmark Inc.
Combined Balance Sheets
December 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
Assets		
Cash and cash equivalents	$ 1,018,741	$ 778,609
Investments		
Debt securities, available-for-sale at fair value (amortized cost of $2,621,062 at December 31, 2007 and $2,717,382 at December 31, 2006)	2,660,716	2,733,678
Equity securities, available-for-sale at fair value (cost of $744,374 at December 31, 2007 and $698,706 at December 31, 2006)	1,021,933	1,055,662
Investment in affiliates	170,514	120,180
Other	65,862	168,846
Accounts receivable		
Trade	977,217	876,021
Government programs	266,976	273,348
Other	65,817	53,976
Reinsurance recoverables	160,405	196,550
Pharmacy rebates receivable	209,882	133,016
Income tax recoverable, net	74,864	-
Securities lending cash collateral	617,952	549,363
Property and equipment, net	354,397	355,685
Deferred income taxes, net	186,874	112,890
Goodwill	792,490	792,876
Other intangible assets, net	37,047	45,562
Other assets	244,130	236,138
Total assets	$ 8,925,817	$ 8,482,400
Liabilities and Reserves		
Claims outstanding	$ 1,682,609	$ 1,491,290
Unearned subscription revenue	360,134	393,354
Amounts held for others	277,210	343,454
Other payables and accrued expenses	894,582	961,852
Income taxes payable	-	50,666
Securities lending payable	617,952	549,363
Premium deficiency reserves	8,729	6,662
Benefit plan liabilities	307,852	195,110
Debt	799,542	881,676
Total liabilities	4,948,610	4,873,427
Accumulated other comprehensive income	106,277	249,261
General reserves	3,870,930	3,359,712
Total reserves	3,977,207	3,608,973
Total liabilities and reserves	$ 8,925,817	$ 8,482,400

Highmark Inc.
Combined Statements of Operations
Years Ended December 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
Revenue		
Premium revenue	$ 10,252,073	$ 9,433,387
Management services revenue	621,555	685,182
Vision revenue	963,119	629,709
Net investment income	235,400	226,363
Net realized gain on investments	159,386	25,910
Gain on sale of business interests	4,268	42,059
Other revenue	116,759	41,193
Total revenue	12,352,560	11,083,803
Expenses		
Claims incurred	9,044,986	7,986,422
Operating expenses	2,679,362	2,432,118
Interest expense	68,440	51,888
Total expenses	11,792,788	10,470,428
Income before income taxes	559,772	613,375
Income tax provision	184,410	215,085
Net income	$ 375,362	$ 398,290

Highmark Inc.
Combined Statements of Changes in Reserves
Years Ended December 31, 2007 and 2006
(in thousands of dollars)

	Accumulated Other Comprehensive Income	General Reserves	Total Reserves
Balances at December 31, 2005	$ 179,836	$ 2,961,422	$ 3,141,258
Comprehensive income			
Net income	-	398,290	398,290
Other comprehensive income			
Foreign currency translation adjustments, net of deferred income taxes of $3,812	7,080	-	7,080
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income taxes of $39,495	76,356	-	76,356
Reclassification adjustments for net gains included in income, net of deferred income taxes of $(9,358)	(17,380)	-	(17,380)
Decrease in additional minumum pension liability, net of deferred income taxes of $1,814	3,369	-	3,369
Total other comprehensive income	69,425	-	69,425
Total comprehensive income	69,425	398,290	467,715
Balances at December 31, 2006	249,261	3,359,712	3,608,973
Comprehensive income			
Net income	-	375,362	375,362
Other comprehensive loss			
Foreign currency translation adjustments, net of deferred income taxes of $2,120	3,938	-	3,938
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income taxes of $17,004	39,515	-	39,515
Reclassification adjustments for net gains included in income, net of deferred income taxes of $(41,791)	(80,072)	-	(80,072)
Decrease in additional minumum pension liability, net of deferred income taxes of $163	302	-	302
Total other comprehensive loss	(36,317)	-	(36,317)
Total comprehensive income	(36,317)	375,362	339,045
Adoption of FIN No. 48	-	135,856	135,856
Adoption of SFAS No. 158, net of deferred income taxes of $(51,487)	(106,667)	-	(106,667)
Balances at December 31, 2007	$ 106,277	$ 3,870,930	$ 3,977,207

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
Cash flows from operating activities		
Net income	$ 375,362	$ 398,290
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	97,251	90,975
Deferred tax provision (benefit)	44,366	(6,972)
Loss on sale/disposal of property and equipment	194	1,955
Net realized gain on investments	(177,418)	(31,994)
Gain on sale of business interests	(4,268)	(42,059)
Dividends received from affiliates	9,253	5,325
Net earnings of affiliates	(47,683)	(31,300)
Loss on impairment of investments	18,032	6,084
Change in premium deficiency reserves	2,067	(6,810)
Increase (decrease) due to change in		
Accounts receivable	(68,066)	68,268
Reinsurance recoverables	36,145	4,591
Pharmacy rebates receivable	(76,866)	(37,405)
Other assets	(97,480)	(40,215)
Claims outstanding	193,834	(155,268)
Benefit plan liabilities	(10,386)	(50,373)
Unearned subscription revenue	(33,220)	19,095
Other liabilities	1,406	80,047
Net cash provided by operating activities	262,523	272,234
Cash flows from investing activities		
Purchases of investments	(2,882,680)	(2,373,013)
Proceeds from sales and maturities of investments	3,036,117	2,241,930
Purchase of affiliate surplus notes	(15,820)	(520)
Proceeds from repayment of affiliate suplus notes	15,820	-
Purchase of subsidiaries, net of cash acquired	(1,600)	(289,562)
Proceeds from sale of affiliate interest	3,920	51,226
Affiliate capital contribution	(12,000)	-
Proceeds from repayment of notes receivable	138,452	5,000
Securities lending cash collateral	(68,589)	(546,542)
Purchases of property and equipment	(96,746)	(88,060)
Proceeds from sales of property and equipment	950	1,881
Net cash provided by (used in) investing activities	117,824	(997,660)
Cash flows from financing activities		
Book overdraft	(65,153)	57,461
Receipts from CMS contract deposits	78,288	105,973
Withdrawals from CMS contract deposits	(139,280)	(85,761)
Securities lending payable	68,589	546,542
Proceeds from issuance of debt	-	198,000
Repayment of debt	(82,659)	(244,742)
Net cash (used in) provided by financing activities	(140,215)	577,473
Increase (decrease) in cash and cash equivalents	240,132	(147,953)
Cash and cash equivalents		
Beginning of year	778,609	926,562
End of year	$ 1,018,741	$ 778,609

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
Supplemental disclosures of cash flow information		
Interest paid	$ 65,692	$ 51,427
Net income taxes paid	$ 180,898	$ 227,030
Supplemental schedule of noncash investing and financing activities		
Assets acquired under capital lease obligations	$ -	$ 1,515
Details of subsidiary purchase transactions		
Fair value of assets acquired	$ 2,014	$ 719,493
Liabilities assumed	(414)	(387,012)
Cash paid for acquisitions	$ 1,600	$ 332,481

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

We manage and analyze our operations and financial results by segmenting our business into four distinct classifications, which we refer to as fully-insured health business, self-funded health business, specialty product business, and corporate and other subsidiary business.

Fully-insured health business is that health business for which we assume underwriting risk. Financial results of our fully-insured health business are included in premium revenue, claims incurred and operating expenses.

Self-funded health business is that health business for which we perform administrative services but do not assume underwriting risk. Self-funded health business includes administrative services contracts and cost plus contracts. Because we are not at risk for the underwriting of self-funded arrangements, neither premium revenue nor claims incurred on these arrangements are reflected in our financial results. The administrative fees we receive under self-funded arrangements are reported as management services revenue. Pharmacy rebates earned which relate to self-funded arrangements are reported as other revenue. Self-funded health business results also include fees from the BlueCard program and claims processing services, including service contract arrangements. Under the BlueCard program, we do not maintain membership but we receive network access fees and administrative fees from other Blue Cross and Blue Shield plans for services that we, through our provider network, provide to members of those plans. Under service contract arrangements, we do not maintain membership but we receive fees for administrative, membership and claims processing services from other Blue Cross and Blue Shield plans.

Specialty product business primarily includes dental, vision and stop loss insurance product offerings that are marketed nationally by our for-profit subsidiaries. Specialty product business includes insurance business for which we assume underwriting risk, self-funded arrangements and non-insurance vision business, which is comprised of fully integrated eye care services, including optical retail stores and the wholesale design and distribution of ophthalmic frames and sunglasses. Financial results of our fully-insured specialty product business are included in premium revenue, claims incurred and operating expenses. Administrative fees on self-funded specialty product insurance business are included in management services revenue. Results of our non-insurance vision business are included in vision revenue and operating expenses.

Corporate and other subsidiary business includes net investment results, other revenue, including equity in net income of affiliates, other expenses and interest expense, as these amounts are not tracked and reported at the segment level. In addition, this category includes the revenue and expenses of certain other non-insurance subsidiaries, which consist primarily of facilities management, Medicare claims processing and workers' compensation case management companies.

Adoption of Significant Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. FIN No. 48 clarifies the accounting for uncertainty in income taxes by defining criteria that a tax position on an individual matter must meet before that position is recognized in the financial statements. Additionally, FIN No. 48 provides guidance on measurement, classification, interest and penalties, disclosures and transition. The impact of adopting FIN No. 48 was an increase to general reserves of $135.9 million on January 1, 2007.

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires recognition of the funded status of defined benefit pension and other postretirement plans in the balance sheet and recognition of changes in that funded status through other comprehensive income. The impact of adopting SFAS No. 158 was a reduction to accumulated other comprehensive income of $106.7 million, net of deferred income taxes, at December 31, 2007.

Financial Summary for the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

Overall, our fully-insured health business was negatively impacted by a $116.7 million year-over-year difference in the adjustment to the estimate for incurred claims related to prior years and increased utilization in the western and central Pennsylvania regions. Operating margins were further impacted by a planned reduction in pricing intended to enable us to remain competitive in the marketplace. As a result, the health operating margin as a percentage of health premium revenue declined from 5.0% for the year ended December 31, 2006 to 1.6% for the year ended December 31, 2007.

Self-funded health business was favorably impacted by pharmacy rebate contracting changes with our pharmacy benefits manager and the inclusion of rebate credits in the development of administrative fees for our self-funded customers, offset by a decline in enrollment as groups selected competitors' products.

Results in our specialty product business were driven primarily by the performance of our retail vision business. Profitability in our vision business was positively impacted by the acquisition of ECCA in August 2006. ECCA operating gains for the year ended December 31, 2007 exceeded the operating gains for the year ended December 31, 2006 by $49.1 million.

Corporate and other subsidiary business results were favorably impacted by an increase in realized gains on equity security sales of $98.5 million, full repayment of a note that resulted in the reversal of a $35.0 million impairment allowance previously recorded, and continued profitable affiliate results, principally of Gateway Health Plan, L.P. (Gateway), our Medicaid HMO affiliate, which contributed $20.6 million.

The following summary of financial data for our four segments and selected financial information for the years ended December 31, 2007 and 2006 was derived from our audited combined financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

	Fully-insured Health Business	Self-funded Health Business	Specialty Product Business	Corporate and Other Subsidiary Business	Combined Total
	(in millions of dollars)				
Year Ended December 31, 2007					
Premium revenue	$ 8,491.8	$ -	$ 1,760.3	$ -	$ 10,252.1
Management services revenue	-	571.8	49.7	-	621.5
Vision revenue	-	-	963.1	-	963.1
Net investment results	-	-	-	399.1	399.1
Other revenue	-	53.7	3.0	60.1	116.8
Total revenue	8,491.8	625.5	2,776.1	459.2	12,352.6
Claims incurred	7,651.7	-	1,393.3	-	9,045.0
Operating expenses	751.5	572.2	1,224.4	131.3	2,679.4
Interest expense	-	-	-	68.4	68.4
Total expenses	8,403.2	572.2	2,617.7	199.7	11,792.8
Income before income taxes	88.6	53.3	158.4	259.5	559.8
Income tax provision					184.4
Net income					$ 375.4
Year Ended December 31, 2006					
Premium revenue	$ 7,828.4	$ -	$ 1,605.0	$ -	$ 9,433.4
Management services revenue	-	633.9	51.3	-	685.2
Vision revenue	-	-	629.7	-	629.7
Net investment results	-	-	-	294.3	294.3
Other revenue	-	-	-	41.2	41.2
Total revenue	7,828.4	633.9	2,286.0	335.5	11,083.8
Claims incurred	6,727.1	-	1,259.3	-	7,986.4
Operating expenses	713.7	591.8	916.2	210.4	2,432.1
Interest expense	-	-	-	51.9	51.9
Total expenses	7,440.8	591.8	2,175.5	262.3	10,470.4
Income before income taxes	387.6	42.1	110.5	73.2	613.4
Income tax provision					215.1
Net income					$ 398.3

	December 31,	
	2007	2006
	(in millions of dollars)	
Net income margin (1)	3.04%	3.59%
Return on assets (2)	4.21%	4.70%
Debt to total capitalization (3)	16.74%	19.63%
Premium equivalents (4)	$ 5,800.5	$ 5,347.2
Tangible net equity (5)	$ 3,147.7	$ 2,770.5

(1) Net income margin is equal to net income divided by total revenue.
(2) Return on assets is equal to net income divided by total assets.
(3) Debt to total capitalization is equal to debt divided by debt and total reserves.
(4) Premium equivalents (claims incurred on self-funded health business) represent amounts by which premium revenue and claims incurred would have increased had self-funded members been considered as fully-insured.
(5) Tangible net equity is equal to total reserves less goodwill and other intangible assets.

As a regulated entity, we also prepare statutory financial statements in accordance with statutory accounting principles (SAP). Financial statements prepared under SAP differ in certain significant respects from financial statements prepared under GAAP. Most significantly, SAP-reported amounts are based on unconsolidated financial information while GAAP-reported amounts are based on combined financial information.

The following is a comparison of certain financial indicators on a SAP basis and on a GAAP basis:

	December 31, 2007			
	SAP		GAAP	
	(in millions of dollars)			
Total admitted assets	$	5,267.2	$	8,925.8
Surplus	$	3,483.4	$	3,977.2
Net income	$	260.4	$	375.4

Highmark is the sole corporate member of MSBCBS, and, for GAAP financial accounting and reporting purposes, MSBCBS is combined with Highmark. Notwithstanding the accounting treatment, MSBCBS is a separate legal entity (a West Virginia nonprofit corporation). In accordance with its articles of incorporation, no part of the funds, income or net earnings of MSBCBS may inure to the benefit of Highmark and, in the event of its dissolution or the winding up of its affairs, its assets are required to be distributed in the manner provided for nonprofit corporations by the statutes of the State of West Virginia or the rules and regulations of the Insurance Commissioner of the State of West Virginia, each as then in effect. Creditors of Highmark should not anticipate that any of the assets or revenues of MSBCBS are or will be available to pay their claims, either currently or at any time in the future.

The following table shows the combination of assets, reserves, revenue and net income of Highmark and MSBCBS:

	December 31,			
	2007		2006	
	(in millions of dollars)			
Assets				
Consolidated Highmark	$	8,557.9	$	8,163.0
MSBCBS		370.0		321.1
Eliminations		(2.1)		(1.7)
Combined assets	$	8,925.8	$	8,482.4
Reserves				
Consolidated Highmark	$	3,797.7	$	3,468.5
MSBCBS		179.5		140.5
Combined reserves	$	3,977.2	$	3,609.0
Revenue				
Consolidated Highmark	$	11,645.5	$	10,382.1
MSBCBS		723.7		710.8
Eliminations		(16.6)		(9.1)
Combined revenue	$	12,352.6	$	11,083.8
Net Income				
Consolidated Highmark	$	335.6	$	380.8
MSBCBS		39.8		17.5
Combined net income	$	375.4	$	398.3

The following table shows the number of lives served within our combined health business at December 31, 2007 and 2006:

	December 31, 2007	December 31, 2006
	(in thousands)	
Fully-insured Health Members		
Consolidated Highmark	2,059	2,076
MSBCBS	170	176
Self-funded Health Members		
Consolidated Highmark	1,783	1,852
MSBCBS	93	76
Highmark Service Contract Arrangements	177	174
Total	4,282	4,354

Results of Operations for the Year Ended December 31, 2007 Compared to the Results of Operations for the Year Ended December 31, 2006

Premium Revenue

Premium revenue was $10,252.1 million for the year ended December 31, 2007, an increase of $818.7 million or 9%, compared to $9,433.4 million for the year ended December 31, 2006.

Fully-insured health business premium revenue was $8,491.8 million for the year ended December 31, 2007, an increase of $663.4 million or 8%, compared to $7,828.4 million for the year ended December 31, 2006.

Premium revenue in our western Pennsylvania fully-insured health business, excluding senior business, was $3,466.1 million for the year ended December 31, 2007, an increase of $275.1 million or 9%, compared to $3,191.0 million for the year ended December 31, 2006. This increase was driven primarily by enrollment growth, which contributed $167.7 million to premium revenue. Additionally, premium revenue was impacted by group rate increases averaging 6%, which increased premium revenue by $107.4 million.

Premium revenue in our central Pennsylvania fully-insured health business, excluding senior business, was $1,197.9 million for the year ended December 31, 2007, an increase of $158.1 million or 15%, compared to $1,039.8 million for the year ended December 31, 2006. The increase was driven by enrollment growth, which contributed $116.5 million to premium revenue. Additionally, premium revenue was impacted by group rates increases averaging 4%, which increased premium revenue by $41.6 million.

Premium revenue in our fully-insured senior health business was $2,996.2 million for the year ended December 31, 2007, an increase of $273.8 million or 10%, compared to $2,722.4 million for the year ended December 31, 2006. This increase was attributable to premium revenue growth of $67.3 million in our Medicare Advantage HMO product driven primarily by increases in government contract reimbursements and member rate increases. In addition, premium revenue benefited from enrollment growth in both our Medicare Advantage PPO product, which added $196.9 million to premium revenue, and our stand-alone Medicare Part D product, which added $50.9 million. Conversely, premium revenue decreased $25.6 million as a result of enrollment declines in Medigap products.

Premium revenue in our fully-insured agency business was $177.8 million for the year ended December 31, 2007, a decrease of $45.0 million or 20%, compared to $222.8 million for the year ended December

31, 2006. The decrease was driven by the migration of membership from Highmark to our affiliate, HMO of Northeastern Pennsylvania, Inc. d/b/a/ First Priority Health.

Specialty product premium revenue was $1,760.3 million for the year ended December 31, 2007, an increase of $155.3 million or 10%, compared to $1,605.0 million for the year ended December 31, 2006. This increase was attributable mainly to commercial dental business enrollment growth, which added $54.8 million, the new Federal Employee Dental & Vision Insurance Program dental contract, which added $31.1 million, and a contracted rate increase of 5% in the TRICARE Dental Program, which added $30.0 million. Additionally, we experienced an increase in stop loss business, which added 393,000 covered lives and increased premium revenue by $55.5 million, offset by a decrease of $19.1 million related to the sale of the life and disability lines to Fort Dearborn Life in September 2006.

Management Services Revenue

Management services revenue was $621.5 million for the year ended December 31, 2007, a decrease of $63.7 million or 9%, compared to $685.2 million for the year ended December 31, 2006.

Self-funded health business management services revenue was $571.8 million for the year ended December 31, 2007, a decrease of $62.1 million or 10%, compared to $633.9 million for the year ended December 31, 2006. The decrease was attributable mainly to a 2007 contracting change that provided pharmacy rebate credits to self-funded groups in the development of their administrative fees. Additionally, management services revenue was impacted by certain small group competitive pricing decisions, as well as a 3% decline in enrollment as groups selected competitors' products.

Vision Revenue

Vision revenue was $963.1 million for the year ended December 31, 2007, an increase of $333.4 million or 53%, compared to $629.7 million for the year ended December 31, 2006. The increase was attributable primarily to the acquisition of ECCA, which added $284.9 million in retail sales. Additionally, an increase in lives served attributable to new business associated with the 2007 Federal Employee Dental & Vision Insurance Program vision contract added $42.1 million for the year ended December 31, 2007.

Net Investment Results

Net investment results, consisting of net investment income, net realized gain on investments and gain on the sale of business interests, were $399.1 million for the year ended December 31, 2007, an increase of $104.8 million or 36%, compared to $294.3 million for the year ended December 31, 2006.

Net investment income was $235.4 million for the year ended December 31, 2007, an increase of $9.0 million or 4%, compared to $226.4 million for the year ended December 31, 2006. The increase was driven by higher yields in our investment portfolio as a result of favorable market conditions. The investment portfolio yield for the year ended December 31, 2007 was 5.5%, compared to a yield of 5.0% for the year ended December 31, 2006.

Net realized gain on investments was $159.4 million for the year ended December 31, 2007, an increase of $133.5 million or 515%, compared to $25.9 million for the year ended December 31, 2006. The increase in realized gains was driven primarily by equity sales to rebalance the domestic equity portfolio and to diversify the international equity portfolio. Realized gains were further impacted by the full repayment of a note that resulted in the reversal of a $35.0 million impairment allowance previously recorded.

In July 2006, we sold our 48.38% ownership interest in Medmark Holdings Inc., a holding company for Medmark Inc. (Medmark), a specialty pharmacy distribution company, to Walgreen Co. The sale resulted

in a realized gain of $37.4 million in 2006. An additional realized gain of $3.9 million was recognized in 2007 when Medmark achieved certain financial targets defined in the sale agreement.

Other Revenue

Other revenue was $116.8 million for the year ended December 31, 2007, an increase of $75.6 million or 183%, compared to $41.2 million for the year ended December 31, 2006.

Other revenue included pharmacy rebates earned related to self-funded arrangements of $53.7 million for the year ended December 31, 2007. In 2007, the contracting change that provided pharmacy rebate credits to our self-funded customers in the development of their administrative fees resulted in the recognition of rebate revenue in our financial statements.

Other revenue on corporate and other subsidiary business was $60.1 million for the year ended December 31, 2007, an increase of $18.9 million or 46%, compared to $41.2 million for the year ended December 31, 2006. The increase was driven by our share of the net income of Gateway, which contributed $20.6 million. Gateway's results were driven by favorable prior year claim run-out, lower claim utilization, favorable risk-share revenue settlements and controlled spending.

Claims Incurred

Claims incurred were $9,045.0 million for the year ended December 31, 2007, an increase of $1,058.6 million or 13%, compared to $7,986.4 million for the year ended December 31, 2006.

Claims incurred on fully-insured health business, excluding senior business, were $4,984.3 million for the year ended December 31, 2007, an increase of $625.0 million or 14%, compared to $4,359.3 million for the year ended December 31, 2006. The increase was driven by a negative change in prior year claim run-out and higher current year utilization in the western and central Pennsylvania regions. The medical loss ratio for fully-insured health business, excluding senior health business, increased to 91% for the year ended December 31, 2007, compared to 85% for the year ended December 31, 2006. The deterioration in the loss ratio resulted from claim trends exceeding pricing trends as current year utilization increased.

Claims incurred on fully-insured senior health business were $2,667.4 million for the year ended December 31, 2007, an increase of $299.6 or 13%, compared to $2,367.8 million for the year ended December 31, 2006. The medical loss ratio for fully-insured senior health business was 89% for the year ended December 31, 2007, compared to 87% for the year ended December 31, 2006. The loss ratio was impacted by claim trends exceeding pricing trends due to current year utilization increases.

Claims incurred on specialty product business were $1,393.3 million for the year ended December 31, 2007, an increase of $134.0 million or 11%, compared to $1,259.3 million for the year ended December 31, 2006. The main drivers of the increase were enrollment growth, increased provider reimbursements and higher claims utilization in our commercial dental business.

Net Operating Expenses

Net operating expenses were $2,679.4 million for the year ended December 31, 2007, an increase of $247.3 million or 10%, compared to $2,432.1 million for the year ended December 31, 2006.

Net operating expenses for our fully-insured health business, excluding senior business, were $513.3 million for the year ended December 31, 2007, an increase of $35.0 million or 7%, compared to $478.3 million for the year ended December 31, 2006. The increase was primarily the result of enrollment growth, which contributed $20.9 million, and system infrastructure enhancements. Through management efforts, we were able to control administrative costs during 2007 as claims costs in western and central

Pennsylvania regions increased. Additionally, premium deficiency reserve changes increased net operating expenses by $8.9 million for the year ended December 31, 2007.

Net operating expenses for specialty product business were $1,224.4 million for the year ended December 31, 2007, an increase of $308.2 million or 34%, compared to $916.2 million for the year ended December 31, 2006. An increase in operating expenses of $243.9 million was attributable to ECCA, acquired in August 2006. In addition, we experienced operating expense increases in our dental and vision businesses consistent with revenue growth from increased enrollment.

Net operating expenses in our corporate and other subsidiary business were $131.3 million for the year ended December 31, 2007, a decrease of $79.1 million or 38%, compared to $210.4 million for the year ended December 31, 2006. The decrease was principally the result of the 2006 recognition of a $100.0 million commitment to the Highmark Foundation to fund health education programs to promote healthy behaviors in children and adolescents.

Interest Expense

Interest expense was $68.4 million for the year ended December 31, 2007, an increase of $16.5 million or 32%, compared to $51.9 million for the year ended December 31, 2006. The variance was driven by an increase in outstanding borrowings related primarily to the acquisition of ECCA.

Financial Condition at December 31, 2007 Compared to Financial Condition at December 31, 2006

Total Assets

Total assets were $8,925.8 million at December 31, 2007, an increase of $443.4 million or 5%, compared to $8,482.4 million at December 31, 2006. The increase was due primarily to increases in cash and investments, trade accounts receivable, pharmacy rebates receivable, income tax recoverable, securities lending cash collateral and deferred income taxes, offset by a decrease in reinsurance recoverables.

Collectively, cash and investments were $4,937.8 million at December 31, 2007, an increase of $80.8 million or 2%, compared to $4,857.0 million at December 31, 2006. The increase was attributable mainly to an increase in cash and cash equivalents resulting from positive operating cash flows and the timing of cash needs. Conversely, the decrease in other investments was attributable primarily to repayment of a $120.0 million note receivable. Our investment portfolio remained diversified among cash equivalents, debt and equity securities, limited partnerships and affiliate investments.

Trade accounts receivable were $977.2 million at December 31, 2007, an increase of $101.2 million or 12%, compared to $876.0 million at December 31, 2006. The increase was due mainly to higher self-funded health business receivables resulting from increased claim utilization and the timing of self-funded health business billing and collection activities.

Pharmacy rebates receivable were $209.9 million at December 31, 2007, an increase of $76.9 million or 58%, compared to $133.0 million at December 31, 2006. The increase was due primarily to a contracting change with certain self-funded health groups, which contributed $48.2 million, a renegotiated contract with our pharmacy benefits manager, which contributed $12.0 million, and an increase in pharmacy claims covered under our stand-alone Medicare Part D product of $9.9 million that was driven by enrollment growth and utilization.

The increase in net income taxes recoverable was attributable primarily to the recognition of income tax benefits of $109.7 million related to the assessment of uncertain tax positions under FIN No. 48.

Securities lending cash collateral was $618.0 million at December 31, 2007, an increase of $68.6 million or 12%, compared to $549.4 million at December 31, 2006. In exchange for lending our securities, we receive collateral and a fixed rate of return. The increase in securities lending cash collateral was commensurate with our securities on loan at December 31, 2007 compared to December 31, 2006.

Deferred income taxes were $186.9 million at December 31, 2007, an increase of $74.0 million or 66%, compared to $112.9 million at December 31, 2006. The increase was driven primarily by the adoption of SFAS No.158, which increased deferred tax assets by $51.5 million. Additionally, deferred tax assets of $28.7 million were recorded in 2007 related to uncertain tax positions recorded in accordance with FIN No. 48.

Reinsurance recoverables were $160.4 million at December 31, 2007, a decrease of $36.2 million or 18%, compared to $196.6 million at December 31, 2006. The decrease was driven by the assignment of reinsurance agreements due to the sale of our life and disability business to Fort Dearborn Life in June 2006.

Total Liabilities

Total liabilities were $4,948.6 million at December 31, 2007, an increase of $75.2 million or 2%, compared to $4,873.4 million at December 31, 2006. The increase was due primarily to increases in claims outstanding, securities lending payable and benefit plan liabilities, offset by decreases in unearned subscription revenue, amounts held for others, other payables and accrued expenses and debt.

Claims outstanding were $1,685.1 million at December 31, 2007, an increase of $193.8 million or 13%, compared to $1,491.3 million at December 31, 2006. The increase was attributable primarily to an increase in utilization in 2007.

Securities lending payable was $618.0 million at December 31, 2007, an increase of $68.6 million or 12%, compared to $549.4 million at December 31, 2006. Securities lending payable represents our obligation to return cash collateral on securities lending transactions. The change in securities lending payable completely offset the change in securities lending cash collateral.

Benefit plan liabilities were $307.9 million at December 31, 2007, an increase of $112.8 million or 58%, compared to $195.1 million at December 31, 2006. The increase was attributable primarily to the adoption of SFAS No. 158.

Unearned subscription revenue was $360.1 million at December 31, 2007, a decrease of $33.3 million or 8%, compared to $393.4 million at December 31, 2006. The decrease was primarily driven by the timing of the Federal Employee Program earned premium reimbursement.

Amounts held for others were $277.2 million at December 31, 2007, a decrease of $66.3 million or 19%, compared to $343.5 million at December 31, 2006. The decrease was attributable to lower group deposit requirements and higher claim trends in risk-sharing products.

Other payables and accrued expenses were $900.8 million at December 31, 2007, a decrease of $64.7 million or 7%, compared to $965.5 million at December 31, 2006. The decrease was primarily due to a decrease in book overdrafts, payment of $20.0 million of our commitment to the Highmark Foundation and timing of cash disbursements needs.

Debt was $799.5 million at December 31, 2007, a decrease of $82.2 million or 9%, compared to $881.7 million at December 31, 2006. This decrease resulted primarily from the repayment of ECCA debt of

$30.2 million, repayment of ECCA acquisition financing of $3.6 million, repayment of a $35.0 million revolving line of credit and mortgage payments on our corporate offices of $12.0 million.

Combined Financial Report

December 31, 2008

As of April 2, 2009

Highmark is an Independent Licensee of the Blue Cross and Blue Shield Association

Company Profile and Organization
Highmark Inc. ("Highmark") is the largest health care financing organization in Pennsylvania based on membership and one of the largest health insurers in the United States. Highmark operates in Pennsylvania as a nonprofit hospital plan corporation and as a nonprofit professional health service plan corporation. Highmark is the parent company of our combined group of companies and our primary operating company. As an independent licensee of the Blue Cross and Blue Shield Association, we underwrite various indemnity and managed care health insurance products, as well as Medicare supplemental products, in our Pennsylvania service areas. In addition, we jointly market various health insurance products in northeastern Pennsylvania and southeastern Pennsylvania through joint arrangements with Blue Cross of Northeastern Pennsylvania and Independence Blue Cross ("IBC"), respectively.

We have a long history – covering over 70 years – serving health insurance needs, and currently provide fully insured and self-funded health products to approximately 4.3 million members in Pennsylvania and West Virginia. Our Pennsylvania service areas include the 29 counties within the western Pennsylvania region and the 21 counties within the central Pennsylvania region.

We have developed and continue to maintain strong and extensive contracted provider networks for our health insurance business. Our goal is to ensure member choice while implementing effective management programs designed to improve the quality of care received by our members. Our contracted networks in western Pennsylvania and central Pennsylvania include all acute care hospitals, a majority of physicians and other professional providers, as well as an extensive network of skilled nursing facilities, home health agencies, durable medical equipment companies and other ancillary providers. We contract with more than 40,000 physicians and other professional providers statewide who participate in one or more of our three professional networks and provide services for our various regional and national accounts.

Our national health business includes administration of self-funded groups, third-party administration, network access arrangements, claims processing and other services on behalf of other Blue Cross and Blue Shield plans. We participate in the BlueCard program, which offers members in-network benefits through the provider networks of other Blue Cross and Blue Shield plans in other states and regions.

Highmark West Virginia Inc., d/b/a Mountain State Blue Cross & Blue Shield ("MSBCBS"), our affiliate, is incorporated as a nonprofit health services corporation in the state of West Virginia and offers a variety of health insurance products and services to customers in that state.

Our non-Blue branded subsidiaries provide a broad array of specialty products and services, including nationwide dental, vision, and stop-loss insurance, and related products and services. Our dental subsidiary, United Concordia Companies, Inc. ("UCCI"), is one of the nation's largest dental insurance companies on the basis of enrollment. Our managed care vision subsidiary, Davis Vision, Inc., provides fully integrated eye care services and eyewear to more than 17 million lives. Viva Optique, Inc. is a designer and distributor of ophthalmic frames and sunglasses with distribution in more than 60 countries. Eye Care Centers of America, Inc. operates optical retail stores nationwide. HM Insurance Group's core ancillary employee benefits products include employer medical stop-loss, limited medical and workers compensation. Highmark Medicare Services ("HMS") provides Medicare administrative services under contracts with the Centers for Medicare & Medicaid Services ("CMS").

Company Website
Our annual report, company press releases and other information are available through our Internet homepage at http://www.highmark.com.

Status of Consolidation with IBC
In March 2007, our Board of Directors and the Board of Directors of IBC voted to approve the consolidation of our two companies to form a new Pennsylvania nonprofit corporation. Closing of the consolidation was subject to various

conditions, including receipt of approval by the Pennsylvania Insurance Department ("PID"). In January 2009, we learned that the Pennsylvania Insurance Commissioner intended to disapprove the consolidation or to impose certain conditions on it that were not acceptable to IBC or to us. Accordingly, on January 21, 2009, we withdrew our pending applications with the PID and announced that we were no longer pursuing the consolidation. We subsequently terminated the consolidation agreement.

Recent Developments

On January 7, 2009, the CMS announced that it had awarded a contract to HMS to act as the Medicare Administrative Contractor ("MAC") for MAC Jurisdiction 15. The MAC Jurisdiction 15 contract provides that HMS will be responsible for performing Medicare Part A and Part B fee-for-service claims adjudication and other administrative services for hospitals, other institutional providers, physicians and other health care practitioners in the states of Kentucky and Ohio, and home health and hospice claims administration for a number of other states. CMS previously had awarded a contract to HMS to act as the MAC for MAC Jurisdiction 12, which includes Pennsylvania, Maryland, Delaware, New Jersey and the District of Columbia. The new MAC contract includes a one-year base period and four one-year renewal options and will provide HMS with an opportunity to earn award fees based on its ability to meet or exceed the performance requirements set by CMS. An HMS competitor, an unsuccessful bidder for the MAC Jurisdiction 15 contract, has filed a protest of the contract award to HMS. CMS has suspended all activity related to a Jurisdiction 15 transition pending resolution of the protest.

On January 28, 2009, Moody's Investors Service affirmed our insurance financial strength rating of Baa1 and our senior unsecured debt rating of Baa2. The outlook on the ratings was changed from positive to stable.

Some of the statements in this document that are not historical facts may constitute forward-looking statements. These statements may be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "goals," "may," "outlook," "plan," "pro forma," "seek," "trend," "should," "strategy," "will" and similar words. In particular, statements that we make relating to trends, beliefs and expectations concerning results of operations, financial condition and our ability to meet working capital, capital expenditure and debt service obligations are forward-looking statements. Management has based these forward-looking statements on current assumptions and expectations about future events. Although management believes that these assumptions and expectations are reasonable, it cannot assure you that they will prove to be correct.

Forward-looking statements are subject to various risks and uncertainties. We are subject to the following risks, among others: our ability to effectively address healthcare costs; our ability to implement premium rate increases and to obtain appropriate reimbursements; our ability to contract on favorable terms with hospitals, physicians and other providers; our ability to maintain adequate claims reserves; our ability to develop and maintain effective and efficient infrastructure; regulation; litigation; and economic and market conditions generally. These and other risk factors are discussed in the final Offering Memorandum, dated August 14, 2003, for our $375,000,000 principal amount of 6.80% Senior Notes due 2013.

Many factors, including those referred to above, may cause actual results to differ materially from those expressed or implied by the forward-looking statements. There may be events in the future that management is not able to predict accurately or over which management has no control. You should not place undue reliance on forward-looking statements. Management undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Highmark Inc. Executive Officers
Kenneth R. Melani, M.D. - President and CEO
Nanette P. DeTurk - Exec. VP, Finance, CFO and Treasurer
Gary R. Truitt, Esquire - Sr. VP, General Counsel and Corporate Secretary

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Highmark Inc.
Combined Balance Sheets
December 31, 2008 and 2007
(in thousands of dollars)

	2008	2007
Assets		
Cash and cash equivalents	$ 802,467	$ 1,018,741
Investments		
Debt securities, available-for-sale at fair value (amortized cost of $2,600,811 and $2,621,062, respectively)	2,614,034	2,660,716
Equity securities, available-for-sale at fair value (cost of $624,175 and $744,374, respectively)	583,354	1,021,933
Investment in affiliates	188,104	170,514
Other	73,433	65,862
Accounts receivable, less allowance for doubtful accounts of $54,807 and $57,160, respectively		
Trade	1,149,889	977,217
Government program	332,238	266,976
Other	60,016	65,817
Reinsurance recoverables	155,509	160,405
Pharmacy rebates receivable	194,455	209,882
Income tax recoverable, net	132,231	74,864
Securities lending invested collateral	566,914	617,952
Property and equipment, net	402,377	354,397
Deferred income taxes, net	407,418	186,874
Goodwill	791,402	792,490
Other intangible assets, net	29,811	37,047
Other assets	234,270	244,130
Total assets	$ 8,717,922	$ 8,925,817
Liabilities and Reserves		
Claims outstanding	$ 1,815,768	$ 1,763,258
Unearned premium revenue	382,865	360,134
Amounts held for others	222,651	294,676
Other payables and accrued expenses	689,718	673,233
Book overdraft	117,469	123,233
Premium deficiency reserves	116,156	8,729
Securities lending payable	591,347	617,952
Benefit plan liabilities	454,151	307,853
Debt	776,882	799,542
Total liabilities	5,167,007	4,948,610
Accumulated other comprehensive (loss) income	(414,071)	106,277
General reserves	3,964,986	3,870,930
Total reserves	3,550,915	3,977,207
Total liabilities and reserves	$ 8,717,922	$ 8,925,817

Highmark Inc.
Combined Statements of Operations
Years Ended December 31, 2008 and 2007
(in thousands of dollars)

	2008	2007
Revenue		
Premium revenue	$ 11,020,140	$ 10,252,073
Management services revenue	625,994	621,555
Vision revenue	1,077,125	963,119
Net investment income	159,738	235,400
Net realized (loss) gain on investments	(78,726)	163,654
Other revenue	197,734	188,666
Total revenue	13,002,005	12,424,467
Expenses		
Claims incurred	9,692,229	9,044,986
Operating expenses	2,978,475	2,749,201
Change in premium deficiency reserves	107,427	2,068
Interest expense	60,518	68,440
Total expenses	12,838,649	11,864,695
Income before income taxes	163,356	559,772
Income tax provision	69,300	184,410
Net income	$ 94,056	$ 375,362

Highmark Inc.
Combined Statements of Changes in Reserves
Years Ended December 31, 2008 and 2007
(in thousands of dollars)

	Accumulated Other Comprehensive (Loss) Income	General Reserves	Total Reserves
Balances at December 31, 2006	$ 249,261	$ 3,359,712	$ 3,608,973
Comprehensive income			
Net income	-	375,362	375,362
Other comprehensive loss			
Foreign currency translation adjustments, net of deferred income tax provision of $2,651	4,924	-	4,924
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income tax provision of $16,216	35,592	-	35,592
Reclassification adjustments for net gains included in income, net of deferred income tax benefit of $(41,534)	(77,135)	-	(77,135)
Decrease in additional minumum pension liabilities, net of deferred income tax provision of $163	302	-	302
Total other comprehensive loss	(36,317)	-	(36,317)
Total comprehensive income	(36,317)	375,362	339,045
Adoption of FIN No. 48	-	135,856	135,856
Adoption of SFAS No. 158, net of deferred income tax benefit of $(51,487)	(106,667)		(106,667)
Balances at December 31, 2007	106,277	3,870,930	3,977,207
Comprehensive income			
Net income	-	94,056	94,056
Other comprehensive loss			
Foreign currency translation adjustments, net of deferred income tax benefit of $(3,854)	(7,158)	-	(7,158)
Unrealized net holding losses on available-for-sale securities arising during the period, net of deferred income tax benefit of $(153,214)	(313,914)	-	(313,914)
Reclassification adjustments for net losses included in income, net of deferred income tax provision of $25,334	47,049	-	47,049
Change in net periodic benefit plan costs, net of deferred income tax benefit of $(129,009)	(246,325)	-	(246,325)
Total other comprehensive loss	(520,348)	-	(520,348)
Total comprehensive loss	(520,348)	94,056	(426,292)
Balances at December 31, 2008	$ (414,071)	$ 3,964,986	$ 3,550,915

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2008 and 2007
(in thousands of dollars)

	2008	2007
Cash flows from operating activities		
Net income	$ 94,056	$ 375,362
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	96,554	97,251
Deferred tax provision	40,199	44,366
Net realized gain on investments	(16,879)	(181,686)
Loss on impairment of investments	95,605	18,032
Net undistributed earnings of affiliates	(8,855)	(38,430)
Change in premium deficiency reserves	107,427	2,067
Increase (decrease) due to change in		
Accounts receivable	(224,620)	(68,066)
Pharmacy rebates receivable	15,427	(76,866)
Other assets	(47,506)	(61,335)
Claims outstanding	52,510	199,266
Benefit plan liabilities	(230,497)	(10,386)
Other liabilities	(15,962)	(41,187)
Net cash (used in) provided by operating activities	(42,541)	258,388
Cash flows from investing activities		
Purchases of investments	(2,741,196)	(2,900,100)
Proceeds from sales of investments	2,327,948	2,740,754
Proceeds from maturities of investments	452,371	315,103
Affiliate capital contributions	(32,000)	(12,000)
Proceeds from repayment of notes receivable	500	138,452
Change in securities lending invested collateral	26,605	(68,589)
Purchases of property and equipment	(142,369)	(95,796)
Net cash (used in) provided by investing activities	(108,141)	117,824
Cash flows from financing activities		
Change in book overdraft	(5,764)	(61,018)
Receipts from CMS contract deposits	154,346	78,288
Withdrawals from CMS contract deposits	(164,094)	(139,280)
Change in securities lending payable	(26,605)	68,589
Proceeds from issuance of debt	50,000	-
Repayment of debt	(73,475)	(82,659)
Net cash used in financing activities	(65,592)	(136,080)
(Decrease) increase in cash and cash equivalents	(216,274)	240,132
Cash and cash equivalents		
Beginning of year	1,018,741	778,609
End of year	$ 802,467	$ 1,018,741

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2008 and 2007
(in thousands of dollars)

Supplemental disclosures of cash flow information				
Interest paid	$	57,905	$	65,692
Net income taxes paid	$	83,296	$	180,898
Supplemental schedule of noncash investing and financing activities				
Assets acquired under capital lease obligations	$	474	$	-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

We manage and analyze our operations and financial results by segmenting our business into four distinct classifications, which we refer to as fully-insured health business, self-funded health business, specialty product business, and corporate and other subsidiary business. We further evaluate our fully-insured and self-funded health businesses based on the following markets: western Pennsylvania, central Pennsylvania, senior, agency and MSBCBS (West Virginia).

Fully-insured health business is that health business for which we assume underwriting risk. Financial results of our fully-insured health business are included in premium revenue, claims incurred and operating expenses.

Self-funded health business is that health business for which we perform administrative services but do not assume underwriting risk. Self-funded health business includes administrative services contracts and cost plus contracts. Because we are not at risk for the underwriting of self-funded arrangements, neither premium revenue nor claims incurred on these arrangements are reflected in our financial results. The administrative fees we receive under self-funded arrangements are reported as management services revenue. Pharmacy rebates earned that relate to self-funded arrangements are reported as other revenue. Self-funded health business results also include fees from the BlueCard program and claims processing services, including service contract arrangements. Under the BlueCard program, we do not maintain membership but we receive network access fees and administrative fees from other Blue Cross and Blue Shield plans for services that we provide to members of those plans through our provider network. Under service contract arrangements, we do not maintain membership but we receive fees for administrative, membership and claims processing services from other Blue Cross and Blue Shield plans.

Specialty product business includes dental, vision and stop-loss insurance product offerings that are marketed nationally by our for-profit subsidiaries. Specialty product business includes insurance business for which we assume underwriting risk, self-funded arrangements and non-insurance vision business, which is comprised of fully integrated eye care services, including optical retail stores and the wholesale design and distribution of ophthalmic frames and sunglasses. Financial results of our fully-insured specialty product business are included in premium revenue, claims incurred and operating expenses. Administrative fees on self-funded specialty product insurance business are included in management services revenue. Financial results of our non-insurance vision business are included in vision revenue and operating expenses.

Corporate and other subsidiary business includes net investment results, other revenue, including equity in net income of affiliates, other expenses and interest expense, as these amounts are not tracked and reported at the segment level. In addition, this category includes the revenue and expenses of certain other non-insurance subsidiaries, which consist primarily of facilities management, Medicare administrative service and workers' compensation case management companies.

Adoption of Significant Accounting Pronouncements

At January 1, 2007, we adopted the Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.* FIN No. 48 clarified the accounting for uncertainty in income taxes by defining criteria that must be met in order for a tax position on an individual matter to be recognized in the financial statements. The impact of adopting FIN No. 48 was an increase to general reserves of $135.9 million.

At December 31, 2007, we adopted FASB Statement of Financial Accounting Standard ("SFAS") No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132(R).* SFAS No. 158 required recognition of the funded status of defined benefit pension and other postretirement plans in the balance sheet and recognition of changes in that funded status in other comprehensive income. The impact of adopting SFAS No. 158 was a reduction to accumulated other comprehensive income of $106.7 million, net of deferred income taxes, at December 31, 2007.

Financial Summary for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Our fully-insured health business operating results (excluding a change in premium deficiency reserves) exceeded the prior year by $60.5 million, primarily attributable to positive claim run-out of $59.4 million and lower utilization, particularly in our senior business and at MSBCBS. These positive variances were partially offset by claim trends that outpaced rate increases in the small group central Pennsylvania business. At December 31, 2008, we determined that, due to insufficient premium rates related to several individual and state-sponsored products, establishment of premium deficiency reserves of $116.2 million was necessary.

Our self-funded health business experienced a negative operating variance of $33.0 million as a result of increased administrative expenses and lower revenue from the Blue Card program as a result of a lower negotiated pricing structure.

Results in our specialty product business were $34.6 million higher than the prior year, due to primarily results in our dental and vision businesses. Dental business experienced a positive operating variance of $13.4 million due to lower utilization than was assumed in pricing. Specialty product business was further impacted by a positive vision business operating variance of $12.4 million from increased retail sales, higher frame sales and profitable managed care enrollment growth.

Corporate and other subsidiary business results were lower than the prior year due to market conditions that directly impacted investment results by $318.1 million. Deteriorating market conditions impacted all sectors and resulted in higher debt and equity security impairments as well as lower interest income. Corporate and other subsidiary results also were affected by an increase in operating expenses related to the proposed consolidation with IBC.

The following summary of financial data for our four segments for the years ended December 31, 2008 and 2007 was derived from our audited combined financial statements which were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

	Fully-insured Health Business	Self-funded Health Business	Specialty Product Business	Corporate and Other Subsidiary Business	Combined Total
			(in millions)		
Year Ended December 31, 2008					
Premium revenue	$ 9,115.9	$ -	$ 1,904.2	$ -	$ 11,020.1
Management services revenue	-	580.3	45.7	-	626.0
Vision revenue	-	-	1,077.1	-	1,077.1
Net investment results	-	-	-	81.0	81.0
Other revenue	-	75.1	5.1	117.6	197.8
Total revenue	9,115.9	655.4	3,032.1	198.6	13,002.0
Claims incurred	8,196.5	-	1,495.7	-	9,692.2
Operating expenses	758.4	635.1	1,343.4	241.6	2,978.5
Change in premium deficiency reserves	107.4	-	-	-	107.4
Interest expense	-	-	-	60.5	60.5
Total expenses	9,062.3	635.1	2,839.1	302.1	12,838.6
Income (loss) before income taxes	53.6	20.3	193.0	(103.5)	163.4
Income tax provision					69.3
Net income					$ 94.1
Year Ended December 31, 2007					
Premium revenue	$ 8,491.8	$ -	$ 1,760.3	$ -	$ 10,252.1
Management services revenue	-	571.8	49.7	-	621.5
Vision revenue	-	-	963.1	-	963.1
Net investment results	-	-	-	399.1	399.1
Other revenue	-	53.7	3.0	132.0	188.7
Total revenue	8,491.8	625.5	2,776.1	531.1	12,424.5
Claims incurred	7,651.7	-	1,393.3	-	9,045.0
Operating expenses	739.6	572.2	1,224.4	213.0	2,749.2
Change in premium deficiency reserves	2.1	-	-	-	2.1
Interest expense	-	-	-	68.4	68.4
Total expenses	8,393.4	572.2	2,617.7	281.4	11,864.7
Income before income taxes	98.4	53.3	158.4	249.7	559.8
Income tax provision					184.4
Net income					$ 375.4

	December 31,	
	2008	2007
	(dollars in millions)	
Net income margin (1)	0.72%	3.02%
Return on assets (2)	1.08%	4.21%
Debt to total capitalization (3)	17.95%	16.74%
Premium equivalents (4)	$ 6,411.0	$ 5,800.5
Tangible net equity (5)	$ 2,729.7	$ 3,147.7

(1) Net income margin is equal to net income divided by total revenue.
(2) Return on assets is equal to net income divided by total assets.
(3) Debt to total capitalization is equal to debt divided by debt and total reserves.
(4) Premium equivalents (claims incurred on self-funded health business) represent amounts by which premium revenue and claims incurred would have increased had self-funded members been considered as fully-insured.
(5) Tangible net equity is equal to total reserves less goodwill and other intangible assets.

As a regulated entity, we also prepare statutory financial statements in accordance with statutory accounting principles ("SAP"). Financial statements prepared under SAP differ in certain significant respects from financial statements prepared under GAAP. Most significantly, SAP-reported amounts are

based on unconsolidated financial information while GAAP-reported amounts are based on combined financial information.

The following is a comparison of certain financial indicators on a SAP basis and on a GAAP basis:

	December 31, 2008	
	SAP	GAAP
	(in millions of dollars)	
Total admitted assets	$ 5,009.0	$ 8,717.9
Surplus	$ 3,063.1	$ 3,550.9
Net income	$ 51.8	$ 94.1

Highmark is the sole corporate member of MSBCBS, and, for GAAP financial accounting and reporting purposes, MSBCBS is combined with Highmark. Notwithstanding the accounting treatment, MSBCBS is a separate legal entity (a West Virginia nonprofit corporation). In accordance with its articles of incorporation, no part of the funds, income or net earnings of MSBCBS may inure to the benefit of Highmark and, in the event of its dissolution or the winding up of its affairs, MSBCBS assets are required to be distributed in the manner provided for nonprofit corporations by the statutes of the State of West Virginia or the rules and regulations of the Insurance Commissioner of the State of West Virginia, each as then in effect. Creditors of Highmark should not anticipate that any of the assets or revenues of MSBCBS are or will be available to pay their claims, either currently or at any time in the future.

The following table shows the combination of assets, reserves, revenue and net income of Highmark and MSBCBS:

	December 31,	
	2008	2007
	(in millions of dollars)	
Assets		
Consolidated Highmark	$ 8,284.5	$ 8,557.9
MSBCBS	435.1	370.0
Eliminations	(1.7)	(2.1)
Combined assets	$ 8,717.9	$ 8,925.8
Reserves		
Consolidated Highmark	$ 3,363.6	$ 3,815.6
MSBCBS	187.3	161.6
Combined reserves	$ 3,550.9	$ 3,977.2
Revenue		
Consolidated Highmark	$ 12,231.9	$ 11,717.4
MSBCBS	790.9	723.7
Eliminations	(20.8)	(16.6)
Combined revenue	$ 13,002.0	$ 12,424.5
Net Income		
Consolidated Highmark	$ 47.9	$ 335.6
MSBCBS	46.2	39.8
Combined net income	$ 94.1	$ 375.4

The following table shows the number of lives served within our combined health business at December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
	(in thousands)	
Fully-insured Health Members		
Consolidated Highmark	1,976	2,059
MSBCBS	183	170
Self-funded Health Members		
Consolidated Highmark	1,889	1,783
MSBCBS	88	93
Service Contract Arrangements	177	177
Total	4,313	4,282

Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Premium Revenue

Premium revenue was $11,020.1 million for the year ended December 31, 2008, an increase of $768.0 million or 7%, compared to $10,252.1 million for the year ended December 31, 2007.

Fully-insured health business premium revenue was $9,115.9 million for the year ended December 31, 2008, an increase of $624.1 million or 7%, compared to $8,491.8 million for the year ended December 31, 2007.

Premium revenue in our western Pennsylvania fully-insured health business, excluding senior business, was $3,743.1 million for the year ended December 31, 2008, an increase of $277.1 million or 8%, compared to $3,466.0 million for the year ended December 31, 2007. This increase was driven primarily by group rate increases averaging 4%, which increased premium revenue by $236.5 million. Additionally, despite losses in the second-half of 2008, enrollment growth contributed $40.5 million to premium revenue.

Premium revenue in our central Pennsylvania fully-insured health business, excluding senior business, was $1,139.6 million for the year ended December 31, 2008, a decrease of $58.3 million or 5%, compared to $1,197.9 million for the year ended December 31, 2007. The decrease was driven by enrollment losses of approximately 40,000 members due primarily to competition, which resulted in premium losses of $90.9 million. These losses were partially offset by rate increases, which added $32.6 million to premium revenue.

Premium revenue in our fully-insured senior business was $3,446.8 million for the year ended December 31, 2008, an increase of $450.6 million or 15%, compared to $2,996.2 million for the year ended December 31, 2007. Senior business premium revenue benefited primarily from enrollment growth and rate increases in our Medicare Advantage PPO product, which added $463.1 million. Revenue from the Security Blue and Medigap products also increased $16.3 million, primarily as a result of contracted rate increases. Conversely, senior business premium revenue decreased $28.8 million in our stand-alone Medicare Part D product due in large part to our voluntary withdrawal from the Pennsylvania's Pharmaceutical Assistance Contract for the Elderly (PACE) program in 2008, which resulted in the loss of approximately 28,000 members.

Premium revenue from our fully-insured agency business was $69.5 million for the year ended December 31, 2008, a decrease of $108.3 million or 61%, compared to $177.8 million for the year ended December 31, 2007. Agency business includes business under joint operating agreements with certain Pennsylvania Blue plans. The decrease was driven by the migration of Highmark members in the northeastern

Pennsylvania region to First Priority Life Insurance Company, Inc., a Highmark and Blue Cross of Northeastern Pennsylvania joint venture, which began operations in May 2007.

Premium revenue of MSBCBS was $716.9 million for the year ended December 31, 2008, an increase of $63.0 million or 10%, compared to $653.9 million for the year ended December 31, 2007. This increase was attributable primarily to group rate increases averaging 5%, which contributed $32.2 million, and enrollment growth, which contributed $30.8 million, resulting from a shift in members from self-funded to fully-insured arrangements and the addition of new groups.

Specialty product premium revenue was $1,904.2 million for the year ended December 31, 2008, an increase of $143.9 million or 8%, compared to $1,760.3 million for the year ended December 31, 2007. Premium revenue from our dental operations increased $104.1 million from the year ended December 31, 2007. This increase was attributable mainly to commercial dental business enrollment growth and rate increases, which added premium revenue of $56.7 million, contracted rate increases of 5% in the TRICARE Dental Program, which added $33.3 million, and increased enrollment in the Federal Employee Dental and Vision Program, which added $20.9 million. Stop-loss business growth was attributable mainly to an increase of approximately 1,700,000 covered lives, which increased premium revenue by $39.8 million.

Vision Revenue

Vision revenue was $1,077.1 million for the year ended December 31, 2008, an increase of $114.0 million or 12%, compared to $963.1 million for the year ended December 31, 2007. Retail vision business revenue increased $66.3 million due to sales from new stores in the Chicago area and increased sales in existing stores. Revenue from the wholesale distribution of ophthalmic frames increased $18.5 million due to increased sales on premium and fashion brand frames. Additionally, managed care enrollment growth of approximately 1,566,000 covered lives, primarily driven by the addition of new groups, contributed $29.2 million to vision revenue.

Net Investment Results

Net investment results, consisting of net investment income and net realized (loss) gain on investments, were $81.0 million for the year ended December 31, 2008, a decrease of $318.1 million or 80%, compared to $399.1 million for the year ended December 31, 2007.

Net investment income was $159.7 million for the year ended December 31, 2008, a decrease of $75.7 million or 32%, compared to $235.4 million for the year ended December 31, 2007. The decrease was driven by lower yields in our investment portfolio as a result of market conditions. The investment portfolio yield for the year ended December 31, 2008 was 4.4%, compared to a yield of 5.5% for the year ended December 31, 2007. Additionally, the cash surrender value of our corporate-owned life insurance policies decreased $18.1 million from the prior year as a result of market conditions.

Net realized (loss) gain on investments was $(78.7) million for the year ended December 31, 2008, a decrease of $242.4 million or 148%, compared to $163.7 million for the year ended December 31, 2007. Deteriorating market performance drove an increase in other-than-temporary impairments on debt and equity securities of $77.6 million as compared with the prior year. Other-than-temporary impairments recognized in 2008 resulted from market conditions, including the resulting bankruptcies, credit downgrades and the fair value declines. Impaired securities covered a number of industries, led by the banking and financial services sector. Prior year net realized gains were impacted by $71.6 million in gains from a restructuring of the equity portfolio as well as the reversal of a $35.0 million note receivable allowance due to full repayment of a note.

Other Revenue

Other revenue was $197.8 million for the year ended December 31, 2008, an increase of $9.1 million or 5%, compared to $188.7 million for the year ended December 31, 2007.

Other revenue in self-funded health business included pharmacy rebates earned related to self-funded arrangements of $75.1 million for the year ended December 31, 2008, an increase of $21.4 million or 40%, compared to $53.7 million for the year ended December 31, 2007. The increase was due to the migration of self-funded groups to contracts that take pharmacy rebate credits into account when developing the administrative fees charged by the Corporation.

Other revenue in corporate and other subsidiary business was $117.6 million for the year ended December 31, 2008, a decrease of $14.4 million or 11%, compared to $132.0 million for the year ended December 31, 2007. The decrease was driven by lower affiliate income of $32.1 million due primarily to our share of Gateway Health Plan, LP results, which were impacted by market conditions and the establishment of a premium deficiency reserve related to its Pennsylvania Medicaid business. Conversely, other revenue related to Medicare processing increased $19.3 million as the result of services associated with the new MAC Jurisdiction 12 contract.

Claims Incurred

Claims incurred were $9,692.2 million for the year ended December 31, 2008, an increase of $647.2 million or 7%, compared to $9,045.0 million for the year ended December 31, 2007.

Claims incurred on fully-insured health business, excluding senior business, were $5,153.1 million for the year ended December 31, 2008, an increase of $168.8 million or 3%, compared to $4,984.3 million for the year ended December 31, 2007. The increase was driven by both higher provider reimbursements and utilization in both western and central Pennsylvania.

Claims incurred on fully-insured senior business were $3,043.4 million for the year ended December 31, 2008, an increase of $376.0 million or 14%, compared to $2,667.4 million for the year ended December 31, 2007. Although utilization increased in 2008, the medical loss ratio improved (88% for the year ended December 31, 2008, compared to 89% for the year ended December 31, 2007) as pricing trends exceeded claim trends.

Claims incurred on specialty product business were $1,495.7 million for the year ended December 31, 2008, an increase of $102.4 million or 7%, compared to $1,393.3 million for the year ended December 31, 2007. The main drivers of the increase were enrollment growth, provider rate increases and increased utilization in our commercial dental business, as well as an increase of 1,700,000 covered lives in our stop-loss business.

Net Operating Expenses

Net operating expenses were $2,978.5 million for the year ended December 31, 2008, an increase of $229.3 million or 8%, compared to $2,749.2 million for the year ended December 31, 2007.

Net operating expenses for self-funded health business were $635.1 million for the year ended December 31, 2008, an increase of $62.9 million or 11%, compared to $572.2 million for the year ended December 31, 2007. The increase was driven by enrollment growth in new and existing groups and higher spending in technology and medical management programs.

Net operating expenses for specialty product business were $1,343.4 million for the year ended December 31, 2008, an increase of $119.0 million or 10%, compared to $1,224.4 million for the year ended

December 31, 2007. An increase in operating expenses of $48.6 million at our vision retail subsidiaries was attributable mainly to newly opened vision stores in the Chicago area. Enrollment growth in both our commercial dental and managed care vision businesses further contributed to the increase.

Net operating expenses in our corporate and other subsidiary business were $241.6 million for the year ended December 31, 2008, an increase of $28.6 million or 13%, compared to $213.0 million for the year ended December 31, 2007. The increase was principally the result of an increase in HMS operating expenses as a result of the MAC Jurisdiction 12 contract. The increase was also driven by $23.2 million of higher integration planning costs related to the proposed consolidation with IBC.

Premium Deficiency Reserves

Premium deficiency reserves were $107.4 million for the year ended December 31, 2008, an increase of $105.3 million or 5,014%, compared to $2.1 million for the year ended December 31, 2007. During 2008, subsidies related to individual guarantee-issue products were no longer included in premium rates filed with the PID. Additionally, the Corporation entered into a multi-year agreement with the PID to continue administering a state-sponsored product. The change in premium deficiency reserves of $107.4 million was driven by claim costs and related maintenance costs that exceeded future premiums of these products.

Interest Expense

Interest expense was $60.5 million for the year ended December 31, 2008, a decrease of $7.9 million or 12%, compared to $68.4 million for the year ended December 31, 2007. The decrease was largely driven by the repayment of $65.8 million of outstanding borrowings by our vision subsidiary.

Financial Condition at December 31, 2008 Compared to December 31, 2007

Total Assets

Total assets were $8,717.9 million at December 31, 2008, a decrease of $207.9 million or 2%, compared to $8,925.8 million at December 31, 2007. The decrease was due primarily to a decrease in cash and cash equivalents and investments, offset by increases in trade accounts receivable, government receivables and deferred income taxes.

Collectively, cash, cash equivalents and investments were $4,261.4 million at December 31, 2008, a decrease of $676.4 million or 14%, compared to $4,937.8 million at December 31, 2007. The decrease was attributable mainly to investment security depreciation as a result of deteriorating market conditions and the timing of liquidity needs.

Trade accounts receivable were $1,149.9 million at December 31, 2008, an increase of $172.7 million or 18%, compared to $977.2 million at December 31, 2007. The increase was due primarily to higher self-funded health business receivables resulting from increased utilization and the timing of billed claims.

Government receivables were $332.2 million at December 31, 2008, an increase of $65.2 million or 24%, compared to $267.0 million at December 31, 2007. The increase was due mainly to higher Federal Employee Program reserve requirements of $33.5 million and CMS receivables related to the MAC Jurisdiction 12 contract.

Deferred income taxes were $407.4 million at December 31, 2008, an increase of $220.5 million or 118%, compared to $186.9 million at December 31, 2007. The increase was driven by the tax impact of unrealized losses on investment securities of $156.8 million and the tax impact of increased benefit plan liabilities of $54.0 million.

Total Liabilities

Total liabilities were $5,167.0 million at December 31, 2008, an increase of $218.4 million or 4%, compared to $4,948.6 million at December 31, 2007. The increase was due primarily to increases in claims outstanding, premium deficiency reserves and benefit plan liabilities, offset by a decrease in amounts held for others.

Claims outstanding were $1,815.8 million at December 31, 2008, an increase of $52.5 million or 3%, compared to $1,763.3 million at December 31, 2007. The increase was attributable primarily to an increase in claim trends in 2008.

Premium deficiency reserves were $116.1 million at December 31, 2008, an increase of $107.4 million or 1,234%, compared to $8.7 million at December 31, 2007. Premium deficiency reserves were established at December 31, 2008 due to insufficient premium rates related to several individual and state-sponsored products.

Benefit plan liabilities were $454.2 million at December 31, 2008, an increase of $146.3 million or 48%, compared to $307.9 million at December 31, 2007. The increase in the benefit plan liabilities, which represents the funded status of the benefit plans, was driven by depreciated investment values, partially offset by additional contributions of $215.0 million made to the plans in December 2008.

Amounts held for others were $222.7 million at December 31, 2008, a decrease of $72.0 million or 24%, compared to $294.7 million at December 31, 2007. The decrease was attributable primarily to the timing of certain group settlements.

Combined Financial Report

December 31, 2009

Highmark is an Independent Licensee of the Blue Cross and Blue Shield Association

Company Profile and Organization
Highmark Inc. ("Highmark") is the largest health care financing organization in Pennsylvania based on membership and one of the largest health insurers in the United States. Highmark operates in Pennsylvania as a nonprofit hospital plan corporation and as a nonprofit professional health service plan corporation. Highmark is the parent company of our combined group of companies and our primary operating company. As an independent licensee of the Blue Cross and Blue Shield Association, we underwrite various indemnity and managed care health insurance products, as well as Medicare supplemental products, in our Pennsylvania service areas. In addition, we jointly market various health insurance products in northeastern Pennsylvania and southeastern Pennsylvania through joint arrangements with Blue Cross of Northeastern Pennsylvania and Independence Blue Cross ("IBC"), respectively.

We have a long history – covering over 70 years – serving health insurance needs, and currently provide fully insured and self-funded health products to approximately 4.2 million members in Pennsylvania and West Virginia. Our Pennsylvania service areas include the 29 counties within the western Pennsylvania region and the 21 counties within the central Pennsylvania region.

We have developed and continue to maintain strong and extensive contracted provider networks for our health insurance business. Our goal is to ensure member choice while implementing effective management programs designed to improve the quality of care received by our members. Our contracted networks in western Pennsylvania and central Pennsylvania include all acute care hospitals, a majority of physicians and other professional providers, as well as an extensive network of skilled nursing facilities, home health agencies, durable medical equipment companies and other ancillary providers. We contract with more than 40,000 physicians and other professional providers statewide who participate in one or more of our three professional networks and provide services for our various regional and national accounts.

Our national health business includes administration of self-funded groups, third-party administration, network access arrangements, claims processing and other services on behalf of other Blue Cross and Blue Shield plans. We participate in the BlueCard program, which offers members in-network benefits through the provider networks of other Blue Cross and Blue Shield plans in other states and regions.

Highmark West Virginia Inc., d/b/a Mountain State Blue Cross Blue Shield ("MSBCBS"), our affiliate, is incorporated as a nonprofit health services corporation in the state of West Virginia and offers a variety of health insurance products and services to customers in that state.

Our non-Blue branded subsidiaries provide a broad array of specialty products and services, including nationwide dental, vision, and stop-loss insurance, and related products and services. Our dental subsidiary, United Concordia Companies, Inc., is one of the nation's largest dental insurance companies on the basis of enrollment. Our managed vision care subsidiary, Davis Vision, Inc., provides fully integrated eye care services and eyewear to approximately 17 million lives. Viva Optique, Inc. is a designer and distributor of ophthalmic frames and sunglasses with distribution in more than 60 countries. Eye Care Centers of America, Inc. operates optical retail stores nationwide. HM Insurance Group's core ancillary employee benefits products include employer medical stop-loss, limited medical and workers compensation. Highmark Medicare Services Inc. provides Medicare administrative services under contracts with the Centers for Medicare & Medicaid Services.

Company Website
Our annual report, company press releases and other information are available through our Internet homepage at http://www.highmark.com.

Recent Developments
The Tax Reform Act of 1986 (the "Act") made all Blue Cross and Blue Shield organizations subject to federal income tax as of January 1, 1987. The Act included provisions designed to ease the burden of the organizations' transition to taxable status, including a provision allowing for the step-

up in the tax basis of all assets to fair value. When we and the Internal Revenue Service (the "IRS") were unable to reach agreement as to the value of our intangible assets, we filed suit against the IRS in the United States Court of Claims. In July 2009, the government and we stipulated that judgment should be entered against the United States in the principal sum of $8,047,356 (plus interest) for the tax years ending December 31, 1991 through December 31, 1995. On September 24, 2009, the court entered judgment in accordance with this stipulation. The period for appeal of this judgment has now expired. The judgment relates to the intangible assets of only one of our predecessors, Medical Service Association of Pennsylvania, d/b/a Pennsylvania Blue Shield, for the indicated years. The value of and deductions associated with tax years beginning January 1, 2006 and for all years for a second of our predecessors, Veritus Inc., d/b/a Blue Cross of Western Pennsylvania, remain in dispute. We recognized the expected tax benefit associated with this litigation and related deductions in 2008 by a reduction to our tax exposure reserve.

On October 29, 2009, the United States District Court for the Western District of Pennsylvania dismissed a lawsuit that had been filed in April 2009 by West Penn Allegheny Health System ("WPAHS"), one of the health systems in our network, alleging that UPMC, a WPAHS competitor, and we had violated federal antitrust laws. On November 20, 2009, WPAHS appealed this dismissal to the Third Circuit Court of Appeals.

In October 2009, we submitted regulatory filings to the Commonwealth of Pennsylvania to begin the process of moving a segment of our healthcare business from Highmark to a wholly owned subsidiary, HM Health Insurance Company ("HHIC"). Beginning in July 2010, Highmark will withdraw its policies from the small group market (50 or fewer employees) with replacement and future policies in this market segment being issued by HHIC. This movement of business to HHIC is intended to improve the organization's overall competitive position.

On December 15, 2009, Standard & Poor's ("S&P") affirmed our financial strength rating of "A" and senior unsecured rating of "A". The outlook on the ratings was changed from stable to negative, which S&P stated was due to various factors, including an unfavorable regulatory environment, the poor economy, uncertainty of health care reform and historically low levels of investment returns.

On December 31, 2009, our non-branded vision businesses consummated a debt refinancing transaction by entering into a credit agreement with a syndicate of lenders led by PNC Bank, National Association. The new credit agreement provides for a $325 million revolving credit facility and a $75 million term loan. The revolving credit facility expires on December 31, 2013, which is also the final maturity date of the term loan. Initial borrowings under the new credit agreement totaling approximately $356 million were used to refinance all outstanding debt of the vision businesses. Obligations under the credit agreement are secured by the stock and assets of the vision businesses (except the stock of "Designated Subsidiaries" under the Indenture (the "Indenture") for our 6.80% Senior Notes due 2013 (the "Senior Notes")) and are guaranteed by Highmark for an amount up to $100 million.

On December 31, 2009, the Court of Common Pleas of York County dismissed a lawsuit that had been filed against us in 2001 alleging that we were violating the Pennsylvania Nonprofit Corporation Law and our subscriber contracts due to our maintenance of allegedly "excessive" surplus. On January 27, 2010, the plaintiffs appealed this dismissal to the Pennsylvania Commonwealth Court (the "Commonwealth Court").

On February 12, 2010, a class action lawsuit was filed in the United States District Court for the Western District of Pennsylvania against the four Pennsylvania Blue plans by a statewide ambulance association and a number of local ambulance service providers on behalf of all non-participating ambulance service providers. The lawsuit alleges various violations of Pennsylvania and federal law, including the Racketeer Influenced and Corrupt Organizations Act.

During February and March 2010, we accepted additional unsolicited offers to purchase a total of $29,707,000 of our Senior Notes from noteholders for $33,423,000, including accrued interest. These Senior Notes were cancelled in accordance with the Indenture. Cumulatively during 2009 and 2010, we have purchased $34,529,000 of our Senior Notes for $38,287,000, including accrued interest.

In July 2009, the Pennsylvania Insurance Commissioner (the "Commissioner") announced his intention to conduct an examination of whether territorial restrictions in the licensing agreements the Pennsylvania Blue plans have with the national Blue Cross Blue Shield Association ("BCBSA") are anti-competitive. Subsequently, the Pennsylvania Insurance Department (the "Department") issued a notice of examination as to this issue and as to whether there are other agreements among the Blues that impede rather than promote competition; whether the Blues use their market power to unfair and anti-competitive advantage in areas such as provider contracting and product tying; and whether there are restrictions on data sharing and other market practices that impede the transparency necessary to a competitive marketplace. On March 17, 2010, we filed a petition for review in the Commonwealth Court seeking declaratory and injunctive relief against the Department and the Commissioner with respect to its examination. It is our position that Pennsylvania law does not authorize the Department to conduct an examination relating to competition in insurance markets, with certain limited exceptions. In our application for special relief, we have requested that the court enjoin the Department and the Commissioner from conducting such an examination and from releasing any reports (i) relating to the BCBSA licensing agreements to which Highmark and its subsidiaries are parties; (ii) relating to any antitrust or competition analysis of any market practice of Highmark; or (iii) relying on, utilizing, or disclosing any confidential information of Highmark obtained by the Department's consultants in connection with the proposed consolidation of Highmark and IBC.

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (as subsequently amended by the Reconciliation Act of 2010, the "Health Care Reform Law"). The Health Care Reform Law effects numerous changes to current law. Among other things, the Health Care Reform Law requires most Americans to obtain health insurance; creates government-sponsored health insurance exchanges; expands the number of Medicaid-eligible individuals; mandates revisions to the Medicare program; imposes new restrictions and limitations on private insurer practices; and imposes new or additional taxes on individuals and insurance companies to provide necessary funding. Certain provisions of the Health Care Reform Law become effective immediately, while others have delayed effective dates. We are in the process of analyzing the impacts of the Health Care Reform Law on our business.

On March 25, 2010, A.M. Best affirmed the financial strength rating of "A" (Excellent), issuer credit rating of "a" and senior debt rating of "a-" of Highmark, while maintaining the outlook of negative.

Some of the statements in this document that are not historical facts may constitute forward-looking statements. These statements may be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "goals," "may," "outlook," "plan," "pro forma," "seek," "trend," "should," "strategy," "will" and similar words. In particular, statements that we make relating to trends, beliefs and expectations concerning results of operations, financial condition and our ability to meet working capital, capital expenditure and debt service obligations are forward-looking statements. Management has based these forward-looking statements on current assumptions and expectations about future events. Although management believes that these assumptions and expectations are reasonable, it cannot assure you that they will prove to be correct.

Forward-looking statements are subject to various risks and uncertainties. We are subject to the following risks, among others: our ability to effectively address healthcare costs; our ability to implement premium rate increases and to obtain appropriate reimbursements; our ability to contract on favorable terms with hospitals, physicians and other providers; our ability to maintain adequate claims reserves; our ability to develop and maintain effective and efficient infrastructure; regulation; litigation; the effects of health care reform initiatives; and economic and market conditions generally.

Many factors, including those referred to above, may cause actual results to differ materially from those expressed or implied by the forward-looking statements. There may be events in the future that management is not able to predict accurately or over which management has no control. You should not place undue reliance on forward-looking statements. Management undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Highmark Inc. Executive Officers
Kenneth R. Melani, M.D. - President and CEO
Nanette P. DeTurk - Exec. VP, Chief Administrative and Finance Officer, and Treasurer
Gary R. Truitt, Esquire – Exec. VP, General Counsel and Corporate Secretary

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Highmark Inc.
Combined Balance Sheets
December 31, 2009 and 2008
(in thousands of dollars)

	December 31, 2009	December 31, 2008
Assets		
Cash and cash equivalents	$ 988,605	$ 802,467
Investments		
Debt securities, available-for-sale at fair value (amortized cost of $2,718,358 and $2,600,811, respectively)	2,794,328	2,614,034
Equity securities, available-for-sale at fair value (cost of $582,619 and $652,049, respectively)	689,944	606,563
Investment in affiliates	203,211	188,104
Other	45,353	50,224
Accounts receivable		
Trade	1,084,170	1,149,889
Government programs	408,895	334,636
Other	86,541	60,016
Reinsurance recoverables	130,601	155,509
Pharmacy rebates receivable	187,095	194,455
Income tax recoverable, net	106,451	132,231
Securities lending invested collateral	276,272	566,914
Property and equipment, net	470,715	402,377
Deferred income taxes, net	118,393	407,418
Goodwill	785,105	791,402
Other intangible assets, net	24,881	29,811
Prepaid pension plan asset	53,184	-
Other assets	234,325	234,270
Total assets	$ 8,688,069	$ 8,720,320
Liabilities and Reserves		
Claims outstanding	$ 1,897,258	$ 1,821,922
Unearned premium revenue	281,997	273,861
Amounts held for others	325,895	331,654
Other payables and accrued expenses	642,562	684,813
Book overdraft	79,131	117,469
Premium deficiency reserves	124,081	116,156
Securities lending payable	277,646	591,347
Benefit plan liabilities	70,029	454,151
Debt	794,911	778,032
Total liabilities	4,493,510	5,169,405
Accumulated other comprehensive income (loss)	41,842	(414,071)
General reserves	4,152,717	3,964,986
Total reserves	4,194,559	3,550,915
Total liabilities and reserves	$ 8,688,069	$ 8,720,320

Highmark Inc.
Combined Statements of Operations
Years Ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
Revenue		
Premium revenue	$ 11,540,829	$ 11,020,140
Management services revenue	653,450	625,994
Vision revenue	1,126,250	1,077,125
Net investment income	147,684	159,738
Net realized gain (loss) on investments	12,717	(78,726)
Other revenue	213,287	197,734
Total revenue	13,694,217	13,002,005
Expenses		
Claims incurred	10,223,127	9,692,229
Operating expenses	3,138,444	2,978,475
Change in premium deficiency reserves	7,925	107,427
Interest expense	53,047	60,518
Total expenses	13,422,543	12,838,649
Income before income taxes	271,674	163,356
Income tax provision	83,943	69,300
Net income	$ 187,731	$ 94,056

Highmark Inc.
Combined Statements of Changes in Reserves
Years Ended December 31, 2009 and 2008
(in thousands of dollars)

	Accumulated Other Comprehensive Income (Loss)	General Reserves	Total Reserves
Balances at December 31, 2007	106,277	3,870,930	3,977,207
Comprehensive loss			
Net income	-	94,056	94,056
Other comprehensive loss			
Foreign currency translation adjustments, net of deferred income tax benefit of $(3,854)	(7,158)	-	(7,158)
Unrealized net holding losses on available-for-sale securities arising during the period, net of deferred income tax benefit of $(153,214)	(313,914)	-	(313,914)
Reclassification adjustments for net losses included in income, net of income tax benefit of $25,334	47,049	-	47,049
Change in benefit plan liabilities, net of deferred income tax benefit of $(129,009)	(246,325)	-	(246,325)
Total other comprehensive loss	(520,348)	-	(520,348)
Total comprehensive loss	(520,348)	94,056	(426,292)
Balances at December 31, 2008	(414,071)	3,964,986	3,550,915
Comprehensive income			
Net income	-	187,731	187,731
Other comprehensive income			
Foreign currency translation adjustments, net of deferred income tax provision of $1,460	2,712	-	2,712
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income tax provision of $85,672	181,929	-	181,929
Reclassification adjustments for net gains included in income, net of income tax provision of $(2,636)	(4,896)	-	(4,896)
Change in benefit plan assets and liabilities, net of deferred income tax provision of $146,072	276,168	-	276,168
Total other comprehensive income	455,913	-	455,913
Total comprehensive income	455,913	187,731	643,644
Balances at December 31, 2009	$ 41,842	$ 4,152,717	$ 4,194,559

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
Cash flows from operating activities		
Net income	$ 187,731	$ 94,056
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	104,828	96,554
Deferred tax provision	64,444	40,199
Net realized gain	(36,080)	(16,879)
Loss on impairment of investments	23,363	95,605
Dividends received from affiliates	7,507	6,767
Undistributed earnings of affiliates	(3,775)	(15,622)
Change in premium deficiency reserves	7,925	107,427
Increase (decrease) due to change in		
Accounts receivable	(56,896)	(235,919)
Pharmacy rebates receivable	7,360	15,427
Other assets	25,725	(47,506)
Claims outstanding	75,336	50,573
Benefit plan liabilities, net	(15,066)	(228,795)
Other liabilities	(16,932)	(5,592)
Net cash provided by (used in) operating activities	375,470	(43,705)
Cash flows from investing activities		
Purchases of investments	(3,309,895)	(2,751,415)
Proceeds from sales of investments	3,263,145	2,791,039
Affiliate capital contribution	-	(32,000)
Change in securities lending invested collateral	313,701	26,605
Purchases of property and equipment	(153,896)	(141,206)
Net cash provided by (used in) investing activities	113,055	(106,977)
Cash flows from financing activities		
Change in book overdraft	(38,338)	(5,764)
Receipts from CMS contract deposits	161,934	154,346
Withdrawals from CMS contract deposits	(116,537)	(164,094)
Change in securities lending payable	(313,701)	(26,605)
Proceeds from issuance of debt	356,422	50,000
Repayment of debt	(352,167)	(73,475)
Net cash used in financing activities	(302,387)	(65,592)
Increase (decrease) in cash and cash equivalents	186,138	(216,274)
Cash and cash equivalents		
Beginning of year	802,467	1,018,741
End of period	$ 988,605	$ 802,467
Supplemental disclosures of cash flow information		
Interest paid	$ 56,710	$ 57,905
Net income taxes (recovered) paid	$ (3,398)	$ 83,296
Supplemental schedule of noncash investing and financing activities		
Assets acquired from issuance of debt	$ 10,965	$ 1,624
Commitments satisfied by the contribution of investments	$ 19,142	$ 14,054

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

We manage and analyze our operations and financial results by segmenting our business into four distinct classifications, which we refer to as fully-insured health business, self-funded health business, specialty product business, and corporate and other subsidiary business. We further evaluate our fully-insured and self-funded health businesses based on the following markets: western Pennsylvania, central Pennsylvania, senior and MSBCBS (West Virginia).

Fully-insured health business is that health business for which we assume underwriting risk. Financial results of our fully-insured health business are included in premium revenue, claims incurred and operating expenses.

Self-funded health business is that health business for which we perform administrative services but do not assume underwriting risk. Self-funded health business includes administrative services contracts and cost plus contracts. Because we are not at risk for the underwriting of self-funded arrangements, neither premium revenue nor claims incurred on these arrangements are reflected in our financial results. The administrative fees we receive under self-funded arrangements are reported as management services revenue. Pharmacy rebates earned that relate to self-funded arrangements are reported as other revenue. Self-funded health business results also include fees from the BlueCard program and claims processing services, including service contract arrangements. Under the BlueCard program, we do not maintain membership but we receive network access fees and administrative fees from other Blue Cross and Blue Shield plans for services that we provide to members of those plans through our provider network. Under service contract arrangements, we do not maintain membership but we receive fees for administrative, membership and claims processing services from other Blue Cross and Blue Shield plans.

Specialty product business includes dental, vision and stop-loss insurance product offerings that are marketed nationally by our for-profit subsidiaries. Specialty product business includes insurance business for which we assume underwriting risk, self-funded arrangements and non-insurance vision business, which is comprised of fully integrated eye care services, including optical retail stores and the design and wholesale distribution of ophthalmic frames and sunglasses. Financial results of our fully-insured specialty product business are included in premium revenue, claims incurred and operating expenses. Administrative fees on self-funded specialty product insurance business are included in management services revenue. Financial results of our non-insurance vision business are included in vision revenue and operating expenses.

Corporate and other subsidiary business includes net investment results, other revenue, including equity in net income of affiliates, other expenses and interest expense, as these amounts are not tracked and reported at the segment level. In addition, this category includes the revenue and expenses of certain other non-insurance subsidiaries, which consist primarily of Medicare claims processing, facilities management and workers' compensation case management companies.

Financial Summary for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Our fully-insured health business operating results (excluding a change in premium deficiency reserves) were $50.4 million lower for the year ended December 31, 2009 than for the year ended December 31, 2008, primarily attributable to deterioration of margins in both the central Pennsylvania and senior businesses as well as pricing actions by MSBCBS designed to return margins to customers and higher utilization in West Virginia. At December 31, 2009, we determined that, due to insufficient premium rates related to several individual and state-sponsored products, we increased our premium deficiency reserve by $7.9 million to $124.1 million.

Our self-funded health business experienced a positive operating variance from the prior year of $15.9 million as a result of administrative savings related to several cost containment strategies, including savings from the amendment of our pension and postretirement health plans discussed below.

Our specialty product business operating results maintained pace with the prior year as marginally higher operating results in our vision and stop-loss businesses largely offset negative performance in our dental business due to margin pressure in dental's commercial lines of business.

In 2009, we amended our pension and postretirement health plans effective April 3, 2010. Pension and postretirement plan expenses were $24.1 million lower for the year ended December 31, 2009 than for the year ended December 31, 2008 as a result of the impact of these amendments. The decrease was primarily attributable to the recognition of a curtailment gain of $15.7 million on the postretirement plan.

Corporate and other subsidiary business results were $42.9 million higher for the year ended December 31, 2009 compared to the year ended December 31, 2008 due primarily to improved financial market conditions. Investment results increased $79.4 million as a result of higher realized gains combined with lower other-than-temporary impairments on debt and equity securities of $72.2 million, partially offset by lower investment income due to short-term rates and bond returns. Additionally, increased operating expenses related to higher spending on technology and corporate restructuring costs, partially offset the improved investment results.

The following summary of financial data for our four segments for the years ended December 31, 2009 and 2008 was derived from our audited combined financial statements, which were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

	Fully-insured Health Business	Self-funded Health Business	Specialty Product Business	Corporate and Other Subsidiary Business	Combined Total
			(in millions)		
Years Ended December 31, 2009					
Premium revenue	$ 9,466.2	$ -	$ 2,074.6	$ -	$ 11,540.8
Management services revenue	-	608.8	44.6	-	653.4
Vision revenue	-	-	1,126.2	-	1,126.2
Net investment results	-	-	-	160.4	160.4
Other revenue	-	81.5	4.9	127.0	213.4
Total revenue	9,466.2	690.3	3,250.3	287.4	13,694.2
Claims incurred	8,586.1	-	1,637.0	-	10,223.1
Operating expenses	769.5	654.1	1,420.0	295.0	3,138.6
Change in premium deficiency reserves	7.9	-	-	-	7.9
Interest expense	-	-	-	53.0	53.0
Total expenses	9,363.5	654.1	3,057.0	348.0	13,422.6
Income (loss) before income taxes	102.7	36.2	193.3	(60.6)	271.6
Income tax provision					83.9
Net income					$ 187.7
Years Ended December 31, 2008					
Premium revenue	$ 9,115.9	$ -	$ 1,904.2	$ -	$ 11,020.1
Management services revenue	-	580.3	45.7	-	626.0
Vision revenue	-	-	1,077.1	-	1,077.1
Net investment results	-	-	-	81.0	81.0
Other revenue	-	75.1	5.1	117.6	197.8
Total revenue	9,115.9	655.4	3,032.1	198.6	13,002.0
Claims incurred	8,196.5	-	1,495.7	-	9,692.2
Operating expenses	758.4	635.1	1,343.4	241.6	2,978.5
Change in premium deficiency reserves	107.4	-	-	-	107.4
Interest expense	-	-	-	60.5	60.5
Total expenses	9,062.3	635.1	2,839.1	302.1	12,838.6
Income (loss) before income taxes	53.6	20.3	193.0	(103.5)	163.4
Income tax provision					69.3
Net income					$ 94.1

	December 31,	
	2009	2008
	(dollars in millions)	
Net income margin (1)	1.37%	0.72%
Return on assets (2)	2.16%	1.08%
Debt to total capitalization (3)	15.93%	17.97%
Premium equivalents (4)	$ 6,706.2	$ 6,411.0
Tangible net equity (5)	$ 3,384.6	$ 2,729.7

(1) Net income margin is equal to net income divided by total revenue.
(2) Return on assets is equal to net income divided by total assets.
(3) Debt to total capitalization is equal to debt divided by debt and total reserves.
(4) Premium equivalents (claims incurred on self-funded health business) represent amounts by which premium revenue and claims incurred would have increased had self-funded members been considered as fully-insured.
(5) Tangible net equity is equal to total reserves less goodwill and other intangible assets.

As a regulated entity, we also prepare financial statements in accordance with statutory accounting principles ("SAP"). Financial statements prepared under SAP differ in certain significant respects from financial statements prepared under GAAP. Most significantly, SAP-reported amounts are based on unconsolidated financial information while GAAP-reported amounts are based on combined financial information.

The following is a comparison of certain financial indicators on a SAP basis and on a GAAP basis:

	December 31, 2009	
	SAP	GAAP
	(in millions of dollars)	
Total admitted assets	$ 5,361.5	$ 8,688.1
Surplus	$ 3,394.8	$ 4,194.6
Net income	$ 74.2	$ 187.7

Highmark is the sole corporate member of MSBCBS, and, for GAAP financial accounting and reporting purposes, MSBCBS is combined with Highmark. Notwithstanding the accounting treatment, MSBCBS is a separate legal entity (a West Virginia nonprofit corporation). In accordance with its articles of incorporation, no part of the funds, income or net earnings of MSBCBS may inure to the benefit of Highmark and, in the event of its dissolution or the winding up of its affairs, MSBCBS assets are required to be distributed in the manner provided for nonprofit corporations by the statutes of the State of West Virginia or the rules and regulations of the Insurance Commissioner of the State of West Virginia, each as then in effect. Creditors of Highmark should not anticipate that any of the assets or revenues of MSBCBS are or will be available to pay their claims, either currently or at any time in the future.

The following table shows the combination of assets, reserves, revenue and net income of Highmark and MSBCBS:

	December 31,	
	2009	2008
	(in millions of dollars)	
Assets		
Consolidated Highmark	$ 8,253.2	$ 8,286.9
MSBCBS	436.6	435.1
Eliminations	(1.7)	(1.7)
Combined assets	$ 8,688.1	$ 8,720.3
Reserves		
Consolidated Highmark	$ 3,985.5	$ 3,363.6
MSBCBS	209.1	187.3
Combined reserves	$ 4,194.6	$ 3,550.9
Revenue		
Consolidated Highmark	$ 12,877.8	$ 12,231.9
MSBCBS	839.2	790.9
Eliminations	(22.8)	(20.8)
Combined revenue	$ 13,694.2	$ 13,002.0
Net Income		
Consolidated Highmark	$ 184.2	$ 47.9
MSBCBS	3.5	46.2
Combined net income	$ 187.7	$ 94.1

The following table shows the number of lives served within our combined health business at December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
	(in thousands)	
Fully-insured Health Members		
Consolidated Highmark	1,885	1,976
MSBCBS	182	183
Self-funded Health Members		
Consolidated Highmark	1,883	1,889
MSBCBS	83	88
Service Contract Arrangements	165	177
Total	4,198	4,313

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Premium Revenue

Premium revenue was $11,540.8 million for the year ended December 31, 2009, an increase of $520.7 million or 5%, compared to $11,020.1 million for the year ended December 31, 2008.

Fully-insured health business premium revenue was $9,466.2 million for the year ended December 31, 2009, an increase of $350.3 million or 4%, compared to $9,115.9 million for the year ended December 31, 2008.

Premium revenue in our western Pennsylvania fully-insured health business was $4,116.8 million for the year ended December 31, 2009, an increase of $91.4 million or 2%, compared to $4,025.4 million for the year ended December 31, 2008. The variance was driven primarily by rate increases, which added $261.4 million to premium revenue, but which were partially offset by lower premiums of $170.0 million as a result of the loss of approximately 51,000 members due to employer downsizing and dropped coverage in light of current economic conditions.

Premium revenue in our central Pennsylvania fully-insured health business was $1,108.1 million for the year ended December 31, 2009, a decrease of $40.5 million or 4%, compared to $1,148.6 million for the year ended December 31, 2008. The decrease was driven by enrollment losses of approximately 27,000 members due to competition, which lowered premium revenue by $116.6 million, partially offset by rate increases, which added $76.1 million to premium revenue.

Premium revenue in our fully-insured senior business was $3,414.2 million for the year ended December 31, 2009, an increase of $285.7 million or 9%, compared to $3,128.5 million for the year ended December 31, 2008. Senior business premium revenue in our Medicare Advantage products increased $303.8 million, primarily the Pennsylvania Medicare Advantage preferred provider ("PPO") line of business, which benefited from enrollment growth of 25,000 members. Conversely, senior business premium revenue decreased $18.1 million in our stand-alone Medicare Part D product, primarily as a result of enrollment decreases associated with the loss of government, auto-assigned low income members.

Premium revenue of MSBCBS was $763.4 million for the year ended December 31, 2009, an increase of $46.5 million or 6%, compared to $716.9 million for the year ended December 31, 2008. This increase

was attributable primarily to group rate increases averaging 4%, which contributed $30.2 million, and enrollment growth resulting from the addition of new groups, which contributed $16.3 million.

Specialty product premium revenue was $2,074.6 million for the year ended December 31, 2009, an increase of $170.4 million or 9%, compared to $1,904.2 million for the year ended December 31, 2008. Premium revenue from our dental operations increased $147.3 million as a result of moderate enrollment growth in the commercial and Federal Employee Dental and Vision Program dental businesses, which added premium revenue of $23.7 million and $21.4 million, respectively. Additionally, enrollment in the TRICARE Active Duty Dental Plan program (effective August 1, 2009) added $60.9 million to premium revenue. Dental operations also benefited from a contract rate increase of 5% in the TRICARE Dental Program, which added $41.3 million. Enrollment growth in our stop-loss business increased premium revenue by $9.2 million.

Vision Revenue

Vision revenue was $1,126.2 million for the year ended December 31, 2009, an increase of $49.1 million or 5%, compared to $1,077.1 million for the year ended December 31, 2008. Despite economic conditions and retail pressures, our retail vision business revenue increased $10.7 million. The increase was primarily due to sales from new store openings and increased sales in existing stores as a result of extended store hours and targeted promotional activities. Our managed care vision business contributed an increase of $36.4 million to vision revenue as a result of overall enrollment growth, despite a decrease in covered lives which followed the loss of automotive retiree groups in July 2009.

Net Investment Results

Net investment results, consisting of net investment income and net realized gain (loss) on investments, were $160.4 million for the year ended December 31, 2009, an increase of $79.4 million or 98%, compared to $81.0 million for the year ended December 31, 2008.

Net investment income was $147.7 million for the year ended December 31, 2009, a decrease of $12.0 million or 8%, compared to $159.7 million for the year ended December 31, 2008. The decrease was driven by lower yields in our investment portfolio as a result of market conditions. The investment portfolio yield for the year ended December 31, 2009 was 3.6%, compared to a yield of 4.4% for the year ended December 31, 2008.

Net realized gain (loss) on investments was $12.7 million for the year ended December 31, 2009, an increase of $91.4 million or 720%, compared to $(78.7) million for the year ended December 31, 2008. The increase was driven by a decrease of $88.3 million in other-than-temporary impairments on debt securities as market conditions improved during 2009.

Other Revenue

Other revenue was $213.4 million for the year ended December 31, 2009, an increase of $15.6 million or 8%, compared to $197.8 million for the year ended December 31, 2008.

Other revenue in corporate and other subsidiary business was $127.0 million for the year ended December 31, 2009, an increase of $9.4 million or 8%, compared to $117.6 million for the year ended December 31, 2008. Other revenue related to Medicare Part A and B processing increased $15.8 million as the result of services, such as fee-for-service claims adjudication and other administrative services for hospitals and providers, associated with the Medicare Administrative Contractor ("MAC") Jurisdiction 12 contract.

Claims Incurred

Claims incurred were $10,223.1 million for the year ended December 31, 2009, an increase of $530.9 million or 5%, compared to $9,692.2 million for the year ended December 31, 2008.
Fully-insured health business claims incurred were $8,586.1 million for the year ended December 31, 2009, an increase of $389.6 million or 5%, compared to $8,196.5 million for the year ended December 31, 2008.

Claims incurred on our western Pennsylvania fully-insured health business were $3,735.2 million for the year ended December 31, 2009, an increase of $16.8 million or less than 1%, compared to $3,718.4 million for the year ended December 31, 2008. The increase was driven by increased utilization of drug and outpatient benefits, offset by lower enrollment.

Claims incurred on fully-insured senior business were $3,084.0 million for the year ended December 31, 2009, an increase of $319.9 million or 12%, compared to $2,764.1 million for the year ended December 31, 2008. The increase was driven by both increased utilization associated with higher enrollment in 2009 and a negative change in claim run-out of $5.9 million, which resulted in deterioration of the medical loss ratio (90% for the year ended December 31, 2009, compared to 88% for the year ended December 31, 2008).

Claims incurred at MSBCBS were $685.3 million for the year ended December 31, 2009, an increase of $78.8 million or 13%, compared to $606.5 million for the year ended December 31, 2008. The increase was driven by increased utilization in the commercial PPO line of business.

Claims incurred on specialty product business were $1,637.0 million for the year ended December 31, 2009, an increase of $141.3 million or 9%, compared to $1,495.7 million for the year ended December 31, 2008. The main drivers of the increase were provider rate increases and increased utilization in our commercial dental business.

Operating Expenses

Operating expenses were $3,138.6 million for the year ended December 31, 2009, an increase of $160.1 million or 5%, compared to $2,978.5 million for the year ended December 31, 2008.

Operating expenses in our fully-insured health business were $769.5 million for the year ended December 31, 2009, an increase of $11.1 million or 1%, compared to $758.4 million for the year ended December 31, 2008. The increase was driven by the cost of system infrastructure enhancements of $7.2 million, which was partially offset by the cost savings associated with the pension and postretirement health plan changes.

Operating expenses in our self-funded health business were $654.1 million for the year ended December 31, 2009, an increase of $19.0 million or 3%, compared to $635.1 million for the year ended December 31, 2008. The increase was primarily driven by $12.3 million in higher spending on technology, which was partially offset by the cost savings associated with the pension and postretirement health plan changes.

Operating expenses in our specialty product business were $1,420.0 million for the year ended December 31, 2009, an increase of $76.6 million or 6%, compared to $1,343.4 million for the year ended December 31, 2008. The increase in operating expenses was driven by newly opened vision stores at our vision retail subsidiaries and higher utilization in the managed care fee-for-service vision business.

Operating expenses in our corporate and other subsidiary business were $295.0 million for the year ended December 31, 2009, an increase of $53.4 million or 22%, compared to $241.6 million for the year ended December 31, 2008. The increase was principally the result of administrative expenses associated with increased processing under the MAC Jurisdiction 12 contract, higher spending on technology and recognition of costs related to a corporate restructuring initiative.

Change in Premium Deficiency Reserves

A change in premium deficiency reserves of $7.9 million on certain individual and state-sponsored products was recorded for the year ended December 31, 2009 based on an estimate of claim costs and related maintenance costs which are expected to exceed future premiums from these products.

Financial Condition at December 31, 2009 Compared to December 31, 2008

Total Assets

Total assets were $8,688.1 million at December 31, 2009, a decrease of $32.2 million or less than 1%, compared to $8,720.3 million at December 31, 2008. The variance was driven by decreases in net deferred income taxes and securities lending invested collateral, which were offset by increases in cash, cash equivalents, investments, prepaid pension plan asset and other accounts receivable.

Deferred income taxes were $118.4 million at December 31, 2009, a decrease of $289.0 million or 71%, compared to $407.4 million at December 31, 2008. The decrease was driven primarily by the tax impact of decreased benefit plan liabilities of $155.9 million and the tax impact of unrealized gains on investment securities of $85.0 million.

Securities lending invested collateral was $276.3 million at December 31, 2009, a decrease of $290.6 million or 51%, compared to $566.9 million at December 31, 2008. The securities lending program demand decreased with current market conditions. In exchange for lending our securities, we receive collateral and a fixed rate of return. Cash collateral is invested in fixed income securities, which are carried at fair value, with temporary collateral deficiencies of $1.4 million at December 31, 2009 recorded in other comprehensive income (loss), net of deferred income taxes.

Collectively, cash, cash equivalents and investments were $4,721.4 million at December 31, 2009, an increase of $460.0 million or 11%, compared to $4,261.4 million at December 31, 2008. The increase was attributable mainly to investment security appreciation as a result of improved financial market conditions and cash flow from operations.

The prepaid pension plan asset of $53.2 million at December 31, 2009 was driven by a 2009 plan amendment to provide a cash balance benefit design, which decreased the pension plan benefit obligation by $371.7 million and improved the funded status of the plan. At December 31, 2008, the unfunded pension plan liability of $385.1 million was reported in benefit plan liabilities.

Other accounts receivable were $86.5 million at December 31, 2009, an increase of $26.5 million or 44%, compared to $60.0 million at December 31, 2008. The increase was driven by the timing of provider reimbursements for claim-related activities.

Total Liabilities

Total liabilities were $4,493.5 million at December 31, 2009, a decrease of $675.9 million or 13%, compared to $5,169.4 million at December 31, 2008. The variance was due primarily to decreases in benefit plan liabilities and securities lending payable, which were partially offset by increases in debt.

Benefit plan liabilities were $70.0 million at December 31, 2009, a decrease of $384.2 million or 85%, compared to $454.2 million at December 31, 2008. The decrease in benefit plan liabilities was driven by the pension plan amendment to provide a cash balance benefit design.

Securities lending payable was $277.6 million at December 31, 2009, a decrease of $313.7 million or 53%, compared to $591.3 million at December 31, 2008. Securities lending payable represents our obligation to return cash collateral on securities lending transactions. The change in securities lending payable was driven by decreased demand in our securities lending program driven by market conditions.

Debt was $794.9 million at December 31, 2009, an increase of $16.9 million or 2%, compared to $778.0 million at December 31, 2008. The increase was driven by the refinancing of debt in our vision subsidiaries. Senior subordinated notes of $150.8 million and senior secured term loans of $193.7 million were refinanced with a new revolving credit facility that provides for borrowings totaling $325.0 million and a term loan of $75.0 million. The revolving credit facility had borrowings totaling $281.3 million outstanding at year-end.

Combined Financial Report

December 31, 2010

Highmark is an Independent Licensee of the Blue Cross and Blue Shield Association

Company Profile and Organization

Highmark Inc. ("Highmark") is the largest health care financing organization in Pennsylvania based on membership and one of the largest health insurers in the United States. Highmark operates in Pennsylvania as a nonprofit hospital plan corporation and as a nonprofit professional health service plan corporation. Highmark is the parent company of our combined group of companies and our primary operating company. As an independent licensee of the Blue Cross and Blue Shield Association, we underwrite various indemnity and managed care health insurance products, as well as Medicare supplemental products, in our Pennsylvania service areas. In addition, we jointly market various health insurance products in northeastern Pennsylvania and southeastern Pennsylvania through joint arrangements with Blue Cross of Northeastern Pennsylvania and Independence Blue Cross, respectively.

We have a long history – covering over 70 years – serving health insurance needs, and currently provide fully insured and self-funded health products to approximately 4.3 million members in Pennsylvania and West Virginia. Our Pennsylvania service areas include the 29 counties within the western Pennsylvania region and the 21 counties within the central Pennsylvania region.

We have developed and continue to maintain strong and extensive contracted provider networks for our health insurance business. Our goal is to ensure member choice while implementing effective management programs designed to improve the quality of care received by our members. Our contracted networks in western Pennsylvania and central Pennsylvania include all acute care hospitals, a majority of physicians and other professional providers, as well as an extensive network of skilled nursing facilities, home health agencies, durable medical equipment companies and other ancillary providers. We contract with more than 40,000 physicians and other professional providers statewide who participate in one or more of our three professional networks and provide services for our various regional and national accounts.

Our national health business includes administration of self-funded groups, third-party administration, network access arrangements, claims processing and other services on behalf of other Blue Cross and Blue Shield plans. We participate in the BlueCard program, which offers members in-network benefits through the provider networks of other Blue Cross and Blue Shield plans in other states and regions.

Highmark West Virginia Inc. d/b/a Highmark Blue Cross Blue Shield West Virginia ("Highmark WV"), our affiliate, is incorporated as a nonprofit health services corporation in the state of West Virginia and offers a variety of health insurance products and services to customers in that state.

Our non-Blue branded subsidiaries provide a broad array of specialty products and services, including nationwide dental, vision, and stop-loss insurance, and related products and services. Our dental subsidiary, United Concordia Companies, Inc. ("UCCI"), is one of the nation's largest dental insurance companies on the basis of enrollment. Our managed vision care subsidiary, Davis Vision, Inc., provides fully integrated eye care services and eyewear to approximately 17 million lives. Viva Optique, Inc. is a designer and distributor of ophthalmic frames and sunglasses with distribution in more than 60 countries. Eye Care Centers of America, Inc. operates optical retail stores nationwide. HM Insurance Group's core ancillary employee benefits products include employer medical stop-loss, limited medical and workers compensation. Highmark Medicare Services Inc. provides Medicare administrative services under contracts with the Centers for Medicare & Medicaid Services ("CMS").

Company Website

Our annual report, company press releases and other information are available through our Internet homepage at http://www.highmark.com.

Recent Developments

On November 29, 2010, the United States Third Circuit Court of Appeals remanded the antitrust lawsuit filed by West Penn Allegheny Health System ("WPAHS") back to the United States District Court for the Western District of Pennsylvania, which had dismissed the suit on October 29, 2009. The lawsuit alleges that Highmark and UPMC, a WPAHS competitor, violated antitrust laws by entering into an illegal agreement to restrain trade and by conspiring to create monopolies in the western Pennsylvania health insurance market. On February 1, 2011, the United States District Court for the Western District of Pennsylvania stayed the suit pending a decision on appeals to be filed by Highmark and UPMC requesting that the United States Supreme Court review the Third Circuit's decision.

On December 2, 2010, Royal Mile Company, Royal Asset Management and Pamela Lang, on behalf of individuals and companies which have obtained health insurance coverage from Highmark, filed a class action lawsuit in the United States District Court for the Western District of Pennsylvania alleging that Highmark and UPMC violated antitrust laws by entering into an illegal agreement to restrain trade and by conspiring to create monopolies in the Western Pennsylvania health insurance market. The United States District Court for the Western District of Pennsylvania has stayed this suit pending a decision on the appeals in the West Penn Allegheny Health System case referred to in the preceding paragraph.

On December 3, 2010 and February 24, 2011, we accepted additional unsolicited offers to purchase a total of $7,165,000 of our 6.80% Senior Notes due 2013 (the "Senior Notes") from noteholders for $8,030,500, including accrued interest. These Senior Notes were cancelled in accordance with the Indenture. Cumulatively, from 2009 through 2011, we have purchased $68,449,000 of the $375,000,000 Senior Notes originally issued for $76,293,000, including accrued interest.

On December 13, 2010, Standard & Poor's affirmed our financial strength rating of "A" and senior unsecured rating of "A". The outlook on the ratings was changed from negative to stable.

On January 7, 2011, TRICARE Management Activity ("TMA") notified UCCI that it was not the successful bidder for a new five-year TRICARE Dental Program contract which is scheduled to become effective February 1, 2012. UCCI currently provides the services which are the subject of this contract, and it has filed a protest of TMA's decision with the Government Accountability Office. Unless extended, UCCI's current contract will expire on July 31, 2011. The current contract accounted for approximately $600,000,000 of UCCI's revenue in 2010.

Some of the statements in this document that are not historical facts may constitute forward-looking statements. These statements may be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "goals," "may," "outlook," "plan," "pro forma," "seek," "trend," "should," "strategy," "will" and similar words. In particular, statements that we make relating to trends, beliefs and expectations concerning results of operations, financial condition and our ability to meet working capital, capital expenditure and debt service obligations are forward-looking statements. Management has based these forward-looking statements on current assumptions and expectations about future events. Although management believes that these assumptions and expectations are reasonable, it cannot assure you that they will prove to be correct.

Forward-looking statements are subject to various risks and uncertainties. We are subject to the following risks, among others: the effects of health care reform initiatives; our ability to effectively address healthcare costs; our ability to implement premium rate increases and to obtain appropriate reimbursements; our ability to contract on favorable terms with hospitals, physicians and other providers; our ability to maintain adequate claims reserves; our ability to develop and maintain effective and efficient infrastructure; regulation; litigation; and economic and market conditions generally.

Many factors, including those referred to above, may cause actual results to differ materially from those expressed or implied by the forward-looking statements. There may be events in the future that management is not able to predict accurately or over which management has no control. You should not place undue reliance on forward-looking statements. Management undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Highmark Inc.
Combined Balance Sheets
December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Assets		
Cash and cash equivalents	$ 1,142,998	$ 988,605
Investments		
Debt securities, available-for-sale at fair value (amortized cost of $2,961,808 and $2,718,358, respectively)	3,057,429	2,794,328
Equity securities, available-for-sale at fair value (cost of $729,187 and $583,034, respectively)	847,339	689,944
Investment in affiliates	203,402	203,211
Other	52,305	45,353
Accounts receivable		
Trade	1,243,915	1,084,170
Government programs	401,171	408,895
Other	60,998	86,541
Reinsurance recoverables	119,646	130,601
Pharmacy rebates receivable	156,921	187,095
Income tax recoverable, net	1,530	106,451
Securities lending invested collateral	348,010	276,272
Property and equipment, net	488,631	470,715
Deferred income taxes, net	136,111	118,393
Goodwill	781,194	785,105
Other intangible assets, net	71,066	24,881
Prepaid pension plan asset	20,165	53,184
Other assets	263,717	234,325
Total assets	$ 9,396,548	$ 8,688,069
Liabilities and Reserves		
Claims outstanding	$ 1,941,026	$ 1,897,258
Unearned premium revenue	317,027	281,997
Amounts held for others	510,402	327,836
Other payables and accrued expenses	688,218	640,621
Book overdraft	65,586	79,131
Premium deficiency reserves	170,031	124,081
Securities lending payable	348,174	277,646
Benefit plan liabilities	105,139	70,029
Debt	626,385	794,911
Total liabilities	4,771,988	4,493,510
Accumulated other comprehensive income	9,322	41,842
General reserves	4,615,238	4,152,717
Total reserves	4,624,560	4,194,559
Total liabilities and reserves	$ 9,396,548	$ 8,688,069

Highmark Inc.
Combined Statements of Operations
Years Ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Revenue		
Premium revenue	$ 12,294,142	$ 11,540,829
Management services revenue	684,740	653,450
Vision revenue	1,158,937	1,126,250
Net investment income	143,346	147,684
Net realized gain on investments	98,870	12,717
Other revenue	215,846	213,287
Total revenue	14,595,881	13,694,217
Expenses		
Claims incurred	10,605,439	10,223,127
Operating expenses	3,265,644	3,138,444
Change in premium deficiency reserves	45,950	7,925
Interest expense	42,046	53,047
Total expenses	13,959,079	13,422,543
Income before income taxes	636,802	271,674
Income tax provision	174,281	83,943
Net income	$ 462,521	$ 187,731

Highmark Inc.
Combined Statements of Changes in Reserves
Years Ended December 31, 2010 and 2009
(in thousands of dollars)

	Accumulated Other Comprehensive Income	General Reserves	Total Reserves
Balances at December 31, 2008	$ (414,071)	$ 3,964,986	$ 3,550,915
Comprehensive income			
Net income	-	187,731	187,731
Other comprehensive income			
Foreign currency translation adjustments, net of deferred income tax provision of $1,460	2,712	-	2,712
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income tax provision of $85,672	181,929	-	181,929
Reclassification adjustments for net realized gains included in income, net of income tax provision of $(2,636)	(4,896)	-	(4,896)
Change in benefit plan assets and liabilities, net of deferred income tax provision of $146,072	276,168	-	276,168
Total other comprehensive income	455,913	-	455,913
Total comprehensive income	455,913	187,731	643,644
Balances at December 31, 2009	$ 41,842	$ 4,152,717	$ 4,194,559
Comprehensive income			
Net income	-	462,521	462,521
Other comprehensive loss			
Foreign currency translation adjustments, net of deferred income tax provision of $705	1,308	-	1,308
Unrealized net holding gains on available-for-sale securities arising during the period, net of deferred income tax provision of $46,154	90,602	-	90,602
Reclassification adjustments for net realized gains included in income, net of income tax provision of $(31,555)	(58,602)	-	(58,602)
Change in benefit plan assets and liabilities, net of deferred income tax benefit of $(38,248)	(65,828)	-	(65,828)
Total other comprehensive loss	(32,520)	-	(32,520)
Total comprehensive income	(32,520)	462,521	430,001
Balances at December 31, 2010	$ 9,322	$ 4,615,238	$ 4,624,560

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Cash flows from operating activities		
Net income	$ 462,521	$ 187,731
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	99,393	104,828
Deferred tax provision	6,934	64,444
Net realized gain on investments	(101,234)	(36,080)
Loss on impairment of investments recognized in income	2,364	23,363
Dividends received from affiliates	6,673	7,507
Undistributed earnings of affiliates	(11,809)	(3,775)
Change in premium deficiency reserves	45,950	7,925
Loss on impairment of goodwill	3,911	-
(Decrease) increase due to change in		
Accounts receivable	(118,462)	(56,896)
Pharmacy rebates receivable	30,174	7,360
Other assets	58,570	25,725
Claims outstanding	43,768	75,336
Benefit plan liabilities, net	(35,946)	(15,066)
Other liabilities	276,653	(16,932)
Net cash provided by operating activities	769,460	375,470
Cash flows from investing activities		
Purchases of investments	(3,393,685)	(3,309,895)
Proceeds from sales of investments	2,444,766	2,743,219
Proceeds from maturities of investments	619,723	519,926
Change in securities lending invested collateral	(70,528)	313,701
Purchases of property and equipment	(107,019)	(153,896)
Net cash (used in) provided by investing activities	(506,743)	113,055
Cash flows from financing activities		
Change in book overdraft	(13,545)	(38,338)
Receipts from CMS contract deposits	136,351	161,934
Withdrawals from CMS contract deposits	(133,003)	(116,537)
Change in securities lending payable	70,528	(313,701)
Proceeds from issuance of debt	-	356,422
Repayment of debt	(168,655)	(352,167)
Net cash used in financing activities	(108,324)	(302,387)
Increase in cash and cash equivalents	154,393	186,138
Cash and cash equivalents		
Beginning of year	988,605	802,467
End of year	$ 1,142,998	$ 988,605

Highmark Inc.
Combined Statements of Cash Flows
Years Ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Supplemental disclosure of cash flow information		
Interest paid	$ 39,505	$ 56,710
Net income taxes paid	$ 69,134	$ -
Supplemental disclosure of noncash investing and financing activities		
Assets acquired from issuance of debt	$ -	$ 10,965
Assets acquired through contingent commitment	$ 4,000	$ -
Commitments satisfied by the contribution of investments	$ 20,000	$ 19,142

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

We manage and analyze our operations and financial results by segmenting our business into four distinct classifications, which we refer to as fully-insured health business, self-funded health business, specialty product business, and corporate and other subsidiary business. We further evaluate our fully-insured and self-funded health businesses based on the following markets: western Pennsylvania, central Pennsylvania, senior and West Virginia.

Fully-insured health business is that health business for which we assume underwriting risk. Financial results of our fully-insured health business are included in premium revenue, claims incurred and operating expenses.

Self-funded health business is that health business for which we perform administrative services but do not assume underwriting risk. Self-funded health business includes administrative services contracts and cost plus contracts. Because we are not at risk for the underwriting of self-funded arrangements, neither premium revenue nor claims incurred on these arrangements are reflected in our financial results. The administrative fees we receive under self-funded arrangements are reported as management services revenue. Pharmacy rebates earned that relate to self-funded arrangements are reported as other revenue. Self-funded health business results also include fees from the BlueCard program and claims processing services, including service contract arrangements. Under the BlueCard program, we do not maintain membership but we receive network access fees and administrative fees from other Blue Cross and Blue Shield plans for services that we provide to members of those plans through our provider network. Under service contract arrangements, we do not maintain membership but we receive fees for administrative, membership and claims processing services from other Blue Cross and Blue Shield plans.

Specialty product business includes dental, vision and stop-loss insurance product offerings that are marketed nationally by our for-profit subsidiaries. Specialty product business includes insurance business for which we assume underwriting risk, self-funded arrangements and non-insurance vision business, which is comprised of fully integrated eye care services, including optical retail stores and the design and wholesale distribution of ophthalmic frames and sunglasses. Financial results of our fully-insured specialty product business are included in premium revenue, claims incurred and operating expenses. Administrative fees on self-funded specialty product insurance business are included in management services revenue. Financial results of our non-insurance vision business are included in vision revenue and operating expenses.

Corporate and other subsidiary business includes net investment results, other revenue, including equity in net income of affiliates, other expenses and interest expense, as these amounts are not tracked and reported at the segment level. In addition, this category includes the revenue and expenses of certain other non-insurance subsidiaries, which consist primarily of Medicare claims processing, facilities management and workers' compensation case management companies.

Financial Summary for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Our fully-insured health business operating results were $284.3 million higher for the year ended December 31, 2010 than for the year ended December 31, 2009, primarily attributable to improved margins across all segments driven by lower claim trends, with the greatest improvement in our western Pennsylvania business, which contributed $147.7 million in operating gains. Also, operating results were favorably impacted by a positive change in prior year claim and revenue activity of $69.2 million, principally in our senior and central Pennsylvania businesses, as well as by lower administrative expenses as a result of several cost containment strategies.

Included in our operating results at December 31, 2010 was an increase in our premium deficiency reserve by $45.9 million to $170.0 million due to the termination of the adultBasic program, a state-sponsored individual product, and anticipated migration of our members who had participated in that product to Special Care, our guaranteed-issue product.

Our self-funded health business experienced a positive operating variance from the prior year of $10.8 million as a result of administrative savings related to several cost containment strategies.

Our specialty product business operating results were $44.1 million higher for the year ended December 31, 2010 than for the year ended December 31, 2009, primarily as a result of improved operating results in our stop loss insurance business, which benefited from lower claim trends consistent with lower trends in our health segments.

Corporate and other subsidiary business results were $26.0 million higher for the year ended December 31, 2010, compared to the year ended December 31, 2009, due to an increase in investment results of $81.8 million as a result of higher realized gains on sales of securities related to an investment portfolio rebalancing and lower impairments in the current year as market conditions improved. Higher investment results were partially offset by higher operating expenses related to additional funding of a state-sponsored individual product and a funding commitment to the Highmark Caring Foundation.

The following summary of financial data for our four segments for the years ended December 31, 2010 and 2009 was derived from our audited combined financial statements, which were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

	Fully-insured Health Business	Self-funded Health Business	Specialty Product Business	Corporate and Other Subsidiary Business	Combined Total
	(in millions of dollars)				
Year Ended December 31, 2010					
Premium revenue	$ 9,875.1	$ -	$ 2,419.0	$ -	$ 12,294.1
Management services revenue	-	639.1	45.6	-	684.7
Vision revenue	-	-	1,158.9	-	1,158.9
Net investment results	-	-	-	242.2	242.2
Other revenue	-	92.7	5.1	118.0	215.8
Total revenue	9,875.1	731.8	3,628.6	360.2	14,595.7
Claims incurred	8,691.5	-	1,913.9	-	10,605.4
Operating expenses	750.7	684.8	1,477.3	352.8	3,265.6
Change in premium deficiency reserves	45.9	-	-	-	45.9
Interest expense	-	-	-	42.0	42.0
Total expenses	9,488.1	684.8	3,391.2	394.8	13,958.9
Income (loss) before income taxes	387.0	47.0	237.4	(34.6)	636.8
Income tax provision					174.3
Net income					$ 462.5
Year Ended December 31, 2009					
Premium revenue	$ 9,466.2	$ -	$ 2,074.6	$ -	$ 11,540.8
Management services revenue	-	608.8	44.6	-	653.4
Vision revenue	-	-	1,126.2	-	1,126.2
Net investment results	-	-	-	160.4	160.4
Other revenue	-	81.5	4.9	127.0	213.4
Total revenue	9,466.2	690.3	3,250.3	287.4	13,694.2
Claims incurred	8,586.1	-	1,637.0	-	10,223.1
Operating expenses	769.5	654.1	1,420.0	295.0	3,138.6
Change in premium deficiency reserves	7.9	-	-	-	7.9
Interest expense	-	-	-	53.0	53.0
Total expenses	9,363.5	654.1	3,057.0	348.0	13,422.6
Income (loss) before income taxes	102.7	36.2	193.3	(60.6)	271.6
Income tax provision					83.9
Net income					$ 187.7

	December 31,	
	2010	2009
	(dollars in millions)	
Net income margin (1)	3.17%	1.37%
Return on assets (2)	4.92%	2.16%
Debt to total capitalization (3)	11.93%	15.93%
Premium equivalents (4)	$ 7,715.4	$ 6,706.2
Tangible net equity (5)	$ 3,772.3	$ 3,384.6

(1) Net income margin is equal to net income divided by total revenue.
(2) Return on assets is equal to net income divided by total assets.
(3) Debt to total capitalization is equal to debt divided by debt and total reserves.
(4) Premium equivalents (claims incurred on self-funded health business) represent amounts by which premium revenue and claims incurred would have increased had self-funded members been considered as fully-insured.
(5) Tangible net equity is equal to total reserves less goodwill and other intangible assets.

As a regulated entity, we also prepare financial statements in accordance with statutory accounting principles ("SAP"). Financial statements prepared under SAP differ in certain significant respects from financial statements prepared under GAAP. Most significantly, SAP-reported amounts are based on unconsolidated financial information while GAAP-reported amounts are based on combined financial information.

The following is a comparison of certain financial indicators on a SAP basis and on a GAAP basis:

	December 31, 2010	
	SAP	GAAP
	(in millions of dollars)	
Total admitted assets	$ 6,027.7	$ 9,396.5
Surplus	$ 3,714.2	$ 4,624.6
Net income	$ 281.2	$ 462.5

Highmark is the sole corporate member of Highmark WV, and, for GAAP financial accounting and reporting purposes, Highmark WV is combined with Highmark. Notwithstanding the accounting treatment, Highmark WV is a separate legal entity (a West Virginia nonprofit corporation). In accordance with its articles of incorporation, no part of the funds, income or net earnings of Highmark WV may inure to the benefit of Highmark and, in the event of its dissolution or the winding up of its affairs, Highmark WV assets are required to be distributed in the manner provided for nonprofit corporations by the statutes of the State of West Virginia or the rules and regulations of the Insurance Commissioner of the State of West Virginia, each as then in effect. Creditors of Highmark should not anticipate that any of the assets or revenues of Highmark WV are or will be available to pay their claims, either currently or at any time in the future.

The following table shows the combination of assets, reserves, revenue and net income of Highmark and Highmark WV:

	December 31,	
	2010	2009
	(in millions of dollars)	
Assets		
Consolidated Highmark	$ 8,905.4	$ 8,253.2
Highmark WV	493.9	436.6
Eliminations	(2.8)	(1.7)
Combined assets	$ 9,396.5	$ 8,688.1
Reserves		
Consolidated Highmark	$ 4,377.9	$ 3,985.5
Highmark WV	246.7	209.1
Combined reserves	$ 4,624.6	$ 4,194.6
Revenue		
Consolidated Highmark	$ 13,755.7	$ 12,877.8
Highmark WV	867.8	839.2
Eliminations	(27.6)	(22.8)
Combined revenue	$ 14,595.9	$ 13,694.2
Net Income		
Consolidated Highmark	$ 437.4	$ 184.2
Highmark WV	25.1	3.5
Combined net income	$ 462.5	$ 187.7

The following table shows the number of lives served within our combined health business at December 31, 2010 and 2009:

	December 31, 2010	December 31, 2009
	(in thousands)	
Fully-insured Health Members		
Consolidated Highmark	1,820	1,885
Highmark WV	176	182
Self-funded Health Members		
Consolidated Highmark	2,073	1,883
Highmark WV	99	83
Service Contract Arrangements	165	165
Total	4,333	4,198

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Premium Revenue

Premium revenue was $12,294.1 million for the year ended December 31, 2010, an increase of $753.3 million or 7%, compared to $11,540.8 million for the year ended December 31, 2009.

Fully-insured health business premium revenue was $9,875.1 million for the year ended December 31, 2010, an increase of $408.9 million or 4%, compared to $9,466.2 million for the year ended December 31, 2009.

Premium revenue in our fully-insured senior business was $3,768.3 million for the year ended December 31, 2010, an increase of $354.1 million or 10%, compared to $3,414.2 million for the year ended December 31, 2009. The increase was driven primarily by enrollment growth of 17,000 members, which contributed $239.6 million to premium revenue, as well as by higher risk adjusted payments from CMS, which added $114.5 million.

Premium revenue in our western Pennsylvania fully-insured health business was $4,219.0 million for the year ended December 31, 2010, an increase of $102.2 million or 2%, compared to $4,116.8 million for the year ended December 31, 2009. The variance was driven primarily by rate increases, which added $275.7 million, partially offset by lower premiums of $173.5 million as a result of the loss of approximately 48,000 members due to a shift of business to our self-funded arrangements, as well as a mix of employer downsizing and dropped coverage.

Premium revenue in our West Virginia fully-insured health business was $788.9 million for the year ended December 31, 2010, an increase of $25.5 million or 3%, compared to $763.4 million for the year ended December 31, 2009. The increase was driven by rate increases, which added $52.4 million to premium revenue, partially offset by a shift of business to our self-funded arrangements.

Premium revenue in our central Pennsylvania fully-insured health business was $1,037.0 million for the year ended December 31, 2010, a decrease of $71.1 million or 6%, compared to $1,108.1 million for the year ended December 31, 2009. The decrease was driven by enrollment losses of approximately 35,000 members due to a shift of business to our self-funded arrangements and competition in the market, which lowered premium revenue by $149.6 million but was partially offset by rate increases, which added $78.5 million to premium revenue.

Premium revenue in our self-funded health business was $639.1 million for the year ended December 31, 2010, an increase of $30.3 million or 5%, compared to $608.8 million for the year ended December 31, 2009. The increase was primarily driven by enrollment growth of 206,000 members or 10% in our self-funded business.

Specialty product premium revenue was $2,419.0 million for the year ended December 31, 2010, an increase of $344.4 million or 17%, compared to $2,074.6 million for the year ended December 31, 2009.

Premium revenue from our dental operations increased $225.1 million as a result of higher fee for service revenue in the TRICARE Active Duty Dental Plan ("ADDP") program (effective August 1, 2009), which added $132.8 million to premium revenue, as well as enrollment growth and contracted rate increases in the TDP program, which added $47.7 million. Additionally, enrollment growth in the commercial dental businesses and a rate increase in the Federal Employee Dental and Vision Program ("FEDVIP") added premium revenue of $44.6 million.

Premium revenue from our stop loss business increased $90.7 million primarily as a result of the acquisition of the employer stop loss lines of business from Mutual of Omaha Life Insurance Company and United of Omaha Life Insurance Company (collectively, "Mutual of Omaha") in July 2010.

Vision Revenue

Vision revenue was $1,158.9 million for the year ended December 31, 2010, an increase of $32.7 million or 3%, compared to $1,126.2 million for the year ended December 31, 2009. The increase in vision revenue was principally driven by continued improvements in the wholesale distribution business due to favorable sales of new and existing brands. Additionally, our retail vision business experienced a 1.4% increase in comparable store sales, which contributed $9.6 million.

Net Investment Results

Net investment results, consisting of net investment income and net realized (loss) gain on investments, were $242.2 million for the year ended December 31, 2010, an increase of $81.8 million or 51%, compared to $160.4 million for the year ended December 31, 2009.

Net realized gain on investments was $98.9 million for the year ended December 31, 2010, an increase of $86.2 million or 679%, compared to $12.7 million for the year ended December 31, 2009. The increase was driven primarily by a portfolio rebalancing, which resulted in realized gains, as well as lower other-than-temporary impairments on debt securities as market conditions improved.

Net investment income was $143.3 million for the year ended December 31, 2010, a decrease of $4.4 million or 3%, compared to $147.7 million for the year ended December 31, 2009. The decrease was driven by lower yields in our fixed income portfolio.

Claims Incurred

Claims incurred were $10,605.4 million for the year ended December 31, 2010, an increase of $382.3 million or 4%, compared to $10,223.1 million for the year ended December 31, 2009.

Fully-insured health business claims incurred were $8,691.5 million for the year ended December 31, 2010, an increase of $105.4 million or 1%, compared to $8,586.1 million for the year ended December 31, 2009.

Claims incurred on fully-insured senior business were $3,331.2 million for the year ended December 31, 2010, an increase of $247.2 million or 8%, compared to $3,084.0 million for the year ended December 31, 2009. The increase was primarily driven by enrollment gains of 26,000 members in the Medicare Advantage products, which contributed $239.9 million, and an increase in utilization, which contributed $47.3 million. The increase in claims was partially offset by a positive change in the run-out of prior year claims of $28.7 million.

Claims incurred on our western Pennsylvania fully-insured health business were $3,708.1 million for the year ended December 31, 2010, a decrease of $27.1 million or 1%, compared to $3,735.2 million for the year ended December 31, 2009. The decrease was driven primarily by the loss of 49,000 members, lower utilization and a positive change in claim run-out of $15.0 million.

Claims incurred on our central Pennsylvania fully-insured health business were $918.2 million for the year ended December 31, 2010, a decrease of $94.1 million or 9%, compared to $1,012.3 million for the year ended December 31, 2009. The decrease was driven primarily by the loss of 35,000 members as well as a positive change in claim run-out of $10.4 million.

Claims incurred on specialty product business were $1,913.9 million for the year ended December 31, 2010, an increase of $276.9 million or 17%, compared to $1,637.0 million for the year ended December 31, 2009. The increase was primarily driven by our dental business which experienced increased claims of $213.6 million, of which $125.3 million was contributed by the ADDP program (effective August 2009) as well as $62.8 million in increased claims from additional enrollment in the TDP and FEDVIP programs. Additionally, claims from our stop loss line of business increased $34.8 million primarily related to the acquisition of the employer stop loss lines of business from Mutual of Omaha.

Operating Expenses

Operating expenses were $3,265.6 million for the year ended December 31, 2010, an increase of $127.0 million or 4%, compared to $3,138.6 million for the year ended December 31, 2009.

Operating expenses in our self-funded health business were $684.8 million for the year ended December 31, 2010, an increase of $30.7 million or 5%, compared to $654.1 million for the year ended December 31, 2009. The increase was primarily driven by enrollment growth of 206,000 members or 10% in our self funded business, partially offset by lower administrative expenses resulting from corporate cost savings initiatives.

Operating expenses in our specialty business were $1,477.3 million for the year ended December 31, 2010, an increase of $57.3 million or 4%, compared to $1,420.0 million for the year ended December 31, 2009. The increase was primarily driven by newly opened vision stores in our vision retail subsidiaries and enrollment growth in our vision and commercial self-funded dental businesses.

Operating expenses in corporate and other subsidiary business results were $352.8 million for the year ended December 31, 2010, an increase of $57.8 million or 20%, compared to $295.0 million for the year ended December 31, 2009. The increase was primarily driven by $32.0 million of additional funding for a state-sponsored individual product, a $20.0 million commitment to the Highmark Caring Foundation and restructuring expenses associated with cost containment initiatives.

Operating expenses in our fully-insured health business were $750.7 million for the year ended December 31, 2010, a decrease of $18.8 million or 2%, compared to $769.5 million for the year ended December 31, 2009. The increase was driven by lower administrative expenses resulting from corporate cost savings initiatives and a shift of business to our self-funded arrangements.

Income Tax Provision

The income tax provision was $174.3 million for the year ended December 31, 2010, an increase of $90.4 million or 108%, compared to $83.9 million for the year ended December 31, 2009. The increase was driven by higher pre-tax income, partially offset by a $40.9 million reduction to the income tax provision as a result of the intangibles settlement with the IRS.

Financial Condition at December 31, 2010 Compared to December 31, 2009

Total Assets

Total assets were $9,396.5 million at December 31, 2010, an increase of $708.4 million or 8%, compared to $8,688.1 million at December 31, 2009. The variance was driven by increases in cash, cash equivalents and investments, trade receivables, securities lending invested collateral and other intangible assets, net, which were offset by decreases in the income tax recoverable, prepaid pension plan asset and pharmacy rebates receivable.

Collectively, cash, cash equivalents and investments were $5,303.5 million at December 31, 2010, an increase of $582.1 million or 12%, compared to $4,721.4 million at December 31, 2009. The increase was attributable mainly to investment security appreciation as a result of cash flow from operations and improved market conditions as well as the timing of liquidity needs.

Trade receivables were $1,243.9 million at December 31, 2010, an increase of $159.7 million or 15%, compared to $1,084.2 million at December 31, 2009. The increase was due primarily to higher self-funded health business receivables resulting from increased volume and the timing of billed claims.

Securities lending invested collateral was $348.0 million at December 31, 2010, an increase of $71.7 million or 26%, compared to $276.3 million at December 31, 2009. The increase was due to increased demand in the securities lending program driven by market conditions.

Other intangible assets, net were $71.1 million at December 31, 2010, an increase of $46.2 million or 186%, compared to $24.9 million at December 31, 2009. The increase was due to the acquisition of a stop loss block in our specialty product business which resulted in intangible assets of $34.0 million, as well as $17.0 million due to the renewal of a multi-year license agreement related to the vision wholesale business.

Income tax recoverable, net was $1.5 million at December 31, 2010, a decrease of $105.0 million or 99%, compared to $106.5 million at December 31, 2009. The decrease was primarily due to $134.2 million in refund payments received related to the intangibles settlement with the IRS.

Prepaid pension plan asset was $20.2 million at December 31, 2010, a decrease of $33.0 million or 62%, compared to $53.2 million at December 31, 2009. The decrease was driven by net periodic pension costs and actuarial assumption changes, partially offset by annual contributions.

Pharmacy rebates receivable were $156.9 million at December 31, 2010, a decrease of $30.2 million or 16%, compared to $187.1 million at December 31, 2009. The decrease was primarily due to an acceleration of rebate collections, resulting from an increase in the number and size of direct manufacturer contracts.

Total Liabilities

Total liabilities were $4,772.0 million at December 31, 2010, an increase of $278.5 million or 6%, compared to $4,493.5 million at December 31, 2009. The variance was due primarily to increases in amounts held for others, benefit plan liabilities, premium deficiency reserves, securities lending payable and other payables and accrued expenses, which were offset by a decrease in debt.

Amounts held for others were $510.4 million at December 31, 2010, an increase of $182.6 million or 56%, compared to $327.8 million at December 31, 2009. The increase was attributable primarily to the timing of provider payments and certain group settlements.

Benefit plan liabilities were $105.1 million at December 31, 2010, an increase of $35.1 million or 50%, compared to $70.0 million at December 31, 2009. The increase was driven by net periodic postretirement costs and actuarial assumption changes, partially offset by annual contributions and the impact of plan changes to the Highmark WV other postretirement plan.

Premium deficiency reserves were $170.0 million at December 31, 2010, an increase of $45.9 million or 37%, compared to $124.1 million at December 31, 2009. Premium deficiency reserves were increased on guaranteed issue products due to the anticipated termination of the adultBasic program (ended February 28, 2011) and migration to our conversion product, Special Care.

Securities lending payable was $348.2 million at December 31, 2010, an increase of $70.6 million or 25%, compared to $277.6 million at December 31, 2009. The increase was due to increased demand in the securities lending program driven by market conditions.

Other payables and accrued expenses were $687.6 million at December 31, 2010, an increase of $47.0 million or 7%, compared to $640.6 million at December 31, 2009. The increase was primarily attributable to year-end accruals, increased inventory purchases in the vision business and renewed multi-year licensing commitments in the vision wholesale business, as well as the timing of other payables.

Debt was $626.4 million at December 31, 2010, a decrease of $168.5 million or 21%, compared to $794.9 million at December 31, 2009. The decrease was driven by the repayment of $110.0 million of debt by our vision subsidiaries and the repurchase and cancellation of $57.5 million of outstanding Senior Notes.

BCBSD, INC.
ANNUAL BOARD OF DIRECTORS MEETING
APRIL 18, 2007

The Annual Meeting of the Board of Directors of BCBSD, Inc., was held pursuant to notice on April 18, 2007, at 12:25 p.m. in the corporate offices. The following members, who constitute the entire Board of Directors, were present:

Max S. Bell, Jr., Chairman
Ben Corballis, M.D., Vice Chairman
Thomas E. Archie
Bernard J. Daney
Garrett B. Lyons, D.D.S.
Robert F. Rider
David P. Roselle, Ph.D.
Frances M. West
William H. Willis, Jr.

Staff attending: Timothy J. Constantine, President & Acting CEO; Christine L. Alrich, Vice President of Corporate Marketing; William E. Kirk, III, Vice President, Corporate Secretary & General Counsel; Phillip A. Carter, Corporate Controller; Ellen M. Johnson, Executive Assistant to the President & Acting CEO; and Diane M. Quinn, Assistant to the Vice President, Corporate Secretary & General Counsel. Outside Legal Counsel attending: Grover C. Brown, Esq., of Gordon, Fournaris & Mammarella (representing the BCBSD Board); David S. Swayze, Esq. and Michael W. Teichman, Esq. of Parkowski, Guerke & Swayze, P.A. (representing BCBSD, Inc.); and David C. McBride of Young, Conaway, Stargatt & Taylor (representing BCBSD, Inc.) Consultants attending: Robert C. Cole, Jr., and Louis Pavia, Jr., President of CareCompanion.

I. Review of Minutes

II. Election of Chairman and Vice Chairman

III. Election of Corporate Officers

EXHIBIT
JOINT-84

IV. Disclosure of Other Interests Report

V. President's Report

VI. Health Service Corporation Senate Task Force

VII. Strategy Session

Mr. Pavia attended today's meeting to present an update of management's long-range strategic planning activities since the Board's last meeting (his presentation was mailed in advance to the Board). He described the various components of the planning process that was utilized by the management team, which included a review of the partnership process; assessing Delaware's market issues and BCBSD's position; analyzing requirements of potential partners; discussing benefits of BCBSD to potential partners; delineating partnership strategies and options; and targeting RFP (Request for Proposal) recipients. Mr. Pavia also presented a proposed list of next steps and a timeframe of the process. He also discussed the governmental approval aspects that would be a part of evaluating strategic partnerships. Messrs. Constantine and Cole gave a report of their recent meetings with potential partners.

As part of management's long-range strategic planning process, new Mission and Vision Statements were developed, which were adopted by the Board on March 7, 2007, contingent upon its suggested changes. At today's meeting, Mr. Pavia presented the revised documents that incorporated those changes. The Board was satisfied with the revised Statements and took the following action:

Upon motion moved and seconded, the Board unanimously approved the Mission and Vision Statements for BCBSD, Inc.

VIII. Adjournment

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & Acting CEO

BCBSD Strategy Session III

Board of Directors
April 18, 2007

CareCompanion

EXHIBIT
JOINT-85.1

Agenda

- Review Partnership Process
- Consider Draft Mission and Vision Statements For Approval
- Assess DE Market Issues and BCBSD Position
- Analyze Requirements of Potential Partners
- Discuss Benefits of BCBSD to Potential Partners
- Delineate Partnership Strategies and Options
- Target RFP Recipients
- Define Next Steps and Time Frame
- Preview Solicitation Materials Outline

Partnership Process

- ■ Assess Global Societal and Business Trends affecting Health Insurance Industry
- ■ Evaluate Industry Trends and implications for BCBSD
- ■ Redefine Mission and Vision
- ■ Analyze Market Trends and BCBSD Position
- ■ Define Market and Business Issues and Opportunities
- ❖ Delineate Requirements for Success/Partnership Expectations
- ❖ Detail BCBSD Strengths and Benefits
- ❖ Identify Potential Partnership Strategies and Partners
- ❖ Analyze Strategy and Partner Fit
- ❖ Target Potential Partners
- ☐ Solicit Partnership Proposals
- ☐ Evaluate Partners
- ☐ Negotiate with Partner(s)
- ☐ Select Partner
- ☐ Undergo Regulatory Review Process (if necessary)
- ☐ Complete Transaction
- ☐ Integrate with Partner

Proposed Mission and Vision

Mission

Provide benefits solutions that enable our customers to access high quality, cost effective health services and the knowledge and guidance necessary to improve their health and well being.

Vision

BCBSD will be the leading provider of health insurance and *related* services in the markets we serve. We will be recognized for our exceptional customer satisfaction and value through our:

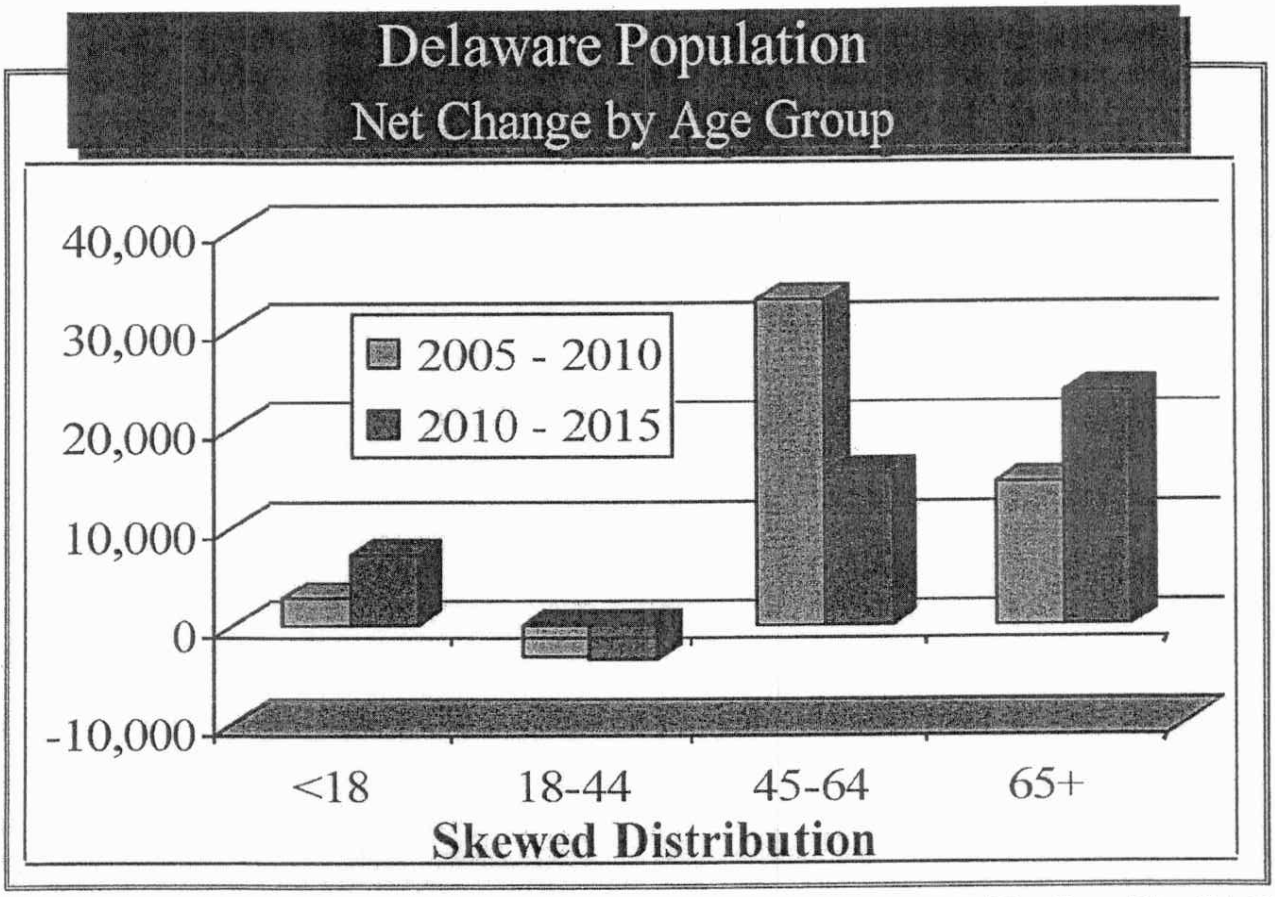
- innovative product design;
- effective wellness and health management programs;
- operational efficiency;
- local knowledge;
- and demonstrated responsiveness.

Operating with high integrity, we will be a trustworthy business partner, excellent steward of our *resources*, a preferred employer and a good corporate citizen.

Market Issues and Position

Long Term View

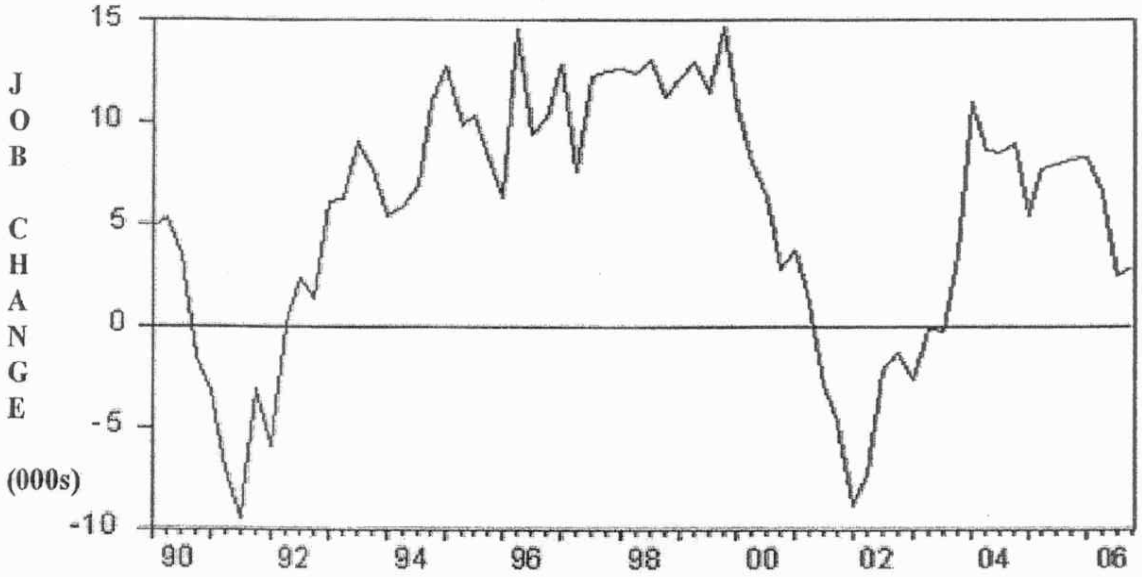
- What is Best Approach to Achieve Our Vision?
- Where are the Greatest Opportunities?
- What is Required to Capitalize on These Opportunities?
- Where Should We Focus?
- What Are the Priorities?
- How Could Partners Contribute and Benefit?
- What Types of Partners Would Serve Us Best?



US Census projections

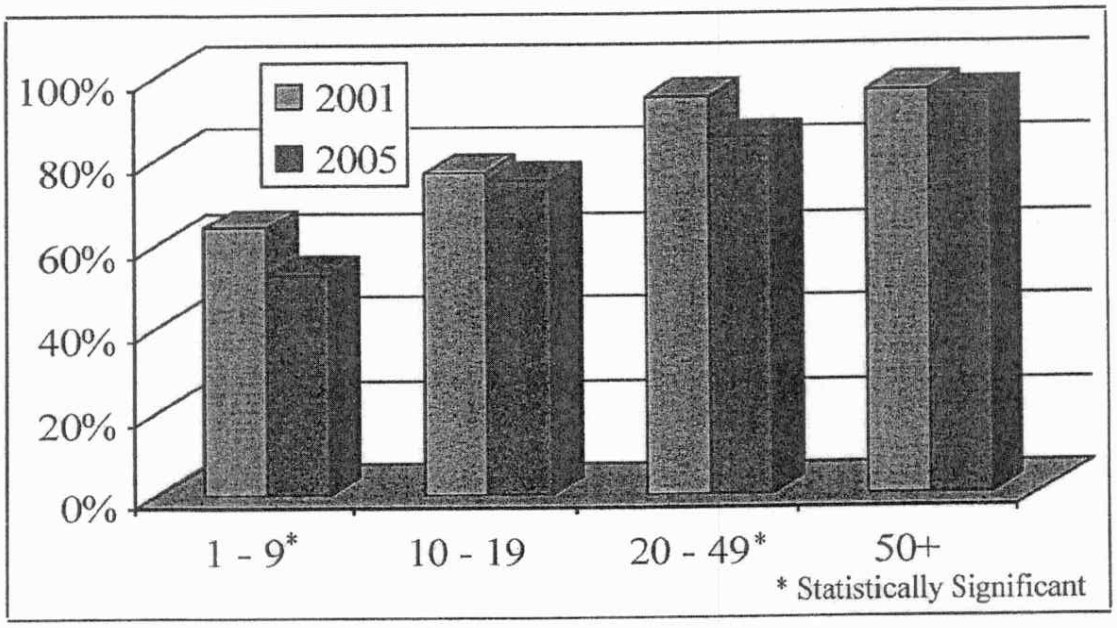
Delaware Annual Job Change

Quarterly Year Over Year



2007 Projected to be Flat

Change in Delaware ESI 2001 - 2005



18,500 Fewer Jobs where Healthcare Benefits were Available

Market Segment Priorities

- Large Accounts (200+ DE HQ) (Volume)
  - Private
  - Government
- Small Group Insured (Margin)
- Mid-Sized Group Insured (Margin)
- National Accounts (200+ Non-DE HQ) (Volume)
- Individual/Direct Purchase/Uninsured (Growth)
  - < 65
  - 65+
- Medicaid

BCBSD Requirements and Benefits

Summary Market Requirements

- Protect/Strengthen Blue Brand
- State-of-the-Art Administrative Infrastructure and Technology
  - Web Based Tools and Information for Employers, Members, Providers and Brokers
  - Low Cost Structure/Economies of Scale
  - Flexibility to Support Innovative Product Design, DE unique requirements
  - Good Development Planning and Execution
- Access to Capital/Strong Financial Position
- Broad Array of Creative Products for Every Market Segment
- Local Market Orientation/Understand and Responsive to DE Specific Needs
- Government Contracting Experience, MA Participation
- Health Related Insurance Products and Services (Life, Disability and LTC, Dental, Vision, Rx)
- National Contracts for Lab, Rx, Surgery Centers, in-store Clinics
- Strong Relationships with Consultants and National Accounts
- Direct Marketing Expertise
- Pricing and Actuarial Capability
- Strong Provider Relationships
- Clinical Data, Medical and Health Management Tools and Information
- Progressive Medical Management, Health and Wellness Programs
- Benchmark Data and Metrics (clinical and operating)

Other Requirements

- Good Cultural Fit (Ethics, Integrity, Customer Service, Business Strategy, Operating Philosophy)
- Respect and Value employees
  - Grandfather Employee Benefits
  - Strong Systems
  - Progressive Evaluation, Training and Development
- Experience Integrating Blues Plans
- Positive BCBSA Relationship/Influence
- Constructive Legislative Environment/Good Government Relations
- Strong Compliance and Reporting
- Influential Local Board and Management
- Flexible Transition Plan
- Track Record of Success in Community

BCBSD Value to Partners

- BCBS License/Brand Name
- Market Leadership/High Share
- Profitable Book of Risk Business
- Opportunity to Improve Margin on Non-Risk Business
- Opportunity to Cross Sell Related Products and Services to Entire Book
- Growth Potential in Individual <65, Medicaid, Medicare and Large Group Markets
- Solid Leadership (Board and Management)
- Trained and Motivated Staff
- Good Provider Relations and Best Contracts
- Strong Financial Position
  - RBC, Balance Sheet, Cash
- Good Community Reputation / Involvement
- Highly Acclaimed Quality (HEDIS, NCQA, CAHPS)
- Experienced Partner (Lessons Learned?)

Partnership Strategies and Options

Partner Strategies

- Large Multi-State Blue Plan Affiliation (3)
- Regional Blue Plan Affiliation (2/3)
- Single State Blue Management Agreement (1)

Partners Strategy

Large Multi-State Blues

- Rationale
  - Brand Vital to Success, Blue Minimizes BCBSA Issues
  - Economies of Scale Critical to Competitiveness
  - Consolidation Will Continue, Know your Ultimate Partner
  - Broad Scope of Products, Services and Resources Necessary
- Model
  - Merger/Acquisition
  - Affiliation
  - Management Services Agreement
- Potential Partners
- Rejected Multi-State Blues

[redacted]

Highmark

- Overview
  - 4.6 million members
  - Western Pennsylvania BCBSA Licensee (40+% Market Share)
  - West Virginia BCBS licensee Affiliated in 1999 ($10 million loan to Plan, Control of BCBS Licenses, Selection of 3 Board members)
  - Joint Marketing Arrangements with BCNEPA and IBC
  - Dental, Vision, Life and Casualty Businesses
  - Transitioned Mountain State (WV) Affiliate to Highmark Technology Platform
  - Provides Administrative Services to Blues Plans in Northeastern PA, FL and LA
  - A Top Control Plan for DE (2,140 members)
  - Medicare Intermediary in DC and MD regions
  - Top 10 Technology Innovator (IW)
  - Seeking Partnerships with other Blues and strategies to generate economies of scale (announced merger with IBC)

Highmark

- Financial Position (2005)
  - Revenue: $9.6 billion
  - Growth: 6% (membership)
  - Net Income: $342 million
  - Capital and Surplus: $2.8 billion (3.5 months)
  - Assets:
  - Rating:
    - Standard & Poor's A
    - A.M. Best Company A

Highmark/IBC

- Financial Position (2005)
  - Revenue: $ 20.2 billion
  - Growth: 7% (revenue)
  - Net Income: $ 486 million
  - Capital and Surplus: $4.2 billion (2.5 months)
  - Assets:
  - Rating:

	Highmark	IBC
– Standard & Poor's	A	
– A.M. Best Company	A	B

Highmark

Mission

Provide access to affordable, quality healthcare, enabling individuals to live longer, healthier lives

Vision

To be the leading customer-focused health insurer in the communities we serve, addressing the healthcare needs of individuals while maintaining our financial strength

Values:

- **United in our mission**
- **Dedicated to excellence**
- **Committed to integrity**
- **Focused on our customers, employees and communities.**

Highmark

Advantages/Benefits

- Large Strong Plan
- Experience Integrating Blues Plan
- Affiliation Model and Management Services Agreement with Blue Plans
- Good Technology
- Unbranded Products
- Related Products and Services
- Strong Medicare and Medicaid
- National Account Experience
- Good Geographic Fit

Disadvantages/Risks

- IBC Merger Plans
- Community Health Reinvestment Program Requirements

BCBSD Unique Value

- Linchpin to Mid-Atlantic

Partner Strategy

Regional Blues

- Rationale
  - Marketing and Medical Management Synergies
  - Build toward Critical Mass / Economies of Scale
  - Maintain Greater Influence / Protect DE Focus
  - Geographic Proximity
- Model
  - Merger/Acquisition
  - Affiliation
  - Management Services Agreement
- Potential Partners
  - CareFirst
  - Horizon
  - IBC/Highmark

Partner Strategy

Management Services Agreement

- Rationale
  - Capitalize on Economies of Scale to Lower Cost Structure for Large Accounts
  - Avoid Capital and Other Technology Requirements
  - Leverage Localness and BCBS Brand to Maintain Strong Market Position
- Model
  - JV Management Company
  - Outsource Management and Operations Contract
  - Management Services Agreement
- Potential Partners
  - BCBSSC
  - Multi-State Blues
  - Regional Blues
- Rejected Partners
  - NASCO
  - UnitedHealth/Uniprise
  - Perot Systems, EDS, Fiserv

Rejected Strategies and Options

Partner Strategy

Single State Blue Plan

- Concept
  - Similar Situation / Unique Fit
  - Add to Critical Mass / Economies of Scale
  - Build Core of New Entity
- Model
  - Merger
  - Affiliation
  - Management Services Agreement
- Potential Partners [redacted]
- Rejection Rationale
  - No Strategic Fit
  - Limited Integration Experience
  - Interest, Long Term Strategy Uncertain

Partner Strategy

Integrated Finance and Delivery System

- Concept
  - Financing and Delivery increasingly integrated (health management, P4P, information sharing)
  - Significant Medical Management and Administrative Cost cutting opportunities
  - Hospitals underwrite significant proportion of cost of uninsured
  - BCBSD and Key Hospital Systems have unique position in Delaware
- Model
  - Holding Company with Insurance and Provider Divisions
  - Inter-company transfers/aligned financial Incentives
  - Certain Shared Corporate Functions (medical management, quality improvement, credentialing, PHR)
- Potential Partners
  - Christiana Care
  - BayHealth
- Rejection Rationale
  - Difficult to Truly Integrate
  - Different Cultures and Businesses
  - Customer Objections / Loss of Checks and Balances
  - Potential BCBSA Issues / Concerns

Next Steps and Time Frame

Key Milestones and Time Line

Steps	Timeframe
Select RFP (Offering Memorandum) Recipients	2Q07
Contact, Send Cover Letter and Confidentiality Agreement	2Q07
Receive Executed Confidentiality Agreements	2Q07
Send RFP and BCBSD Information	2Q07
Prospective Partners Draft Response	2Q07
Review and Analyze Responses to RFP	3Q07
Select Candidates for Further Discussion	3Q07
Face to Face Clarification Discussions	3Q07
Select Candidate(s) for Continued Discussion	3Q07
Preliminary Due Diligence (Candidates and BCBSD)	4Q07
Candidates Prepare Best and Final Proposal	4Q07
Review Refined Proposals	4Q07
Select Preferred Partner (if any)	4Q07
Execute LOI	4Q07
Further Due Diligence	4Q07
Negotiate Definitive Agreement	1Q08
File for Regulatory Review	1Q08

Preliminary Management Work Plan

- Define Management and Review Processes and Participants (Board, Management, advisors)
- Draft Cover Letter, Confidentiality Statement and RFP
- Plan and Execute Internal and External Communications Plan
- Distribute RFP Materials
- Establish Criteria/Requirements, Measurements and Evaluation Process
- Review and Rank Partnership Proposals
- Develop Conclusions/Recommendations and Brief Board
- Define Requirements/Role of Outside Experts (Accounting, Legal, Financial and Strategic)
- Develop Follow-up Questions/Requests/Due Diligence Issues and Hold Discussions
- Determine Preliminary Due Diligence Information Provided (checklist)
- Prepare Due Diligence Materials
- Conduct Own Due Diligence
- Define Final Requirements and Brief Board
- Request Best and Final Proposals
- Review and Rank Revised/Best and Final Proposals
- Devise and Execute Stakeholders Strategy
- Brief Board
- Conduct Negotiations, Prepare LOI and Brief Board
- Facilitate Final Due Diligence
- Negotiate Final Agreement and Brief Board
- Initiate legal and regulatory review process (per stakeholder strategy)

Cover Letter/Offering Summary Outline
(Obfuscated or BCBSD)

- Strategic Partner to accomplish mission and achieve vision
- Strong, stand alone plan within limited geographic boundaries
- Market Leader in small and mid-sized group segments
- Key large group ASO clients but additional growth potential
- New Business Opportunities in individual, Medicare and Medicaid segments
- Recent State mandated disaffiliation may make organization susceptible to emerging regional market and national industry trends
  - Pressure to reduce costs requires a critical mass of business to achieve economies of scale that may not be attainable as a stand alone plan
  - Increasing requirements for consumer information, clinical data and innovative product designs are straining our technical, human and financial resources
  - Scale and other requirements of large international corporations headquartered in State put us at a competitive disadvantage for this business
  - Mounting legal and regulatory documentation and reporting requirements distract attention and resources required by our core business
  - Regional competition from larger and financially stronger plans could undermine our position with local and regional employers
- Limited capital may restrict our ability to provide the information, products and services expected by our customers and capitalize on available growth opportunities
- Key Process Steps and Deadlines

Request for Proposal Outline

- Objectives
  - Long term strategic partner
  - Strengthen Brand and enhance market position
  - Infrastructure and support to ameliorate risk, capitalize on opportunities
  - Alternative models (Acquisition, Affiliation, Management Agreement)
  - Minimize legal and regulatory obstacles, expedite transaction
- BCBSD
  - Overview, structure and organization
  - Products and market position
  - Financial performance and condition
  - Operations, systems and technology
  - Board, management team and staff
- Information Required
  - Business strategy, operations philosophy and culture
  - Scope of products, services and expertise
  - Administrative technology, capabilities, costs and development strategy
  - Medical Management approach, infrastructure and future direction
  - Proposed business relationship model, structure and rationale
  - Strategy, capabilities and resources to support BCBSD Brand, customer retention and growth in key market segment
  - Implications for BCBSD people (Board, Management , Staff), technology and facilities
  - Track record of innovation and growth
  - Expected benefits to BCBSD, its customers and the people of DE
  - Expected legal and regulatory issues and mitigation plan
  - Contingencies, requirements and expectations of BCBSD

BCBSD, INC.
BOARD OF DIRECTORS MEETING
EXECUTIVE SESSION
OCTOBER 10, 2007

An executive session of the Board of Directors of BCBSD, Inc. was held immediately following the regular session on October 10, 2007, at 1:45 p.m. in the corporate offices. Board members attending: Max S. Bell, Jr., Chairman; Thomas E. Archie; Bernard J. Daney; Garrett B. Lyons, D.D.S.; Robert F. Rider; David P. Roselle, Ph.D.; Frances M. West, Esq., and William H. Willis, Jr. Staff attending: Timothy J. Constantine, President & Chief Executive Officer; William E. Kirk, III, Vice President, Corporate Secretary & General Counsel; and Ellen M. Johnson, Executive Assistant to the President & CEO. Also attending: Grover C. Brown, Esq., of Gordon, Fournaris & Mammarella (representing the Board of BCBSD, Inc.); and David C. McBride, Esq., and Timothy C. Snyder, Esq. of Young, Conaway, Stargatt & Taylor (representing BCBSD, Inc.); and Louis Pavia, Jr., President of CareCompanion (consultant to BCBSD, Inc.)

PART I

Long-Range Strategic Planning Update

Mr. Constantine provided an overview of activities related to the search process for a strategic partner. BCBSD received five partnership proposals in response to its request for information to selected Blue Cross Blue Shield plans in the third quarter 2007. Management is in the process of reviewing each proposal and developing follow-up questions and information requests. During today's meeting, management discussed each proposal response in detail as well as management's proposed approach, next steps and timetable. Representatives from each of the BCBS plans will be invited to meet with BCBSD management before year-end 2007, with the goal of narrowing the selection down to three finalists. During the first quarter of 2008, individual sessions will be scheduled with each of the three finalists, possibly including meetings with the BCBSD Board of Directors. Management discussed various regulatory considerations and variables that could impact the overall timetable.

Prior to today's meeting, the Board received two documents that were discussed in detail – summary of potential partner background information (prepared by Mr. Pavia and BCBSD management) and a preliminary analysis of governance results (prepared by Mr. Cole).

The first part of the executive session adjourned at 2:25 p.m. Chairman Bell excused Messrs. Constantine, Kirk and Pavia and Ms. Johnson. The other individuals remained for the second part of executive session.

PART II

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

EXHIBIT
JOINT-86

BlueCross BlueShield of Delaware

Overview of Deloitte Assessment of Health Care Service Corporation and WellPoint Inc.

Blue Cross Blue Shield of Delaware is an independent licensee of the Blue Cross and Blue Shield Association.

EXHIBIT
JOINT-87.1

Summary of Engagement

Purpose:

- In the Spring of 2008, BCBSD engaged Deloitte to update its assessment of the company's capabilities for meeting current and future market needs.
- The study found BCBSD market-lagging in many key areas.
- Strategies for remedying BCBSD capabilities "gaps" include:
  - Investing in capabilities improvements on our own; these investments were projected to be in the range of $100 million to $129 million over the next 4 - 5 years, or
  - Secure an affiliation with another Blues organization that can provide these capabilities
- BCBSD engaged Deloitte in October to provide a capabilities assessment of HCSC and WellPoint to determine their ability to assist BCBSD in addressing capabilities gaps.

Summary of Results

Findings:

- Deloitte concluded that both [redacted] have operating capabilities vastly more robust than BCBSD, and both can provide essentially all of the capabilities required by BCBSD.
- Most of these capabilities are in place; however, many are in progress.
- This assessment is based on information self-reported by [redacted] in response to Deloitte's queries; Deloitte's own experience working with these companies was also used to validate responses to the extent possible.
- There are differences in each company's status and approach, and the Deloitte study points out these differences.
- Deloitte also provides a series of follow-up questions to clarify the status of items that may be important to BCBSD.

Next Steps

- BCBSD's senior management team has reviewed the Deloitte report.
- We will conduct follow-up with Deloitte to clarify, as needed.
- We will also gather follow-up items to pursue with finalist candidate(s) as needed to gain further understanding of points of importance.
- This information will also be helpful when negotiating the terms of a definitive agreement with respect to the timing and commitment for delivering capabilities to Delaware constituents.

Summary slides from the Deloitte report are included with this mailing.

BCBSD, INC.
BOARD OF DIRECTORS MEETING
FEBRUARY 27, 2008

Session I

A meeting of the Board of Directors of BCBSD, Inc. was held pursuant to notice on February 27, 2008, at 10:00 a.m. at the DuPont Country Club, 1001 Rockland Road, Wilmington, Delaware. The following members were present:

Max S. Bell, Jr., Chairman
Ben Corballis, M.D., Vice Chairman
Thomas E. Archie
Bernard J. Daney
Robert F. Rider (*via phone*)
David P. Roselle, Ph.D.
Frances M. West, Esq.
William H. Willis, Jr.

Also attending were the following members of staff: Timothy J. Constantine, President & CEO; Christine L. Alrich, Vice President of Corporate Marketing; George H. English, Jr., Vice President of Operations; William B. Jones, Vice President of Information Technology & Chief Information Officer; William E. Kirk, III, Vice President, General Counsel & Corporate Secretary; Lauren O'Brien, Vice President of Finance & Chief Financial Officer; Ellen M. Johnson, Executive Assistant to the President & CEO; and Diane C. Quinn, Assistant to the Vice President of Operations and Chief Financial Officer. External counsel attending: Grover C. Brown, Esq. of Gordon, Fournaris & Mammarella (representing the BCBSD Board of Directors). Guest attending: David F. Lyons, Sr.

I. Tribute to Garrett B. Lyons, D.D.S.

EXHIBIT
JOINT-88

II. Review of Minutes

III. Report of Standing Committee

IV. 2007 Associate and Management Merit & Incentive Payout Recommendation

Session II – Strategic Planning

A strategic planning session of the Board of Directors of BCBSD, Inc. convened at 12:35 p.m. The following members were present:

Max S. Bell, Jr., Chairman
Ben Corballis, M.D., Vice Chairman
Thomas E. Archie
Bernard J. Daney
Robert F. Rider (*via phone*)
David P. Roselle, Ph.D.
Frances M. West, Esq.
William H. Willis, Jr.

Staff members attending: Timothy J. Constantine, President & CEO; William E. Kirk, III, Vice President, General Counsel & Corporate Secretary; Ellen M. Johnson, Executive Assistant to the President & CEO; and Diane C. Quinn, Assistant to the Vice President of Operations and Chief Financial Officer. External counsel attending: Grover C. Brown, Esq. of Gordon, Fournaris & Mammarella (representing the BCBSD Board of Directors); David S. Swayze, Esq., and Michael W. Teichman, Esq., of Parkowski Guerke & Swayze (representing BCBSD, Inc.). Consultants attending: Robert C. Cole, Jr., and Louis Pavia, Jr., President of CareCompanion.

In advance of today's meeting, the Board reviewed information to facilitate its discussion regarding the strategic partner search.

I. **Overview**
Mr. Constantine provided an overview of the forces driving BCBSD's desire to consolidate with another Blue plan. During its affiliation with CareFirst, Inc., BCBSD enjoyed many advantages, such as a steady growth in membership, lower administrative costs, positive underwriting gains, and an increased employee base. The affiliation experience validated BCBSD's need to be part of a larger entity to enhance its ability to remain viable in the marketplace and effectively serve its stakeholders. Mr. Constantine also gave an overview of the current Blue System, noting that the number of independent Blue Plans has decreased from 115 in 1980 to 39 today due to various types of consolidation.

II. **Partner Proposal Assessments**
Messrs. Cole and Pavia reviewed a number of desirable partner attributes, such as size, financial strength, technology, governance and leadership, cultural fit, and associate impact that were used by the Affiliation Work Group to analyze each potential partner's responses. They also described the advantages and disadvantages of each potential partnership.

III. **Regulatory and Structural Considerations**
Messrs. Swayze and Teichman reviewed the types of affiliation options available to BCBSD for a potential strategic partnership. They also described the regulatory and structural aspects of each option; the set of constants that would be part of any partnership from a governance, BCBSA, and regulatory standpoint; and reiterated that any arrangement decided upon would require a lengthy regulatory process. They described the laws currently in place in Delaware relative to conversions and the lack of statutory guidance. Mr. Swayze discussed the current political environment in Delaware and its potential effect on BCBSD's affiliation initiatives.

IV. Next Steps

Mr. Pavia reviewed the recommended next steps in the affiliation search process for each quarter of 2008 and beyond, including a description of each activity.

V. Debriefing / Next Steps

After discussion, the Board members requested management to perform further due diligence and provide additional information regarding the potential partners and affiliation process to facilitate the Board's decision-making process relative to next steps. The Board agreed that it would meet on March 17, 2008, and that management would provide the following information in advance:

- Partner evaluation / management recommendations
- Profiles of the key leadership of each potential partner
- Preliminary valuation of BCBSD, Inc.

Management will also develop a white paper outlining the reasons for BCBSD's need to affiliate, which will be completed for the Board's review later in the year.

VI. Adjournment

There being no further business, the regular session adjourned at 4:05 p.m.

Respectfully submitted:

Ellen M. Johnson
Executive Assistant to the President & CEO

V. **Report of Foundation Advisory Council**

VI. **CEO's Report**

VII. Adjournment