



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tommy G. Thompson
Governor

Connie L. O'Connell
Commissioner

October 26, 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

Dear Mr. Bablitch:

Responses to the following items are requested in connection with this office's review of the Application for Conversion of Blue Cross & Blue Shield United of Wisconsin.

Public Health Foundation Issues

1. The initial registered agent, the initial three (3) directors, the nine (9) successor directors, and the incorporator of the public health foundation are not specified in the application for conversion. Who will be the initial registered agent? Who will be the initial directors? Which nine (9) individuals will succeed the initial three (3) directors? Who will be the incorporator?
2. Please provide a copy of the board minutes and resolution evidencing the adoption of the report on the intended use of foundation resources from the University of Wisconsin Medical School and The Medical College of Wisconsin.
3. Is the nonprofit Blue Cross in possession of any assets received and held subject to limitations permitting their use only for certain charitable, religious, eleemosynary, benevolent, educational, or similar purposes? If so, what plans does Blue Cross have to convey such assets to a proper successor in interest?

Business Plans

4. Please provide a description of the types of policies that Blue Cross currently makes available. I am interested in the company's own internal descriptions of product types and customer types, that is, how the marketing department tracks the product mix.
5. Which types of insurance programs and services will the converted for-profit Blue Cross prioritize for growth and development?
6. Which types of insurance programs and services will the converted for-profit Blue Cross seek to reduce or terminate?

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7. Will the converted Blue Cross seek to reduce or terminate services in any region of this State in which it is currently active?
8. What effect, if any, would the conversion from a non-profit service insurance corporation to a stock insurance corporation have on the factors determining rate levels?
9. Does management anticipate any changes in its marketing practices or distribution channels?
10. Describe the company's plans for charitable contributions and commitment to community outreach after the conversion in comparison to past practices.
11. Does Blue Cross plan to purchase or sell any books of business over the next twelve months?
12. Is it anticipated that the number of people employed by Blue Cross and the holding company system that it presently controls will increase or decrease? If so, what is the anticipated magnitude of the change?
13. From what locations are Blue Cross operations conducted or regularly supported other than the home office in Milwaukee, Wisconsin? What general functions are conducted from these offices? Does management anticipate opening or closing any new offices over the next twelve months?
14. What changes does management anticipate with respect to service, management, cost allocation, or other written agreements among members of Blue Cross' holding company system?

Miscellaneous

15. The proposed "Officer's Certificate Regarding Approval of the Plan of Conversion by Members of BCBSUW" (Exhibit 1A) anticipates that 8 members will vote, rather than nine. Is it anticipated that the membership of the board will be reduced prior to the vote on this matter?

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