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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.

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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

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