

State of Delaware



DONNA LEE H. WILLIAMS
INSURANCE COMMISSIONER

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Department of Insurance

August 8, 2003

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**Re: August 5, 2003, Correspondence Regarding Rule to
Show Cause Hearing Scheduled for August 12, 2003**

Gentlemen:

I write in response to your letters of August 5, 2003, submitted on behalf of your respective clients, CareFirst, Inc. and BCBSD of Delaware (the "Company" or "Companies").

In your letters, you acknowledged and identified elements of the Maryland legislation, which, in the view of both Companies, require remedial action or otherwise need to be addressed. Your letters report on the establishment of a working group by each Company to address these issues as raised by the Rule to Show Cause. You set forth a proposed plan of action and proposed timeline for addressing these concerns. You also request a continuance of the Rule to Show Cause Hearing currently scheduled for August 12, 2003, to allow refinement and implementation of the corrective measures.

As you know the Delaware Department of Insurance has been raising issues of substantive concern with the Companies for months. Although it is disappointing that it has taken the time that it has, it is productive that each Company has now recognized the problems that recent Maryland legislative and regulatory developments create for the citizens of Delaware, for this Department and for compliance with this Department's March 20, 2000, Affiliation Order to which each Company is a party.

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I, of course, understand the complex nature of the issues involved in this matter and am appreciative of your proposal to work on an expedited basis to address the issues presented. However, the plan set forth in your letter is deficient in several obvious respects, including that:

1. CareFirst and BCBSD's discussions and consultation with Maryland authorities will not be the predicate for decisions made by this Department. In other words, it will not be acceptable for decisions of this Department to be dependent upon modifications or interpretations of Maryland law by Maryland authorities or the timelines necessary to accomplish Maryland objectives.
2. The timelines proposed by CareFirst and BCBSD are not satisfactory.

However, in acknowledgment of the progress that you have demonstrated toward a constructive analysis of the changed circumstances, and in order to give the parties the fullest opportunity to present a workable solution that accommodates their respective obligations, I will adjourn, for a short time, the scheduled hearing. I expect, during the time of that adjournment that you will continue to meet regularly, on a not less than bi-weekly basis, with Department representatives to refine and report upon the progress of an agreed upon plan.

Based on the foregoing, I hereby adjourn the August 12, 2003, Rule to Show Cause Hearing until November 4, 2003, at 10:00 a.m. Should my representatives advise me that continued progress is not being demonstrated as set forth above, I reserve the right to convene the hearing at an earlier date and time.

Sincerely,

Donna Lee H. Williams
Delaware Insurance Commissioner