MITCHELL | WILLIAMS

Frederick K. Campbell
Direct Dial: 501-688-8882
Fax: 501-918-7882
E-mail: rcampbell@mwlaw.com

425 West Capitol Avenue, Suite 1800
Little Rock, Arkansas 72201-3525
Telephone: 501-688-8800
Fax: 501-688-8807

October 25, 2010

VIA EMAIL

The Honorable Battle R. Robinson
104 West Market Street
Georgetown, DE 19947

Re: The Proposed Affiliation of BCBSD, Inc., doing business as Blue Cross Blue Shield of Delaware, with Highmark Inc., Docket No. 1509-10
Condition regarding Costs of Disaffiliation

Dear Judge Robinson:

As a result of certain testimony provided at the hearing of October 5-7, 2011, further consideration has been given to the cost implications for BCBSD should a disaffiliation occur during the first three (3) years after affiliation, due to a "Triggering Event." While the Business Affiliation Agreement negotiated at arms-length between Highmark and BCBSD does not presently provide for Highmark to share in any cost BCBSD would incur with respect to any such disaffiliation, Highmark and BCBSD are amenable to a Condition being included in your proposed Order, and the final Order of the Commissioner, that would provide as follows:

PROPOSED CONDITION REGARDING DISAFFILIATION COST SHARING

> In the event a "Triggering Event," as defined in Condition 23 above, occurs during the three (3) year period immediately following the closing of the Affiliation and results in a withdrawal by BCBSD from the Affiliation, Highmark shall be responsible for fifty percent (50%), the "Capped Amount", of the expenses up to $35 million, incurred by BCBSD in migrating away from the Highmark platform, e.g., undoing the integration for which costs were projected on page 35 of the report of KPMG entitled Project Delaware and dated August, 2011. Any such costs in excess of the Capped Amount will be paid one hundred percent (100%) by BCBSD. By way of example, if the cost incurred by BCBSD in migrating away from the Highmark platform is $40 million, Highmark will be responsible for $17.5 million of such expense and BCBSD will be responsible for all excess expenses.

We are not aware that the Delaware Department of Insurance or the Delaware Department of Justice take any position on this issue and we have not attempted to obtain their agreement as to this proposed Condition.

Thank you for your consideration of this matter.

Very truly yours,

MITCHELL, WILLIAMS, SELIG,
GATES & WOODYARD, P.L.L.C.

By
Frederick K. Campbell

FKC:dl

cc: See attached service list

DELAWARE DEPARTMENT OF INSURANCE
CERTIFICATE OF SERVICE LIST

Docket No. 1509-10

Ian R. McConnel, Esquire
Director of the Consumer Protection Unit
Fraud & Consumer Protection Division
Office of Delaware Attorney General
Carvel State Office Building, 5th Floor
820 N. French Street
Wilmington, DE 19801

Meredith Stewart Tweedie, Esquire
Deputy Attorney General
Delaware Department of Justice
Division of Securities
820 N. French Street
Wilmington, DE 19801

Cynthia R. Shoss, Esquire
Dewey & LeBoeuf
1301 Avenue of the Americas
New York, New York 10019-6092

William E. Kirk III, Esquire
Blue Cross Blue Shield of Delaware
One Brandywine Gateway
Wilmington, DE 19899

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

Michael W. Teichman, Esquire
Parkowski, Guerke & Swayze, P.A.
800 King Street, Suite 203
Wilmington, DE 19801

Hon. Battle R. Robinson
Hearing Officer
104 W. Market Street
Georgetown, DE 19947

GianClaudio ("J.C.") Finizio, Esq.
Bayard, P.A.
222 Delaware Ave., Suite 900
Wilmington, DE 19801

Gene T. Reed
Deputy Insurance Commissioner
Delaware Insurance Department
841 Silver Lake Boulevard
Dover, DE 19904

John T. Tinsley III, CPA, AFE, CIE
Special Deputy – Examinations to Insurance
Exam, Rehabilitation & Guaranty
Delaware Insurance Department
841 Silver Lake Boulevard
Dover, DE 19904

David Lonchar
Delaware Insurance Department
841 Silver Lake Boulevard
Dover, DE 19904

Charles Santana
Delaware Insurance Department
841 Silver Lake Boulevard
Dover, DE 19904

Linda Sizemore, Exams-Financial
Delaware Insurance Department
841 Silver Lake Boulevard
Dover, DE 19904

Michael Houghton, Esquire
Morris Nichols, Arsht & Tunnell, LLP
1201 North Market Street, 18th Floor
P.O. Box 1347 (Zip 19899-1347)
Wilmington, DE 19801

Leslie Polizoti, Esquire
Morris Nichols, Arsht & Tunnell, LLP
1201 North Market Street, 18th Floor
P.O. Box 1347 (Zip 19899-1347)
Wilmington, DE 19801

Brenda Mayrack, Esquire
Morris Nichols, Arsht & Tunnell, LLP
1201 North Market Street, 18th Floor
P.O. Box 1347 (Zip 19899-1347)
Wilmington, DE 19801

Edward A. Bittner, Jr., Senior Counsel
Highmark Inc.
120 Fifth Avenue
Suite 2180
Pittsburgh, PA 15222

Frederick K. Campbell, Esquire
Mitchell, Williams, Selig,
Gates & Woodyard, PLLC
425 W. Capitol Avenue, Suite 1800
Little Rock, Arkansas 72201

S. Doak Foster, Esquire
Mitchell, Williams, Selig,
Gates & Woodyard, PLLC
425 W. Capitol Avenue, Suite 1800
Little Rock, Arkansas 72201

Mona A. Parikh, Esquire
Buchanan Ingersoll & Rooney PC
1105 North Market Street
Suite 1900
Wilmington, Delaware 19801-1228