



Commissioner Donna Lee H. Williams

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P R E S S R E L E A S E

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**INSURANCE COMMISSIONER GRANTS BLUE CROSS
REQUEST FOR POSTPONEMENT OF PUBLIC HEARING**

DOVER, DE – Delaware State Insurance Commissioner, Donna Lee H. Williams, has granted a joint request from Blue Cross Blue Shield of Delaware (“BCBSD”) and CareFirst, Inc. for a postponement of the public hearing scheduled for Tuesday, August 12, 2003. She has reset the hearing for November 4, 2003, to allow the parties to continue their work to identify and resolve apparent conflicts created from Maryland Legislation affecting Carefirst and its subsidiaries, including BCBSD. The public hearing was scheduled so that Commissioner Williams could receive testimony from BCBSD and CareFirst to determine whether compliance with the changes in statutory law in Maryland would result in a violation of the terms of the Commissioner’s order of March 20, 2000, allowing BCBSD and CareFirst to enter into an affiliation agreement. That affiliation agreement made BCBSD part of a regional non-profit Blue Cross Blue Shield licensed company offering Blue Cross Blue Shield coverage in the Delaware, Maryland and the District of Columbia.

In separate but identical letters of August 5, 2003, BCBSD and CareFirst identified and acknowledged several apparent conflicts and reported that they were actively engaged in a process to resolve them. Areas of concern include:

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- The applicability of the change in corporate mission to affiliates of CareFirst
- The mandatory reconstitution of the CareFirst Board of Directors which will result in the mandatory replacement of 12 Maryland directors, the addition of two non-voting board members appointed by the Maryland General Assembly and restrictions on board member compensation
- The requirement that certain management decisions of the Delaware company be approved by the board even though BCBSD is not licensed to offer insurance in Maryland
- The affect on the subscribers as a result of a five year moratorium on any sale or conversion of CareFirst

The companies also acknowledged that, in addition to the “fundamental four” concerns set forth above, there were other issues with respect to regulatory compliance that could result in conflicts between CareFirst’s adherence to the law in Maryland and its ability to remain in compliance with the conditions of the Affiliation Order of March 2000.

In granting the continuance, Commissioner Williams stated that “the Delaware Department of Insurance has been raising issues of substantive concern with the Companies for months. . . . [I]t 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.” Commissioner Williams advised the parties that she was dissatisfied with the attenuated time frame they proposed, however, she acknowledged the complexity of the issues and termed the significant work done by the parties as “productive”. The November 4 date is sooner than that requested by the parties. She also said, “Should my representatives advise me on a biweekly basis that continued progress is not being demonstrated . . . I reserve the right to convene the hearing at an earlier date and time.”

Department officials noted that contact between state regulators and insurance company representatives on pending cases is a routine practice in order to clarify the issues for a hearing and to exchange the documents that are required as part of any case proceeding. Department representatives noted that the best source of up to date official information is through the Delaware Insurance Department's webpage <http://www.state.de.us/inscom/bcbs.htm>.

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