

Mayrack, Brenda

From: Houghton, Michael
Sent: Tuesday, October 04, 2011 2:40 PM
To: 'Linda.Sizemore@state.de.us'; 'Dave.Lonchar@state.de.us';
'Charles.Santana@state.de.us'; Polizoti, Leslie; Mayrack, Brenda; Stottmann, Ryan
Subject: Fw: BCBSD Proposed affiliation with Highmark

Fyi

From: John Still [mailto:johnstill@stillinsuranceagency.com]
Sent: Tuesday, October 04, 2011 02:33 PM
To: Houghton, Michael
Cc: 'Brenda Ensley' <brendaensley@stillinsuranceagency.com>
Subject: BCBSD Proposed affiliation with Highmark

Good afternoon Mr. Houghton:

As I understand it, you are the contracted D.O.I. legal counsel with whom to respond regarding the proposed "controlled affiliation" above. I would appreciate this correspondence and be entered into the public record as I am unable to attend the scheduled public hearing/meeting of Friday, October 7th.

I write you today regarding the proposed "affiliation" of BCBSD with Highmark Inc.. I believe, for many reasons, the proposed affiliation, notwithstanding all the confidential exhibit 'Redactions' and Standard "e" conclusions missing, is in the overall best interests of the citizens of Delaware, BC/BS Delaware, existing policyholders, retirees, and the State of Delaware and all concerned. I come to this conclusion based on numerous readings, experience as a former legislator, professional insurance knowledge and experiences, and as an Delaware BC/BSD insured, as well as a 30 year plus experienced employee benefits broker.

First, as a part of due diligence, I discussed this proposal with numerous industry folks, in and outside of Delaware, and I read with interest several statements, commentary's, filings, letters, and articles including but not limited to:

- 1) the "Statement Regarding the Affiliation of BCBSD, Inc. with Highmark" filed with the Delaware Insurance Department on or about Oct. 7, 2010, authored by Frederick K. Campbell, Esq. of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
- 2) The Q & A BCBSD document, dated August 20, 2010, available on the BCBSD website;
- 3) The public testimony of Messers. Timothy J. Constantine, President of BCBSD and Kenneth R. Melani, M.D., President and CEO of Highmark, Inc.;
- 4) The filed 'public version' of the "Report on the Proposed Affiliation between BCBS of Delaware and Highmark, Inc.", dated September 13, 2011 by Blackstone Advisory Partners L.P.;
- 5) Numerous webpage postings on the BCBSD webpage including but not limited to: the Pre-Hearing Order, Appointment of Hon. Battle R. Robinson, etc..up to and including the recent letter from David Swayze dated September 27, 2011 opposing the Dept. of Justice's report and "proposed testimony".

Second, in particular, I found the "Blackstone" report enlightening, comprehensive, and analytical, despite numerous confidential "Redactions", as apparently permitted by Delaware law. Assuming the Blackstone company's analysis and conclusions therein are: balanced, weighted fairly and equitably, and comprehensive---which I believe they are--- than it appears the proposed affiliation should proceed in accordance with Delaware law (Title 18, Del C. 5001, 6301, 301, et al.

My positive support of this “controlled affiliation” assumes that the DOI has or will address Standard “e”, which is outside the scope of Blackstone’s assignment and not addressed in their report. Standard “e” presumes that: “the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would ‘NOT’ be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control”. (We must assume that Standard “e” will receive a positive conclusion from D.O.I. or whomever the commissioner or hearing officer decides should examine this provision of Delaware law.)

According to Blackstone’s conclusions, 5 of the 6 Standards pose no material nor substantive challenges to the best interests of the State, policyholders nor the public at large, thus I support this “controlled affiliation” assuming the D.O.I. also concludes Standard “e” meets Delaware high standards. However, if the BCBSD and Highmark Inc. proposal should change from a “controlled affiliation” to an acquisition, merger, conversion, stock purchase, asset purchase or consolidation arrangement(s), than my opinion may change to unfavorable.

The episode with CareFirst of Maryland caused some serious difficulties and challenges operationally, financially, legislatively, and culturally. That unfortunate episode need not be repeated even though it was proximately caused by Maryland General Assembly legislative action(s).

Be that as it may, all in all, I believe this course of action for BCBSD to be necessary, prudent, and in everyone’s best interests.

Sincerely,

John C. Still III, President
Dover Financial Group, Inc.

Registered Health Underwriter

John C. Still, RHU
872 C Walker Road
Dover DE 19904
johnstill@stillinsuranceagency.com
www.stillinsuranceagency.com
Phone: (302) 734-4448, ext. 103
Fax: (302) 734-3402

Securities offered through Princor Financial Services Corporation, (800) 247-1737, member SIPC, Des Moines, IA 50392.