

EXHIBIT B
REQUIRED CONDITIONS

1. BCBSD, GHMSI and BCBSMD and CareFirst must maintain their separate corporate identities for legal, financial, accounting, tax and insurance regulatory purposes.
2. BCBSD will continue to be bound by, and conduct its affairs pursuant to, the requirements of 18 Del. C. Ch. 63.
3. CareFirst and BCBSD must agree to comply with the provisions of 18 Del. C. Ch. 50 (Insurance Holding Company System Registration). CareFirst must also agree to the general supervisory authority of the Delaware Insurance Commissioner pursuant to 18 Del. C. Ch. 3.
4. The Boards of Directors of BCBSD and CareFirst shall be restructured, to the extent necessary, to (i) comply with the terms of the draft amended Certificates of Incorporation and By-Laws of the two companies (Joint Exhibits 9, 10, 11, and 12); (ii) minimize interlocking directors by assuring that no less than two members of the Board of Directors of each Board are outside directors who shall not at the same time also serve on the Board of BCBSD or any subsidiary or affiliate of BCBSD (in the case of CareFirst Directors) or on the Board of GHMSI, BCBSMD, CareFirst or any of their subsidiaries or affiliates (in the case of BCBSD Directors); (iii) ensure that no officer or employee of BCBSD or CareFirst is on either Board and (iv) provide that all of the members of the BCBSD Board shall be residents of the State of Delaware. Any change in this structure must receive prior approval of the DOI.
5. The following transfers of assets by BCBSD to GHMSI, BCBSMD, CareFirst or its subsidiaries or any of their affiliates, or any subsequent agreement providing for or facilitating such transfers, are subject to the following conditions and prior approval of the Commissioner, as follows:
 - (i) Cost allocations: Payment pursuant to cost allocation agreements, service contracts, management, rental and any similar intercompany agreements which exceed \$500,000 in the aggregate in any fiscal year (which shall not be less than 365 calendar days) shall be subject to the prior approval of the Commissioner;
 - (ii) Mandatory transfers: For any transfer for capital reserves, claims payments and other legally enforceable obligations, as defined in the Amended and Restated Intercompany Agreement, from the assets of BCBSD, such transfers shall be in the form of a loan or surplus note, subject to reasonable commercial terms, including but not limited to proper loan or surplus note documentation. Any such mandatory transfers from BCBSD to GHMSI, BCBSMD, CareFirst or its subsidiaries or any of their affiliates which exceed \$500,000 in the aggregate in any fiscal year (which shall not be less than 365 calendar days) shall be subject to the prior approval of the Commissioner. Prior to making a “mandatory transfer,” as defined in the Amended and Restated Intercompany Agreement, the company receiving the transfer from BCBSD must develop a business

plan to eliminate the problem(s) that created the need for the transfer. The plan must include a timeframe within which the funds transferred will be repaid to BCBSD. In addition, the plan must be filed with and approved by the receiving company's domiciliary insurance commissioner and the Delaware Insurance Commissioner;

(iii) Discretionary transfers: For any discretionary transfers, as that term is defined in the Amended and Restated Intercompany Agreement, from the assets of BCBSD (including the assets of its subsidiaries), such transfers shall be in the form of a loan or surplus note, subject to reasonable commercial terms, including but not limited to proper loan or surplus note documentation. Any such discretionary transfers which exceed \$500,000 in the aggregate in any fiscal year (which shall not be less than 365 calendar days) shall be subject to the prior approval of the Commissioner. A discretionary transfer may not be made if the transfer would cause the aggregate balance of outstanding mandatory and discretionary transfers to 1) exceed 10 percent of BCBSD's total admitted assets, 2) exceed 50 percent of its policyholder surplus or 3) cause the RBC ratio to fall below 250% of the authorized control level.

(iv) BPIC Modification: Notwithstanding any provision in the Amended and Restated Intercompany Agreement or any of the related agreements to the contrary, BCBSD shall not assume any liability for, or pay any portion of, the BPIC Modification, as that term is defined in the Amended and Restated Intercompany Agreement, without the express written approval of the DOI. Further, any such assumption of the liability for or payment of the BPIC Modification by BCBSD shall be conditioned upon the submission of a business plan by the entity responsible for such obligation as to the necessity for the assumption or payment by BCBSD, the steps to be taken to remedy the problem which necessitates the involvement of BCBSD, the method of repaying BCBSD for any such assumption or payment, the time within which such repayment shall be made, and the financial benefit to BCBSD of such assumption or payment.

BCBSD must notify the Commissioner in writing of its intention to engage in any transfer that requires the approval of the Commissioner under this paragraph at least 30 days prior to the actual transfer and may engage in the transfer only if the Commissioner approves the transfer in writing. Such transfer shall not be deemed to be approved if the Commissioner has not responded to the request for approval by the end of the 30 days.

A transfer shall not be made, and the Commissioner shall not approve a transfer, which 1) does not meet all requirements of applicable law, 2) does not comply with the terms of the Amended and Restated Intercompany Agreement, 3) would cause the policyholder surplus of BCBSD to fall below statutory reserve requirements of the BCBSA, or 4) would cause the RBC ratio to fall below 250% of the authorized control level.

All transfers of money, notes, investments, equipment or other assets among BCBSD and GHMSI, BCBSMD and CareFirst or any subsidiaries or other affiliates must be properly recorded in the financial

records of BCBSD and documented by a note or other evidence of indebtedness, as an asset of the transferring company and as a liability of the transferee company, unless adequate, reasonable consideration for the transfer has been obtained and documented.

All obligations of BCBSD pursuant to Section II of the Amended and Restated Intercompany Agreement shall cease as of the date of termination of such agreement under Section VII of that agreement; except any obligations of BCBSD to make mandatory transfers pursuant to Section II(a) or transfer for other legally enforceable obligations pursuant to Section II(c) of that agreement, subject to the other conditions set forth herein, for which BCBSD received prior notice of such request under Section II(a) or Section II(c) for the Requesting Party prior to notice by any party of the intent to terminate the agreement. In no event shall any transfers by BCBSD be permitted to be made pursuant to Section II(b) after notice of termination of the agreement has been given.

6. BCBSD shall not participate in any joint venture(s) with CareFirst, BCBSMD, GHMSI or any of their subsidiaries or affiliates to purchase any asset or assets having a total purchase price aggregating more than \$500,000 for any fiscal year without the prior written approval of the DOI.

7. Based upon further review of the entire record herein by the Department, it was disclosed that BCBSD had a Rabbi Trust with a balance of \$5.5 million as of record date, June 30, 1999. This Rabbi Trust was established in 1991. On a statutory basis, the Rabbi Trust was considered to be a non-admitted asset and as such, reduced surplus. The Rabbi Trust will be funded with an additional \$9.9 million of the approximate \$15 million cost prior to the close of the affiliation. The \$9.9 million combined with the existing balance will be the source of payments for early retirement options under the officer employment agreements. On a statutory basis, the \$9.9 million funding will cause an additional reduction in policyholder surplus. The financial impact hereafter upon BCBSD of its officer employment agreements is not prohibited under the Delaware Insurance Code. However, it is strongly recommended that the Attorney General of the State of Delaware, as the party representing the public beneficiaries of BCBSD, hereafter continue to review BCBSD/CareFirst executive compensation issues as they relate to the interest of such public beneficiaries pursuant to the other relevant conditions set forth herein, including prior notice of all significant transactions to the DOJ as well as the DOI.

8. Any contracts between BCBSD and its executive officers which contain provisions for compensation to be paid in the event of a change of control shall not be renewed or extended beyond their current expiration dates without the prior approval of the DOI. For a period of two years following the effective date of affiliation, any new agreements entered into by BCBSD or CareFirst with any of the ten executives covered by the current contracts and which provide for compensation in the event of a change of control shall be filed with the DOI and the DOJ.

9. BCBSD shall maintain its not-for-profit status for at least two years from the date the Affiliation becomes effective. Thereafter, as provided in paragraph 10, it shall not convert to a for-profit status without the approval of the Commissioner and of such other governmental entities as may be required.

10. Any change in the corporate status of BCBSD, including dissolution, merger or change (or conversion) to a for-profit status must receive the prior written approval of the DOI. Likewise, any change in the financial, accounting, or tax reporting methodologies of BCBSD must receive prior written approval of the DOI. No sale or transfer of all, or substantially all, of the assets of BCBSD shall take place without prior written approval of the DOI. Any change in the corporate structure of CareFirst or any of the affiliates which is required to be filed with another regulator must also be simultaneously filed with the DOI.

11. The By-Laws of BCBSD shall provide that upon any dissolution its assets shall be distributed to another non-profit entity. Article Eight of the draft Amended and Restated Certificate of Incorporation of BCBSD which was admitted into the record at the October 25, 1999 hearing as Joint Exhibit 9 and which was approved by the DOI and the DOJ shall not be amended or altered without prior approval of the DOI and the DOJ.

12. Within 60 days of the date the Affiliation becomes effective, BCBSD shall provide to the DOI for approval a proposal outlining the method for performing a valuation of BCBSD as of the date the Affiliation is effective. The purpose of such valuation is to facilitate a future distribution of assets, in the event of a future dissolution or conversion to a for-profit entity. The proposal should be consistent with the approach being taken to develop similar evaluations of GHMSI and BCBSMD under the direction of the District of Columbia Division of Insurance and Securities Regulation and the Maryland Insurance Administration and include the same information. Such evaluation methodology shall also take into consideration any changes in the value of BCBSD from the date the Affiliation becomes effective through the date of such dissolution or conversion to a for-profit entity.

13. BCBSD and CareFirst shall cooperate in any effort by the DISR, the MIA and the DOI to establish identical categories of information on all statutory financial statements and reports.

14. BCBSD and CareFirst shall cooperate in a market conduct examination by the DOI, possibly in conjunction with DISR and MIA, pursuant to Chapter 3 and Chapter 50 of Title 18 of the Delaware Code.

15. Within 180 days of the effective date of the Affiliation and annually thereafter, prior to any changes, BCBSD shall report to DOI in detail any planned rate increases, integration of products, service and administrative functions, any projected cost savings, and timetables for any proposed integration. Within 180 days of the effective date of the Affiliation and quarterly thereafter, BCBSD, prior to any changes, shall report to DOI in detail, and for each county of the state, proposed rate increases, changes in products, services and provider contractors, and proposed reduction in staff, and any proposed reduction in the size of, or the closing of, any facility.

16. After the effective date of the Affiliation, all rate increases, benefit changes and product changes of BCBSD shall be filed with the DOI for approval at least 60 days prior to the effective date of such change; provided, however, that such changes shall be deemed approved if the DOI does not object in writing to such change within such 60 day period.

17. Without the prior approval of the DOI, the Delmarva Health Plan shall not use the BCBS marks.

18. Whenever prior approval must be obtained from the DOI under any of these conditions, simultaneous notice shall be given to the DOJ.

19. These conditions are subject to further order as circumstances may require. These Findings and Recommendations and the Commissioner's Order are subject to further modification or amendment or further review either sua sponte by the Commissioner or by motion of a party.

20. BCBSD and CareFirst shall continue to be subject to the jurisdiction of the DOI for the purpose of implementing the terms of these conditions and the Final Order and Decision.

3/20/00