



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Commissioner

July 6, 1999

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Advanced Via Facsimile

Mr. Stephen E. Bablitch  
Vice President, Secretary, and  
General Counsel  
Blue Cross & Blue Shield United of Wisconsin  
401 W. Michigan Street  
Milwaukee, WI 53202

Re: Application for Conversion of Blue Cross & Blue Shield United of Wisconsin (Case No. 99-C26038)

Dear Mr. Bablitch:

This Office is continuing its review of the Application for Conversion of Blue Cross & Blue Shield United of Wisconsin. Responses to the following questions and requests are sought to clarify our understanding of the application. Additional questions and requests will be made as the review proceeds.

1. This Office will need a copy of the rules and licensing requirements of the Blue Cross and Blue Shield Association, including, but not limited to, those applicable to conversions from non-profit status.
2. This Office will need a copy of each amendment and amendment and restatement made to the articles of incorporation and the bylaws since the inception of Blue Cross & Blue Shield United of Wisconsin as Associated Hospital Service, Inc. to the present.
3. This Office will need the minutes of the board meeting at which the articles of incorporation were last revised.
4. At the present time, Blue Cross & Blue Shield United of Wisconsin is licensed as a hospital service insurance corporation for hospital services and health care under Chapter 613 of the Wisconsin Statutes. With conversion into an insurer organized under ch. 611, Wis. Stats., this form of license will not be acceptable. What lines of business does Blue Cross & Blue Shield United of Wisconsin propose to write pursuant to s. Ins 6.75, Wis. Adm. Code?
5. The application, as filed, does not provide any specific name for the stock holding company. What will this company be named?
6. The stock holding company's proposed articles of incorporation, as filed, would authorize the board of directors to issue 1,000,000 preferred shares. Power is vested in the board of directors to determine the voting rights of such shares relative to the common shares and every other matter with respect to the preferred stock. The application for conversion does not provide any information concerning intentions for the issuance or the purpose for issuance of preferred stock. What are the intentions and purposes for the issuance of preferred stock by Blue Cross & Blue Shield United of Wisconsin after its conversion?

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7. The application for conversion uses inconsistent references with respect to the name of the proposed public health foundation. The public health foundation is alternately named "Blue Cross and Blue Shield United of Wisconsin Public Health Foundation", "Blue Cross and Blue Shield Public Health Foundation", and "BCBS United of Wisconsin 501(c)(4) Organization, Inc." What will be the proper name of the proposed public health foundation?
8. Who is to be named as the lead underwriting manager in Section 5(b) of the Registration Rights Agreement?
9. What investment banking firms, other than the lead underwriting manager, will be engaged for the purpose of distributing the public health foundation's stock holdings?
10. How will the proposed public health foundation pay its expenses prior to the sale of the stock holding company's shares?
11. Who is the intended trustee of the voting trust that will hold the stock holding company's shares on behalf of the proposed public health foundation?
12. What is the intended minimum shareholders' equity requirement for the trustee of the voting trust under Section 8.05(ii) of the Voting Trust and Divestiture Agreement?

If you have questions on this or any other matter in which I may be of some assistance, please call my direct line at (608) 267-4388.

Sincerely,

Steven J. Junior  
Senior Insurance Examiner  
Bureau of Financial Analysis & Examinations

cc: Joseph C. Branch, Foley & Lardner