



OFFICE OF INSURANCE REGULATION
Applications Coordination

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

**OFFICE OF INSURANCE REGULATION
BUREAU OF LIFE AND HEALTH SOLVENCY
LARSON BUILDING
TALLAHASSEE, FLORIDA 32399-0327**

1. Acquiring Company:

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville, Florida 32246

(City, State, Zip)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

John F. Black

(Contact Person)

2. Specialty Insurer Affected: Certificate of Authority or License Number

FL Co. Code: 87001 NAIC Co. Code: 95112

Health Maintenance Organization (HMO)

(Type of Certificate of Authority)

Capital Health Plan, Inc.

(Name)

2140 Centerville Place

(Address)

Tallahassee, Florida 32308

(City, State, Zip)

(850) 383-3333

(Telephone Number)

FEIN 95-1830622

(Federal Identification Number)

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

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Question #2 is Answered in Tab #1

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

(3) This filing is for (check those applicable):

- | | |
|--|--------------|
| a) Acquisition of Controlling Stock (Corporation) | () |
| b) Acquisition of ownership interest (Partnership) | () |
| c) Acquisition of parent company | (X) |
| d) Merger of Consolidation | () |
| e) Purchase or acquisition of assets and certain liabilities | () |
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

4. Check one or both of the following:

- a) This filing affects a Specialty Insurer licensed with the Department pursuant to Chapter _____, Florida Statutes.
 - b) This filing affects a company which controls a Specialty Insurer licensed with the Department pursuant to Chapter 641, Part I Florida Statutes.
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

5. The transaction for which this form is filed is scheduled to occur
January 1, 2014 or, if it is a post filing, occurred _____
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

6. In summary, the transaction is as follows:

See the documents contained in the *Acquisition of Controlling Interest of a Domestic Insurer* submitted by NEWCO MIHC pursuant to §628.461(1)(a), Florida Statutes, I-Apply Work Log 3876

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
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7. A statement of Acquisition, Consolidation or Merger was submitted to the Department on June 8, 2013 (initial statement) and June 11, 2013 (complete filing) (date submitted).
-

On June 8, 2013, a Composite Initial Notice of the Statement of Acquisition of Controlling Interest of a Domestic Insurer pursuant to §628.461(1)(a), Florida Statutes, and a Composite Statement of Acquisition of a Specialty Insurer per §628.4615(2)(b), Florida Statutes I-Apply Work Log 3876 was submitted to the Florida Office of Insurance Regulation by NEWCO MIHC. See attached Initial Notice.

A completed Composite Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(b), Florida Statutes and a completed Composite Statement of Acquisition of a Specialty Insurer per §628.4615(2)(b), Florida Statutes, was submitted by NEWCO MIHC to the Florida Office of Insurance Regulation on June 11, 2013, pursuant to §628.461(1)(b) and §628.4615(2)(b), Florida Statutes.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 5, 2013

Gwen Chick, Application Coordination Section
FL Office of Insurance Regulation
200 East Gaines St., Larson Bldg.
Tallahassee, Florida 323299

Filed Via I-Apply

Re: Acquisition of Blue Cross Blue Shield of Florida, Inc., d/b/a Florida Blue, by NEWCO MIHC Initial Letter of Notification of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes.

Dear Ms. Chick:

The following information is the composite Initial Notification by NEWCO MIHC of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes:

1. Acquiring Entity or Person

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville

(City)

FL

(State)

32246

(ZIP)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

John F. Black, President, Meridian Consulting, Inc. (850) 386-9898
(Contact Person) (Telephone Number)

P.O. Box 14989, Tallahassee, FL 32317-4989
(Contact Person and Address)

2. FL Domestic Insurer Affected:

HMO / L&H Insurer / P&C Insurer See Below for Co. Code
(Type of Authority and Florida Company Code)

Blue Cross and Blue Shield of Florida, Inc.
FEIN # 59-2015694, FL Co. Code 06020
(Name)

Florida Combined Life Insurance Company, Inc.
FEIN #59-2876465, FL Co. Code 05687
(Name)

Comp Options Insurance Company, Inc.
FEIN # 593433503, FL Co. Code 03018

Health Options, Inc.
FEIN 59-2403696; FL Co. Code 87022
(Name)

Florida Health Care Plan, Inc.
FEIN 26-3238817; FL Co. Code 87111
(Name)

Florida True Health, Inc.
FEIN 45-4088232; FL Co. Code 12492
(Name)

Capital Health Plan, Inc.
FEIN 95-1830622; FL Co. Code 87001
(Name)

4800 Deerwood Campus Pkwy, DC1-7
(Address)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

- c) Number and percentage of shares or ownership interests to be acquired by each entity or person.

100% of the stock, 100% of membership interest, or control of the Board of Directors.

2. A statement outlining material changes in the operation or business operations of the FL Domestic Insurer or a statement citing no material change in operations.

There will be no change in the operation or business operations of the domestic insurers or HMOs.

3. An organizational chart indicating the ownership structure of the acquiring entity and the seller, which reflects all affiliated entities prior to and subsequent to the transaction.

Enclosed is a Corporate Organization Chart showing pre and post organization structure.

4. A Management Information Form (OIR-C1-921) for the FL Domestic Insurer and each entity, directly or indirectly, owning or controlling 5% or more of the FL Domestic Insurer.

Enclosed are copies of the Management Information Form (OIR-C1-921) for each entity.

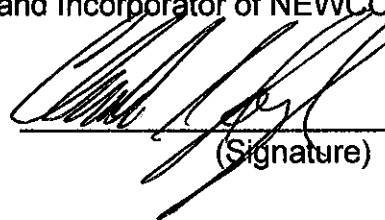
NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

The Following Attestation Form Shall Be Used:

I, the undersigned, of NEWCO MIHC (acquiring entity) do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this Letter of Notification are true and correct.

(Corporate Seal)

**Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel**
Blue Cross and Blue Shield of Florida, Inc.
and Incorporator of NEWCO MIHC



(Signature)

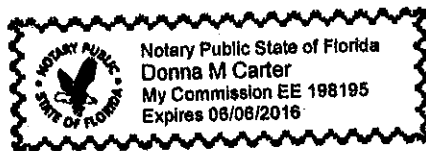
State of Florida

County of Duval

Sworn to and subscribed before me

this 5th day of June, 2013

Donna M. Carter
(Notary Public)



(Seal)

My Commission Expires 6/6/2016

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 1(a)

Summary of Transaction

Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue intends to convert its corporate structure from a not-for-profit mutual insurance company to a stock insurer organized as a subsidiary of NEWCO MIHC, a newly created mutual insurance holding company pursuant to Part III, Chapter 628, Florida Statutes. The principal effects of the reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve "the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies" within the meaning of Section 628.709(1), Florida Statutes.

See Section II-7 of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, for a complete description of the transaction as well as copies of the transaction documents.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

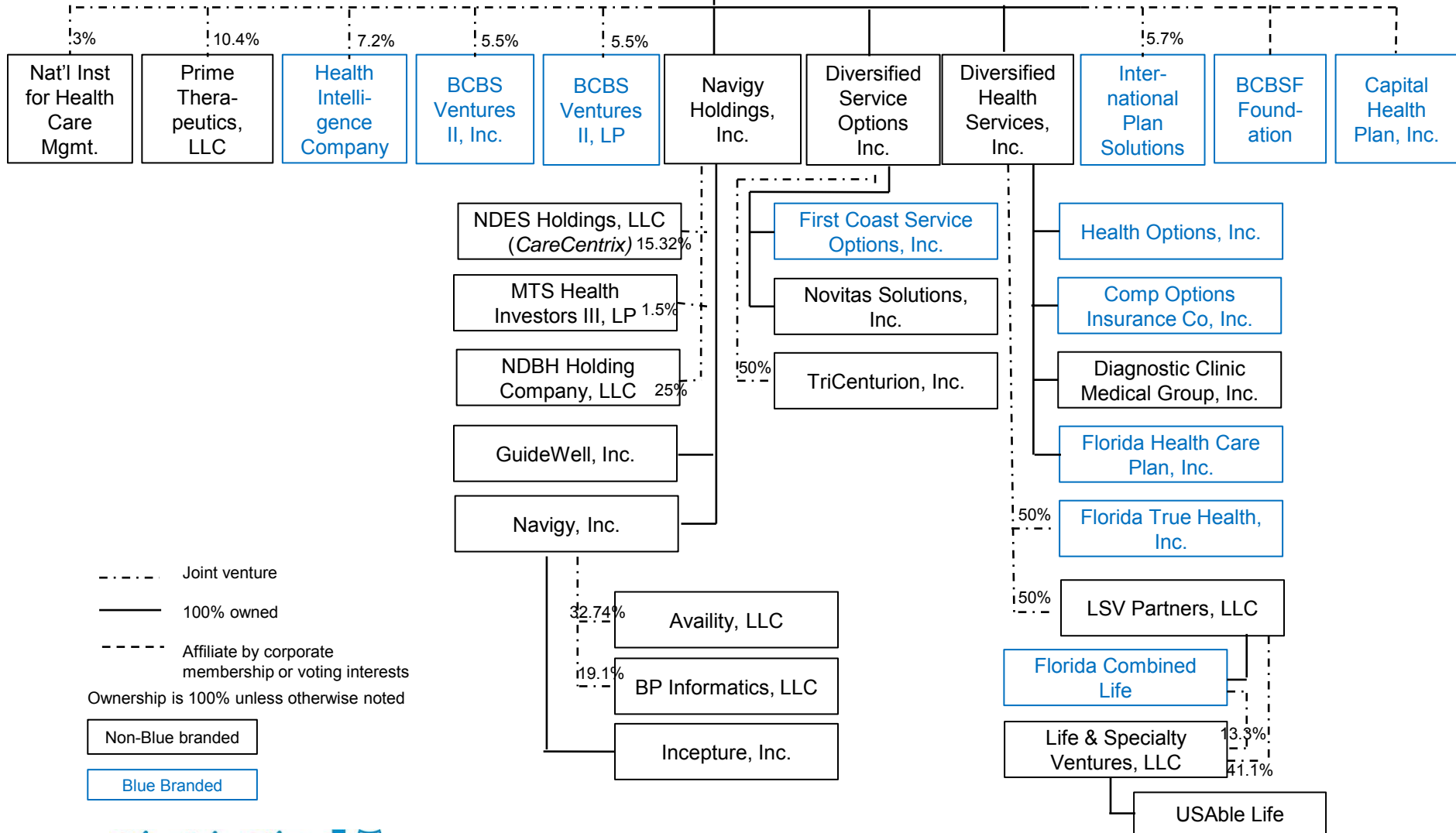
Exhibit 3

Pre and Post Transaction Corporate Organization Chart

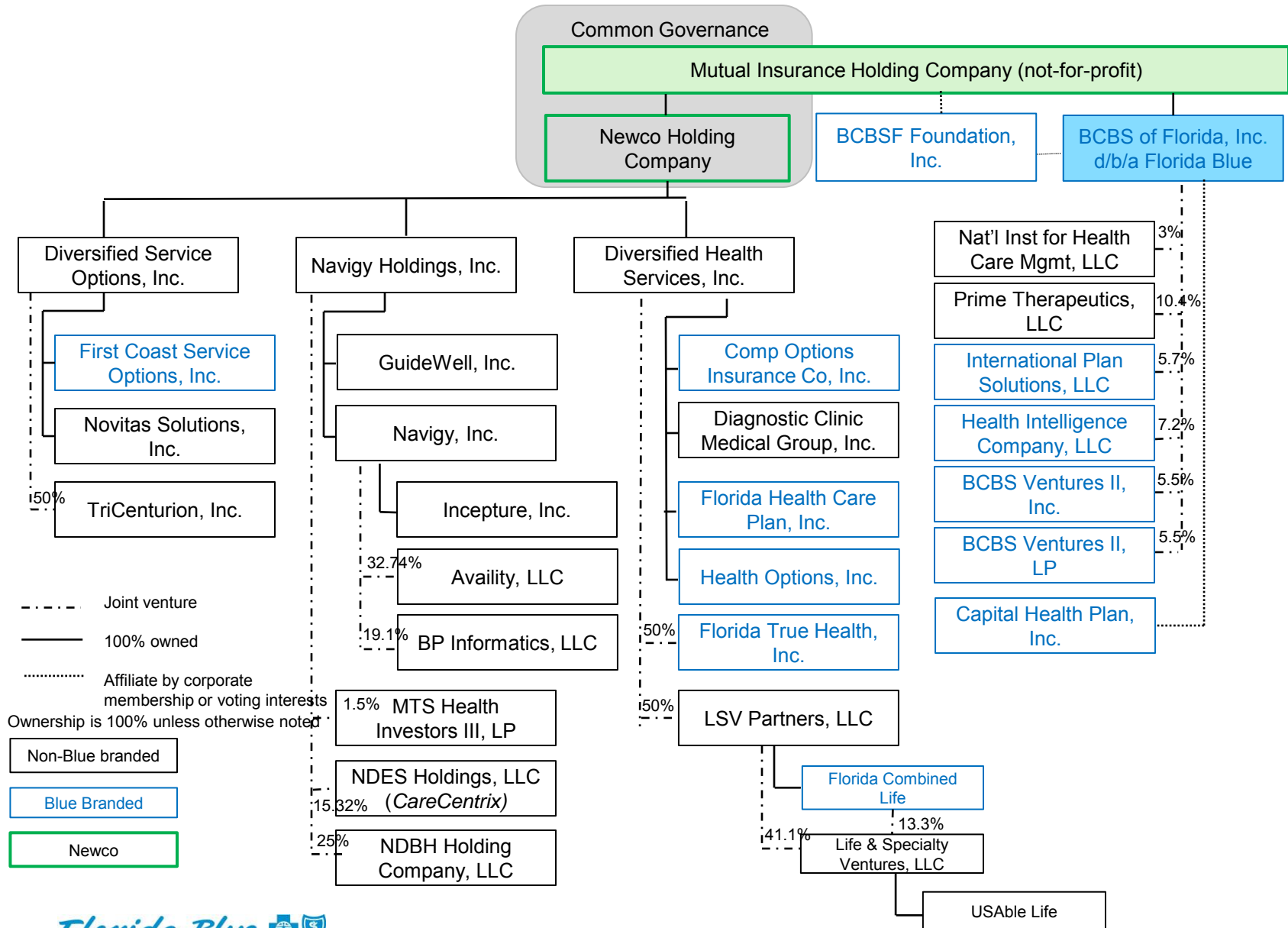
Enclosed is a Corporation Organization Chart showing pre and post organization structure.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



- - - - - Joint venture
 ——— 100% owned
 Affiliate by corporate membership or voting interests
 Ownership is 100% unless otherwise noted

Non-Blue branded
 Blue Branded
 Newco



NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 4

Management Information Form (OIR-C1-921) for each entity

Enclosed are Management Information Forms, OIR-C1-921 for each entity.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wallace Kenneth Boutwell, Jr.

President, Chairman

Thomas Arnold Barron

Secretary

David Keith Coburn

Treasurer

Winifred Schmeling

Vice-Chairman

John Hogan

Chief Executive Officer

Sabin Baass

Chief Financial Officer

DIRECTORS (MANAGERS):

Dubose Ausley

John Tom Herndon

Issac Moore, M.D.

James Brian Sheedy, M.D.

Patricia Hayward

Joyce Kramzer

Lillie Bogan

W. Kenneth Boutwell, Jr.

Stephen McArthur

Thomas A. Barron

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.

DIRECTORS (MANAGERS): Continued

David K. Coburn

Winifred H. Schmeling

SHAREHOLDERS (MEMBERS):

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Comp Options Insurance Company, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Joseph Christopher Santore, Jr.

CEO & President

Deanna Marie McDonald

Treasurer

Jarrod Wendell Harmon

Secretary

DIRECTORS (MANAGERS):

Charles (NMN) Divita, III

James Carl Modaff

Elana Gail Schrader

Darnell (NMN) Smith

Jon Richard Urbanek

Deanna Marie McDonald

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Health Care Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wendy Ann Myers, M.D.

President and CEO

David Carl Schandel

CFO and Assoc. CEO

Pamela J. Thomas

Asst. Secretary

Arezou C. Jolly

Secretary

DIRECTORS (MANAGERS):

Joyce A. Kramzer

R. Chris Doerr

Jon Urbanek

Deanna M. McDonald

William Andrew Coats

Wendy Ann Myers, M.D.

David Carl Schandel

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Combined Life Insurance Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Jason Dennis Mann

President & CEO

Mark Alan Langston

Treasurer

William Creasman

Secretary

DIRECTORS (MANAGERS):

L. Joseph Grantham

Jason D. Mann

Mark A. Langston

James Casey

George Mitchell, M.D.

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida True Health, Inc.

(Post MIHC Restructure)

OFFICERS:

TITLES:

Dwight David Chenette

President

Debi Gavras

Executive Director

Steven Harvey Bohner

V.P. & Treasurer

Robert Howard Gilman

V.P. & Secretary

DIRECTORS (MANAGERS):

Robert Chris Doerr

Joyce Ann Kramzer

Anne Maureen Morrissey

Steven Harvey Bohner

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.
AmeriHealth Mercy Health Plan

50.00%
50.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Health Options, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Robert Chris Doerr	Chief Executive Officer
Seth Matthew Phelps	Secretary
William Andrew Coats	Treasurer
Joyce Ann Kramzer	President

DIRECTORS (MANAGERS):

Robert Chris Doerr
Joyce Ann Kramzer
Jonathan Gavras

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

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FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

8. This statement was sent by registered mail on June 10, 2013 (date sent) to the Specialty Insurer and any controlling company, if applicable. Please note any additional information required by the Department pursuant to Section 628.4615(4), Florida Statutes, must also be sent by registered mail to the Specialty Insurer and to the controlling company of the Specialty Insurer.

Provide documentation to support this information was received.

The *Composite Acquisition of Controlling Interest of a Domestic Insurer*, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains copies of transmittal letters and the certified mail receipts required by this section and Exhibit 17 of this application.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

9. Have there been any material changes in the facts set forth in the Statement of Acquisition, Consolidation or Merger since it was filed by the Department?
_____ Yes No

If yes, include amendments which set forth the changes. If yes, when was the notice of these changes sent to the affected parties (listed in #8) by registered mail _____ (date sent)? Not Applicable

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
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10. a) Does the acquiring person or persons plan to:
- i. Liquidate the Specialty Insurer? Yes No
 - ii. Sell its assets? Yes No
 - iii. Merge or consolidate with any other person? Yes No
 - iv. Make any major change in its business or corporate structure or management?
 Yes No

(If the acquirer does intend to do one or more of the above, such plan must demonstrate that it is fair and free of prejudice to the insureds of the Specialty Insurer and to the public. The burden of proof is on the acquiring entity).

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

10. (b) Does the acquiring person plan to:

- i. Liquidate the parent of the Specialty Insurer? ___ Yes No
- ii. Sell the assets of the parent of the Specialty Insurer? ___ Yes No
- iii. Merge the parent or consolidate it with any other person? ___ Yes No
- iv. Make any major change in the parent's business or corporation structure or management? _____ Yes No

(If the acquirer does intend to do one or more of the above, such plan must demonstrate that it is fair and free of prejudice to the insureds of the Specialty Insurer and to the public. The burden of proof is on the acquiring entity).

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
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PURSUANT TO FLORIDA STATUTES 628.4615**

11. Upon completion of the acquisition, will the Specialty Insurer be able to satisfy the requirement for the issuance of a license or certificate to write the line of insurance for which it is presently licensed or certificated?

Yes No

If "NO", explain.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
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PURSUANT TO FLORIDA STATUTES 628.4615**

12. If the acquisition has already taken place, has the acquirer agreed not to make any material changes in the management or operation of the Specialty Insurer or its controlling company while this application is being considered? _____ Yes _____ No Not Applicable
- a) Has the acquirer agreed not to obligate 5% or more of its net worth?
_____ Yes _____ No Not Applicable
- b) Has the acquirer agreed not to make any managerial changes?
_____ Yes _____ No Not Applicable
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

13. For HMO's only:

- a) If for-profit, a statement setting forth method of compliance with Florida Statutes 628.451.**
 - b) If non-profit, a statement setting forth method of compliance with Florida Statutes 628.471.**
-

Not Applicable. This transaction is not a merger or a share exchange of a Specialty Insurer.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

- 14. Identify the source and amount of the funds or other consideration used, or to be used, in making the acquisition.**

There are no funds required for this transaction. See the documents contained in The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 1

All Written Agreements Between Parties

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all written agreements between the parties.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 2

Summary of Any Verbal Agreements between parties including:

Any transfer of securities?

a) Any option arrangements?

b) Any puts or calls?

c) Any proxies given or received?

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all written agreements between the parties.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 3

Description of the transaction including:

- a) Controlling interest;**
- b) Terms of the acquisition;**
- c) Number and percentage of share to be acquired;**
- d) Any transfer of securities, any option arrangements, any call, any proxies given or received.**

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains a description of the transaction.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 4

Financial statements of the acquiring company which clearly indicate the acquiring company can fulfill its financial responsibilities.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all required financial statements.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 5

Evidence that all required reserves are in place.

There will be no change in the Specialty Insurer. Evidence of required reserves is on file with the Florida Office of Insurance Regulation and is hereby incorporated by reference. The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains reserve information on any affected entity.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 6

Copies of all new or revised escrows, contracts or agreements which demonstrate compliance with all applicable statutory provisions by the acquiring company.

There will be no change in the escrows, contracts or agreements of the Specialty Insurer that demonstrates compliance with all applicable statutory requirements.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information to demonstrate NEWCO MIHC will be in compliance with all applicable statutory provisions.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 7

Evidence that the status of revised and existing escrows, contracts or agreements with the consumer are, and will be, satisfactory.

There will be no revisions to existing escrows, contracts or agreements with the consumers as a result of this acquisition.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 8

If needed, copies of pro-forma financial statements which clearly demonstrate the effect of the acquisition after completion of the transaction.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required proforma financial projections.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 9

A statement outlining material changes in the operation or business operations of the affected company or a statement citing no adverse material change in operations.

There is no change in the business operations of the Specialty Insurer.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains information outlining material changes in the operations or business operations of any affected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 10

Certified copies of the appropriate organizational documents of the acquiring company, i.e., Articles of Incorporation, Bylaws, Partnership Agreements, Certificate of Good Standing, etc. and one facsimile copy of each.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required corporate organization documents.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 11

Evidence that all requirements have been met with respect to:

- a) Bonding**
 - b) Deposits**
 - c) Reserves**
 - d) Solvency**
 - e) Insurance**
-

There is no effect on the Specialty Insurer with respect to bonding, deposits, reserves, solvency or insurance.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information concerning the bonding, deposits, reserves, solvency or insurance of any effected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 12

Status of existing debts or obligations including all claims of the Specialty Insurer.

There is no effect on the Specialty Insurer with respect to existing debts, obligations or claims

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information concerning the status of existing debts, obligations or claims of any effected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

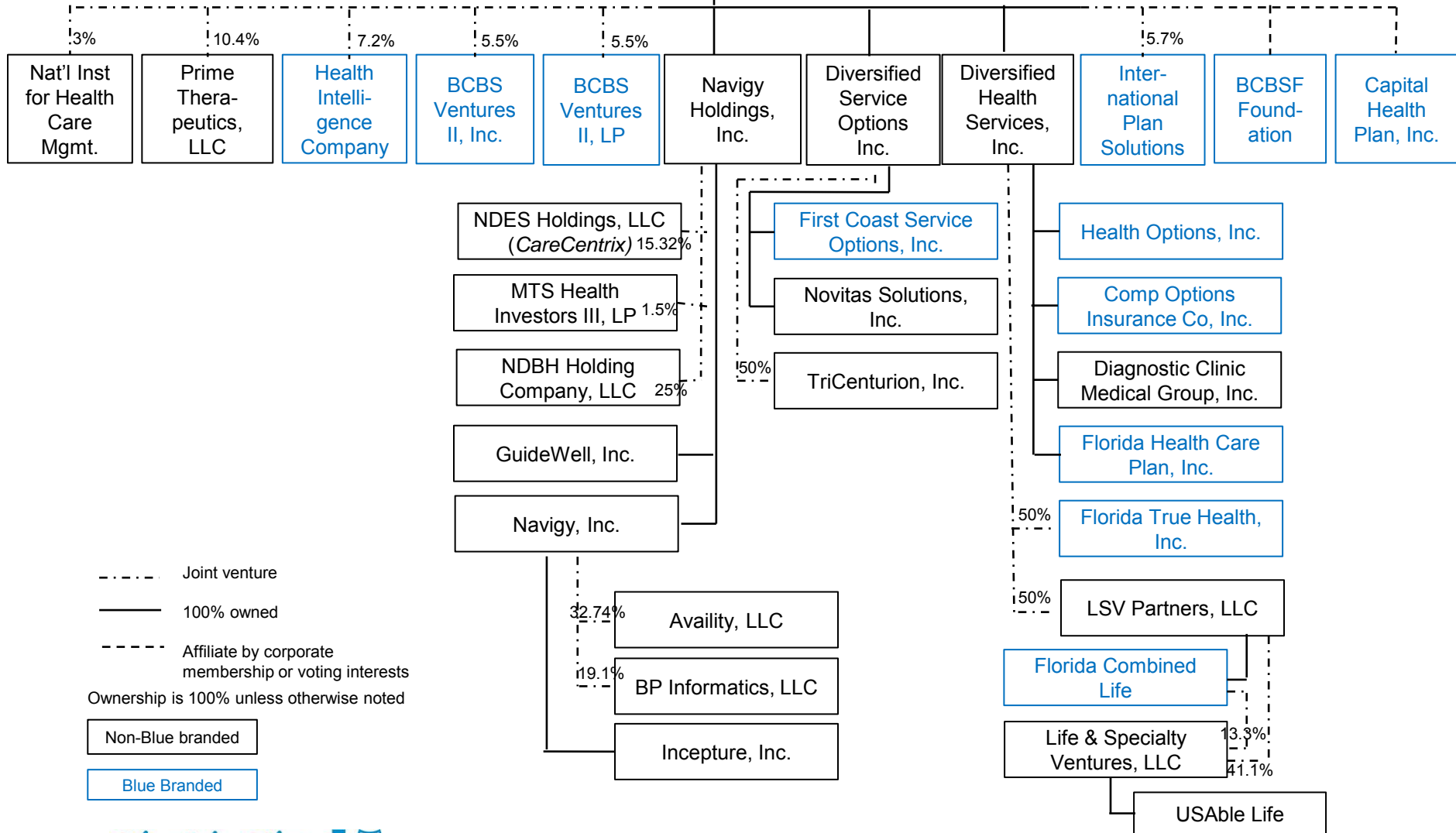
EXHIBIT 13

An organizational chart indicating the corporate structure of the acquiring entity and the seller which reflects all affiliate entities prior to and subsequent to the acquisition for each.

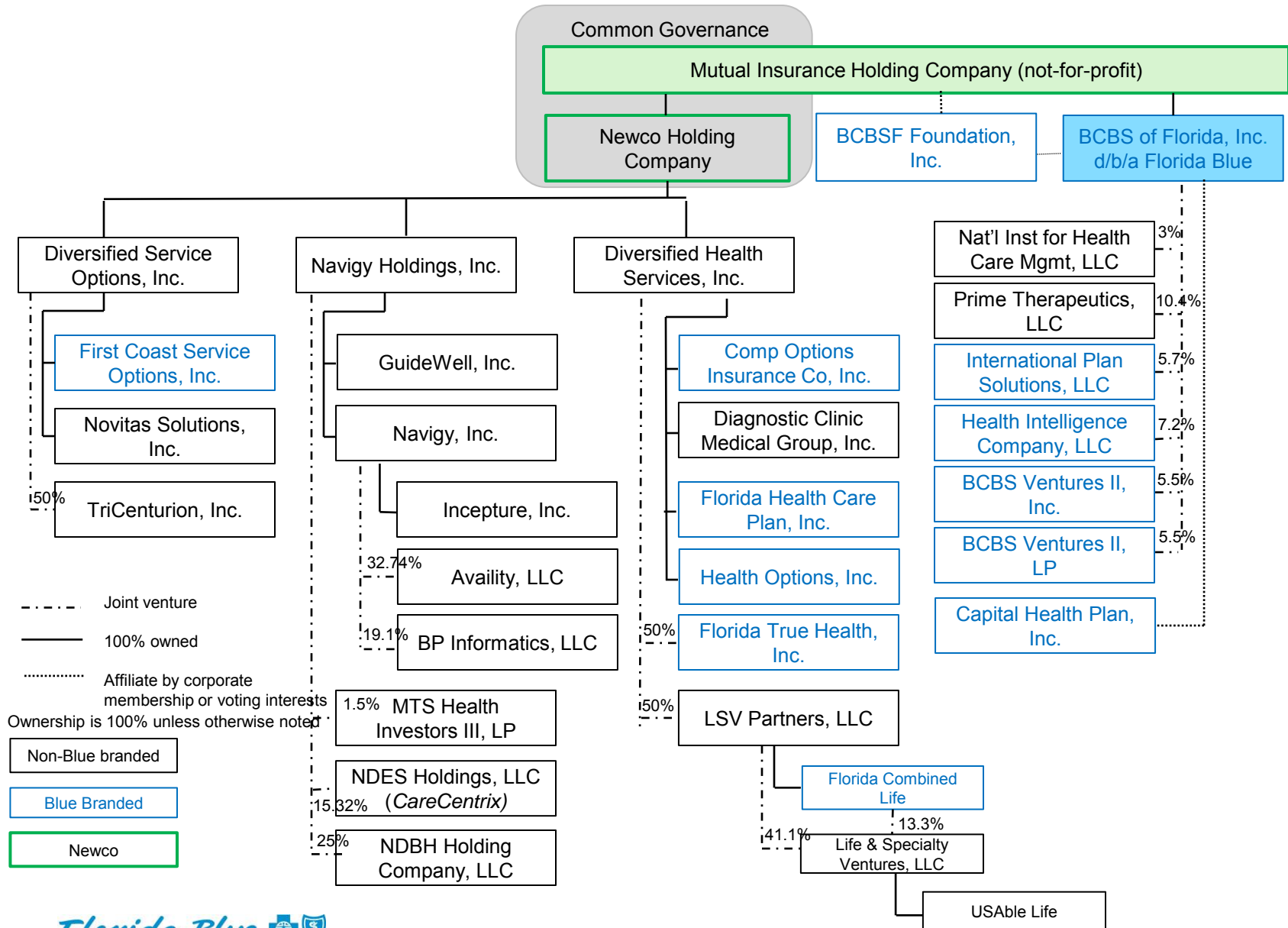
The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains corporate organizational charts that reflects affiliated entities prior to and subsequent to the transaction.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



- - - - - Joint venture
 ——— 100% owned
 Affiliate by corporate membership or voting interests
 Ownership is 100% unless otherwise noted

Non-Blue branded
 Blue Branded
 Newco



**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 14

Biographical Statements on Department forms for each natural person who possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the applicant, whether through the ownership of voting securities, title or position, by contract or otherwise; including all partners, and if a corporation, all stockholders and directors, and the President, Chief Executive Officer, all Vice-Presidents, Secretary, Treasurer and Chief Financial Officer.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required Management Information Forms, Biographical Statements and other background information.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

John M. Hogan

President & CEO

Thomas Arnold Barron

Secretary

David Keith Coburn

Treasurer

DIRECTORS (MANAGERS):

W. Kenneth Boutwell, Jr.

Chairman

Dubose Ausley

John Tom Herndon

Issac Moore, M.D.

James Brian Sheedy, M.D.

Patricia Hayward

Joyce Kramzer

Lillie Bogan

Thomas A. Barron

David K. Coburn

Winifred H. Schmeling

Vice-Chair

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.

SHAREHOLDERS (MEMBERS):

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue (Controls the Appointment of 14 of 27 Individual Corporate Members)	51.80%
Capital Health Plan, Inc. (Controls the Appointment of 13 of 27 Individual Corporate Members)	<u>48.20%</u>
Total	<u>100.00%</u>

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 15

“Waiver of Public Hearing and Request for Approval,” Form.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required “Waiver of Public Hearing Forms”.

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

We, the undersigned, on behalf of Blue Cross and Blue Shield of Florida, Inc.

hereby waive our right to a public hearing on the proposed acquisition of

Capital Health Plan, Inc. by NEWCO MIHC

a Florida corporation, as outlined in the documents submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Date: 6/5/13

Attest: Donna M. Carter *assistant
Corporate
Secretary*
(Name and Title)

Deborah Phelps *assistant
General
Counsel*
(Name and Title)

By [Signature] *SVP, General Counsel*
(Name and Title) & *Corporate Secretary*

By R. Steven Wacker, EVP + CFO
(Name and Title)

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

We, the undersigned, on behalf of Diversified Health Services, Inc.

hereby waive our right to a public hearing on the proposed acquisition of

Capital Health Plan, Inc. by NEWCO MIHC

a Florida corporation, as outlined in the documents submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Date: 6/7/13

Attest: Sandra M. Duke, Managing Principal
(Name and Title)

By R. Clark Avery, President
(Name and Title)

Sandra M. Duke, Managing Principal
(Name and Title)

By Scott M. Phelps, Secretary
(Name and Title)

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 16

If an HMO, file documents supporting compliance with Florida Statutes 628.451 or 628.471, as applicable.

Not Applicable. This transaction is not a merger or share exchange of a Specialty Insurer.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 17

Other (identify and explain):

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required statement of notification required by §628.4615(2)(a), Florida Statutes and Question #8 of this application.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

John Hogan, Chief Executive Officer
Capital Health Plan, Inc.,
2140 Centerville Place
Tallahassee, Florida 32308

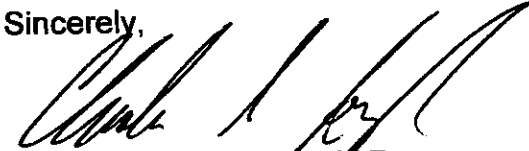
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Hogan:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Capital Health Plan, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,



Charles S. Joseph, Sr., W.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

R. Chris Doerr, President
Diversified Health Services, Inc.,
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

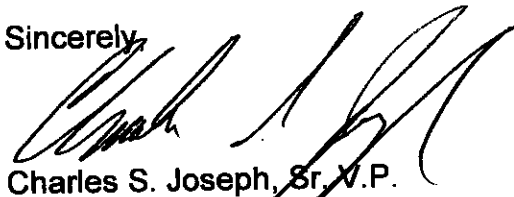
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Doerr:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Capital Health Plan, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,



Charles S. Joseph, Sr., V.P.
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

Patrick J. Geraghty, President & CEO
Blue Cross and Blue Shield of Florida, Inc.,
d/b/a Florida Blue
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

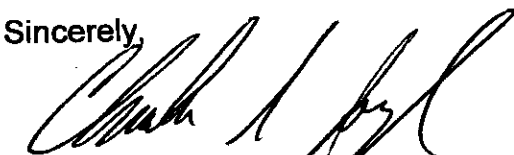
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Geraghty:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Capital Health Plan, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,



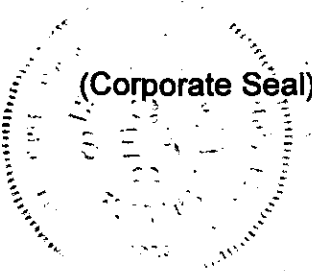
Charles S. Joseph, Sr., W.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

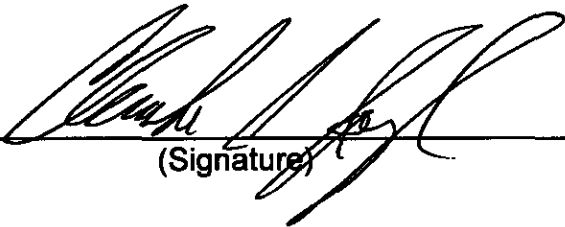
The Following Attestation Form Shall Be Used

I, the undersigned, do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this application are true and correct.



(Corporate Seal)

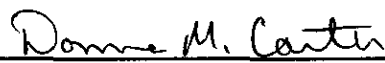
Charles S. Joseph, Senior Vice President, General
Counsel and Corporate Secretary of Florida Blue and
Incorporator of NEWCO MIHC

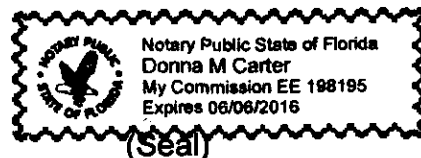

(Signature)

State of Florida
County of Duval

Sworn to and subscribed before me

this 6 day of June, 2013.


(Notary Public)



My Commission Expires 6/6/2016.

NEWCO MIHC

Capital Health Plan, Inc. - Form A



OFFICE OF INSURANCE REGULATION
Applications Coordination

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

**OFFICE OF INSURANCE REGULATION
BUREAU OF LIFE AND HEALTH SOLVENCY
LARSON BUILDING
TALLAHASSEE, FLORIDA 32399-0327**

1. Acquiring Company:

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville, Florida 32246

(City, State, Zip)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

John F. Black

(Contact Person)

2. Specialty Insurer Affected: Certificate of Authority or License Number

FL Co. Code: 12492 NAIC Co. Code: 14378

Health Maintenance Organization (HMO)

(Type of Certificate of Authority)

Florida True Health, Inc.

(Name)

11601 Kew Gardens Avenue, Suite 200

(Address)

Palm Beach Gardens, Florida 33410

(City, State, Zip)

(561) 282-4330

(Telephone Number)

FEIN 45-4088232

(Federal Identification Number)

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

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Question #2 is Answered in Tab #1

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

(3) This filing is for (check those applicable):

- | | |
|--|--------------|
| a) Acquisition of Controlling Stock (Corporation) | () |
| b) Acquisition of ownership interest (Partnership) | () |
| c) Acquisition of parent company | (X) |
| d) Merger of Consolidation | () |
| e) Purchase or acquisition of assets and certain liabilities | () |
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

4. Check one or both of the following:

- a) This filing affects a Specialty Insurer licensed with the Department pursuant to Chapter _____, Florida Statutes.
 - b) This filing affects a company which controls a Specialty Insurer licensed with the Department pursuant to Chapter 641, Part I Florida Statutes.
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

5. The transaction for which this form is filed is scheduled to occur
January 1, 2014 or, if it is a post filing, occurred _____
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

6. In summary, the transaction is as follows:

See the documents contained in the *Acquisition of Controlling Interest of a Domestic Insurer* submitted by NEWCO MIHC pursuant to §628.461(1)(a), Florida Statutes, I-Apply Work Log 3876

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

7. A statement of Acquisition, Consolidation or Merger was submitted to the Department on June 8, 2013 (initial statement) and June 11, 2013 (complete filing) (date submitted).
-

On June 8, 2013, a Composite Initial Notice of the Statement of Acquisition of Controlling Interest of a Domestic Insurer pursuant to §628.461(1)(a), Florida Statutes, and a Composite Statement of Acquisition of a Specialty Insurer per §628.4615(2)(b), Florida Statutes I-Apply Work Log 3876 was submitted to the Florida Office of Insurance Regulation by NEWCO MIHC. See attached Initial Notice.

A completed Composite Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(b), Florida Statutes and a completed Composite Statement of Acquisition of a Specialty Insurer per §628.4615(2)(b), Florida Statutes, was submitted by NEWCO MIHC to the Florida Office of Insurance Regulation on June 11, 2013, pursuant to §628.461(1)(b) and §628.4615(2)(b), Florida Statutes.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 5, 2013

Gwen Chick, Application Coordination Section
FL Office of Insurance Regulation
200 East Gaines St., Larson Bldg.
Tallahassee, Florida 323299

Filed Via I-Apply

Re: Acquisition of Blue Cross Blue Shield of Florida, Inc., d/b/a Florida Blue, by NEWCO MIHC Initial Letter of Notification of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes.

Dear Ms. Chick:

The following information is the composite Initial Notification by NEWCO MIHC of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes:

1. Acquiring Entity or Person

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville

(City)

FL

(State)

32246

(ZIP)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

John F. Black, President, Meridian Consulting, Inc. **(850) 386-9898**
(Contact Person) (Telephone Number)

P.O. Box 14989, Tallahassee, FL 32317-4989
(Contact Person and Address)

2. FL Domestic Insurer Affected:

HMO / L&H Insurer / P&C Insurer **See Below for Co. Code**
(Type of Authority and Florida Company Code)

Blue Cross and Blue Shield of Florida, Inc.
FEIN # 59-2015694, FL Co. Code 06020
(Name)

Florida Combined Life Insurance Company, Inc.
FEIN #59-2876465, FL Co. Code 05687
(Name)

Comp Options Insurance Company, Inc.
FEIN # 593433503, FL Co. Code 03018

Health Options, Inc.
FEIN 59-2403696; FL Co. Code 87022
(Name)

Florida Health Care Plan, Inc.
FEIN 26-3238817; FL Co. Code 87111
(Name)

Florida True Health, Inc.
FEIN 45-4088232; FL Co. Code 12492
(Name)

Capital Health Plan, Inc.
FEIN 95-1830622; FL Co. Code 87001
(Name)

4800 Deerwood Campus Pkwy, DC1-7
(Address)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

- c) Number and percentage of shares or ownership interests to be acquired by each entity or person.

100% of the stock, 100% of membership interest, or control of the Board of Directors.

2. A statement outlining material changes in the operation or business operations of the FL Domestic Insurer or a statement citing no material change in operations.

There will be no change in the operation or business operations of the domestic insurers or HMOs.

3. An organizational chart indicating the ownership structure of the acquiring entity and the seller, which reflects all affiliated entities prior to and subsequent to the transaction.

Enclosed is a Corporate Organization Chart showing pre and post organization structure.

4. A Management Information Form (OIR-C1-921) for the FL Domestic Insurer and each entity, directly or indirectly, owning or controlling 5% or more of the FL Domestic Insurer.

Enclosed are copies of the Management Information Form (OIR-C1-921) for each entity.

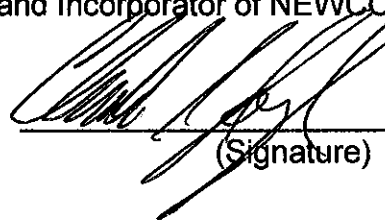
NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

The Following Attestation Form Shall Be Used:

I, the undersigned, of NEWCO MIHC (acquiring entity) do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this Letter of Notification are true and correct.

(Corporate Seal)

**Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel**
Blue Cross and Blue Shield of Florida, Inc.
and Incorporator of NEWCO MIHC



(Signature)

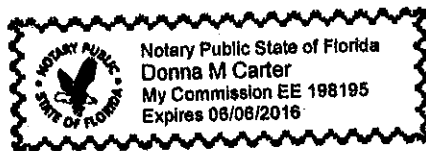
State of Florida

County of Duval

Sworn to and subscribed before me

this 5th day of June, 2013

Donna M. Carter
(Notary Public)



(Seal)

My Commission Expires 6/6/2016

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 1(a)

Summary of Transaction

Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue intends to convert its corporate structure from a not-for-profit mutual insurance company to a stock insurer organized as a subsidiary of NEWCO MIHC, a newly created mutual insurance holding company pursuant to Part III, Chapter 628, Florida Statutes. The principal effects of the reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve "the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies" within the meaning of Section 628.709(1), Florida Statutes.

See Section II-7 of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, for a complete description of the transaction as well as copies of the transaction documents.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

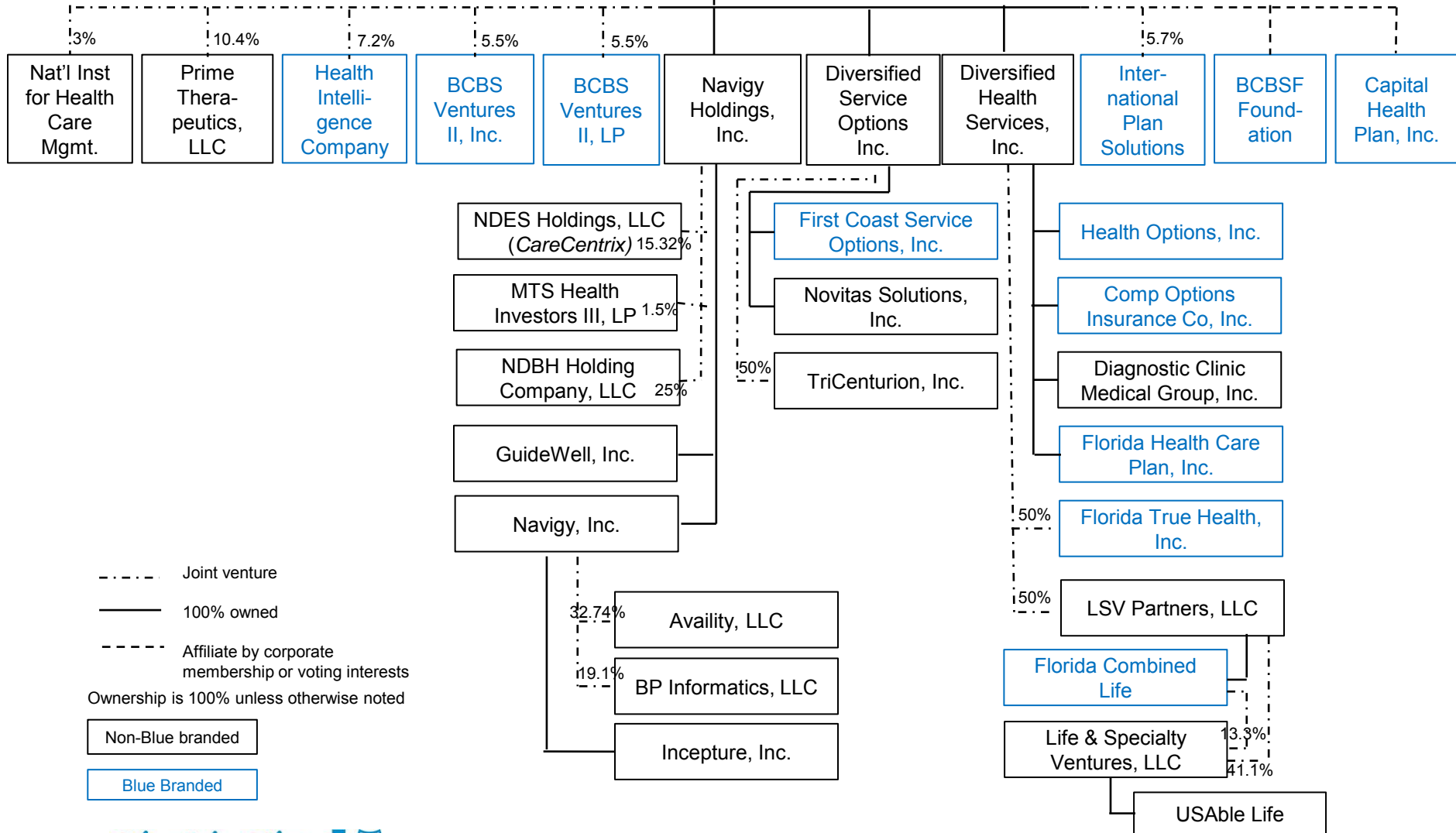
Exhibit 3

Pre and Post Transaction Corporate Organization Chart

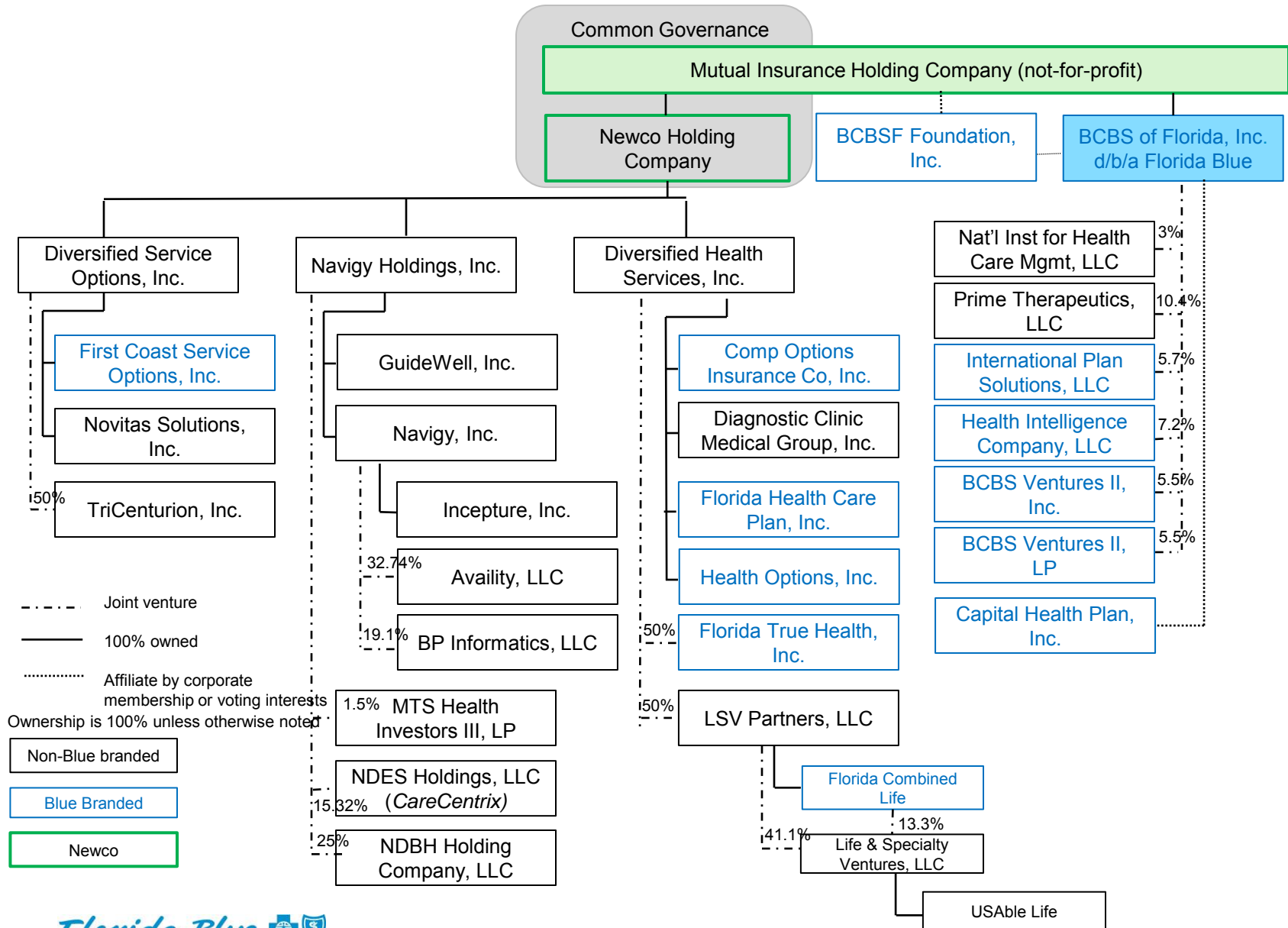
Enclosed is a Corporation Organization Chart showing pre and post organization structure.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



- - - - - Joint venture
 ——— 100% owned
 Affiliate by corporate membership or voting interests
 Ownership is 100% unless otherwise noted

Non-Blue branded
Blue Branded
Newco



NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 4

Management Information Form (OIR-C1-921) for each entity

Enclosed are Management Information Forms, OIR-C1- 921 for each entity.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wallace Kenneth Boutwell, Jr.	President, Chairman
Thomas Arnold Barron	Secretary
David Keith Coburn	Treasurer
Winifred Schmeling	Vice-Chairman
John Hogan	Chief Executive Officer
Sabin Baass	Chief Financial Officer

DIRECTORS (MANAGERS):

Dubose Ausley
John Tom Herndon
Issac Moore, M.D.
James Brian Sheedy, M.D.
Patricia Hayward
Joyce Kramzer
Lillie Bogan
W. Kenneth Boutwell, Jr.
Stephen McArthur
Thomas A. Barron

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.

DIRECTORS (MANAGERS): Continued

David K. Coburn

Winifred H. Schmeling

SHAREHOLDERS (MEMBERS):

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Comp Options Insurance Company, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Joseph Christopher Santore, Jr.

CEO & President

Deanna Marie McDonald

Treasurer

Jarrod Wendell Harmon

Secretary

DIRECTORS (MANAGERS):

Charles (NMN) Divita, III

James Carl Modaff

Elana Gail Schrader

Darnell (NMN) Smith

Jon Richard Urbanek

Deanna Marie McDonald

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Health Care Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wendy Ann Myers, M.D.

President and CEO

David Carl Schandel

CFO and Assoc. CEO

Pamela J. Thomas

Asst. Secretary

Arezou C. Jolly

Secretary

DIRECTORS (MANAGERS):

Joyce A. Kramzer

R. Chris Doerr

Jon Urbanek

Deanna M. McDonald

William Andrew Coats

Wendy Ann Myers, M.D.

David Carl Schandel

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Combined Life Insurance Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Jason Dennis Mann

President & CEO

Mark Alan Langston

Treasurer

William Creasman

Secretary

DIRECTORS (MANAGERS):

L. Joseph Grantham

Jason D. Mann

Mark A. Langston

James Casey

George Mitchell, M.D.

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida True Health, Inc.

(Post MIHC Restructure)

OFFICERS:

TITLES:

Dwight David Chenette

President

Debi Gavras

Executive Director

Steven Harvey Bohner

V.P. & Treasurer

Robert Howard Gilman

V.P. & Secretary

DIRECTORS (MANAGERS):

Robert Chris Doerr

Joyce Ann Kramzer

Anne Maureen Morrissey

Steven Harvey Bohner

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.
AmeriHealth Mercy Health Plan

50.00%
50.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Health Options, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Robert Chris Doerr	Chief Executive Officer
Seth Matthew Phelps	Secretary
William Andrew Coats	Treasurer
Joyce Ann Kramzer	President

DIRECTORS (MANAGERS):

Robert Chris Doerr
Joyce Ann Kramzer
Jonathan Gavras

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

8. This statement was sent by registered mail on June 10, 2013 (date sent) to the Specialty Insurer and any controlling company, if applicable. Please note any additional information required by the Department pursuant to Section 628.4615(4), Florida Statutes, must also be sent by registered mail to the Specialty Insurer and to the controlling company of the Specialty Insurer.

Provide documentation to support this information was received.

The *Composite Acquisition of Controlling Interest of a Domestic Insurer*, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains copies of transmittal letters and the certified mail receipts required by this section and Exhibit 17 of this application.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

9. Have there been any material changes in the facts set forth in the Statement of Acquisition, Consolidation or Merger since it was filed by the Department?
_____ Yes No

If yes, include amendments which set forth the changes. If yes, when was the notice of these changes sent to the affected parties (listed in #8) by registered mail _____ (date sent)? Not Applicable

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

10. a) Does the acquiring person or persons plan to:
- i. Liquidate the Specialty Insurer? Yes No
 - ii. Sell its assets? Yes No
 - iii. Merge or consolidate with any other person? Yes No
 - iv. Make any major change in its business or corporate structure or management?
 Yes No

(If the acquirer does intend to do one or more of the above, such plan must demonstrate that it is fair and free of prejudice to the insureds of the Specialty Insurer and to the public. The burden of proof is on the acquiring entity).

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

10. (b) Does the acquiring person plan to:

- i. Liquidate the parent of the Specialty Insurer? ___ Yes No
- ii. Sell the assets of the parent of the Specialty Insurer? ___ Yes No
- iii. Merge the parent or consolidate it with any other person? ___ Yes No
- iv. Make any major change in the parent's business or corporation structure or management? _____ Yes No

(If the acquirer does intend to do one or more of the above, such plan must demonstrate that it is fair and free of prejudice to the insureds of the Specialty Insurer and to the public. The burden of proof is on the acquiring entity).

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

11. Upon completion of the acquisition, will the Specialty Insurer be able to satisfy the requirement for the issuance of a license or certificate to write the line of insurance for which it is presently licensed or certificated?

Yes No

If "NO", explain.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

12. If the acquisition has already taken place, has the acquirer agreed not to make any material changes in the management or operation of the Specialty Insurer or its controlling company while this application is being considered? _____ Yes _____ No Not Applicable

a) Has the acquirer agreed not to obligate 5% or more of its net worth?
_____ Yes _____ No Not Applicable

b) Has the acquirer agreed not to make any managerial changes?
_____ Yes _____ No Not Applicable

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

13. For HMO's only:

- a) If for-profit, a statement setting forth method of compliance with Florida Statutes 628.451.**
 - b) If non-profit, a statement setting forth method of compliance with Florida Statutes 628.471.**
-

Not Applicable. This transaction is not a merger or a share exchange of a Specialty Insurer.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

- 14. Identify the source and amount of the funds or other consideration used, or to be used, in making the acquisition.**

There are no funds required for this transaction. See the documents contained in The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 1

All Written Agreements Between Parties

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all written agreements between the parties.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 2

Summary of Any Verbal Agreements between parties including:

Any transfer of securities?

a) Any option arrangements?

b) Any puts or calls?

c) Any proxies given or received?

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all written agreements between the parties.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 3

Description of the transaction including:

- a) Controlling interest;**
- b) Terms of the acquisition;**
- c) Number and percentage of share to be acquired;**
- d) Any transfer of securities, any option arrangements, any call, any proxies given or received.**

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains a description of the transaction.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 4

Financial statements of the acquiring company which clearly indicate the acquiring company can fulfill its financial responsibilities.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all required financial statements.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 5

Evidence that all required reserves are in place.

There will be no change in the Specialty Insurer. Evidence of required reserves is on file with the Florida Office of Insurance Regulation and is hereby incorporated by reference. The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains reserve information on any affected entity.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 6

Copies of all new or revised escrows, contracts or agreements which demonstrate compliance with all applicable statutory provisions by the acquiring company.

There will be no change in the escrows, contracts or agreements of the Specialty Insurer that demonstrates compliance with all applicable statutory requirements.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information to demonstrate NEWCO MIHC will be in compliance with all applicable statutory provisions.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 7

Evidence that the status of revised and existing escrows, contracts or agreements with the consumer are, and will be, satisfactory.

There will be no revisions to existing escrows, contracts or agreements with the consumers as a result of this acquisition.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 8

If needed, copies of pro-forma financial statements which clearly demonstrate the effect of the acquisition after completion of the transaction.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required proforma financial projections.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 9

A statement outlining material changes in the operation or business operations of the affected company or a statement citing no adverse material change in operations.

There is no change in the business operations of the Specialty Insurer.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains information outlining material changes in the operations or business operations of any affected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 10

Certified copies of the appropriate organizational documents of the acquiring company, i.e., Articles of Incorporation, Bylaws, Partnership Agreements, Certificate of Good Standing, etc. and one facsimile copy of each.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required corporate organization documents.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 11

Evidence that all requirements have been met with respect to:

- a) Bonding**
 - b) Deposits**
 - c) Reserves**
 - d) Solvency**
 - e) Insurance**
-

There is no effect on the Specialty Insurer with respect to bonding, deposits, reserves, solvency or insurance.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information concerning the bonding, deposits, reserves, solvency or insurance of any effected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 12

Status of existing debts or obligations including all claims of the Specialty Insurer.

There is no effect on the Specialty Insurer with respect to existing debts, obligations or claims

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information concerning the status of existing debts, obligations or claims of any effected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

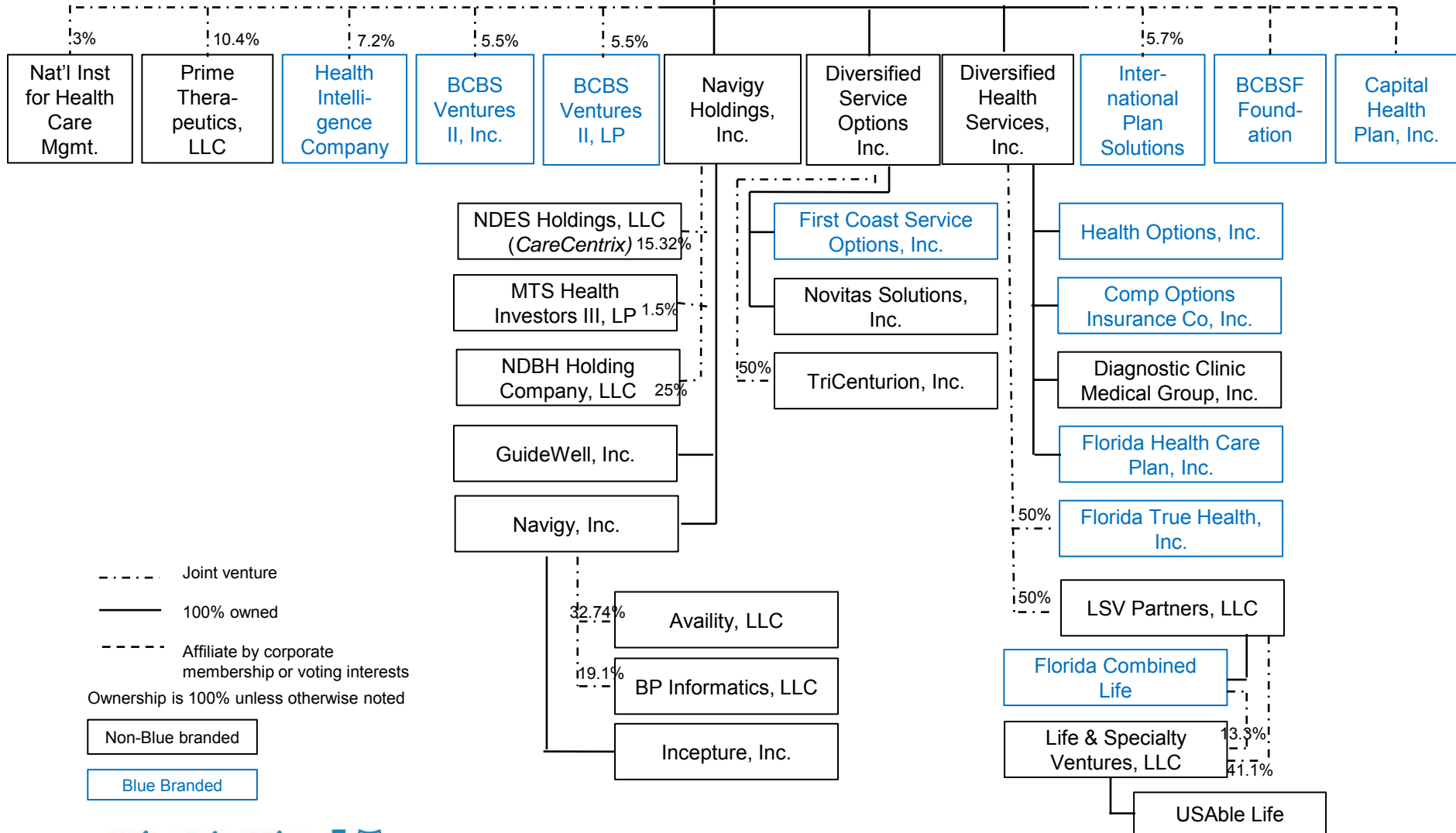
EXHIBIT 13

An organizational chart indicating the corporate structure of the acquiring entity and the seller which reflects all affiliate entities prior to and subsequent to the acquisition for each.

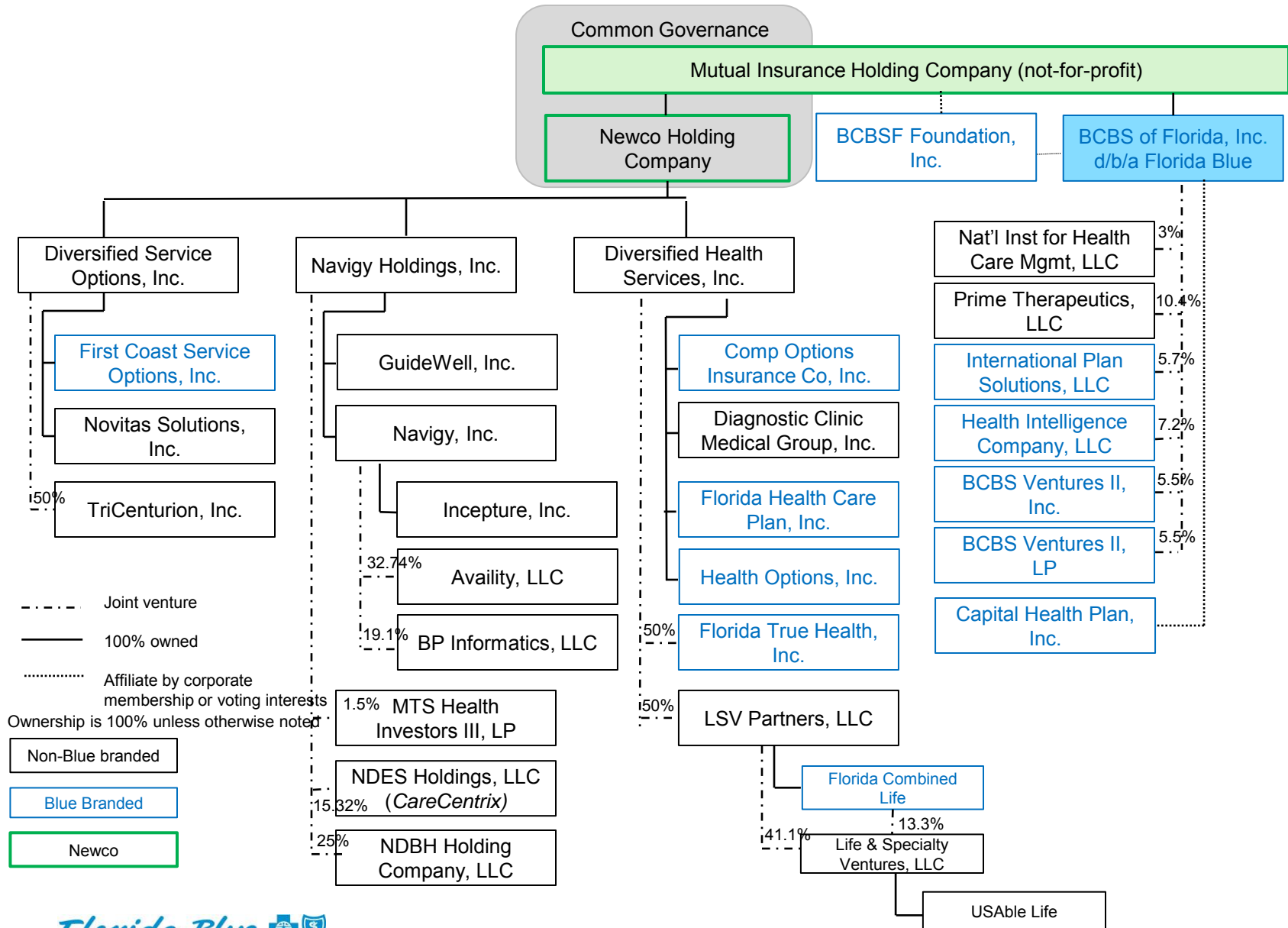
The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains corporate organizational charts that reflects affiliated entities prior to and subsequent to the transaction.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



- - - - - Joint venture
 ——— 100% owned
 Affiliate by corporate membership or voting interests
 Ownership is 100% unless otherwise noted

Non-Blue branded
Blue Branded
Newco



**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 14

Biographical Statements on Department forms for each natural person who possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the applicant, whether through the ownership of voting securities, title or position, by contract or otherwise; including all partners, and if a corporation, all stockholders and directors, and the President, Chief Executive Officer, all Vice-Presidents, Secretary, Treasurer and Chief Financial Officer.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required Management Information Forms, Biographical Statements and other background information.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida True Health, Inc.

(Post MIHC Restructure)

OFFICERS:

TITLES:

Dwight D. Chenette

President

Debra L. Gavras

Executive Director

Steven H. Bohner

V.P. & Treasurer

Robert H. Gilman

V.P. & Secretary

Donald Grossman, M.D.

Medical Director

DIRECTORS (MANAGERS):

R. Chris Doerr

Director

Joyce A. Kramzer

Director

Anne M. Morrissey

Director

Steven H. Bohner

Director

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.
AmeriHealth Mercy Health Plan

50.00%
50.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.

OFFICERS:

TITLES:

Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

OFFICERS:

TITLES:

Pat Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

DIRECTORS (MANAGERS):

Pat Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Mathew Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braullo Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 15

“Waiver of Public Hearing and Request for Approval,” Form.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required “Waiver of Public Hearing Forms”.

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

We, the undersigned, on behalf of Florida True Health, Inc.
hereby waive our right to a public hearing on the proposed acquisition of
Florida True Health, Inc. by NEWCO MIHC
a Florida corporation, as outlined in the documents
submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the
Director of the Office of Insurance Regulation approve the acquisition immediately.

Date: 6/6/2013

Attest: Mary Cronje
Mary Cronje, Administrative Assistant II

By D. Chenette
Dwight D. Chenette, President

Mary Cronje
Mary Cronje, Administrative Assistant II

By Debi Gavras
Debi Gavras, Executive Director

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

We, the undersigned, on behalf of Blue Cross and Blue Shield of Florida, Inc.

hereby waive our right to a public hearing on the proposed acquisition of

Florida True Health, Inc.

by NEWCO MIHC

a Florida corporation, as outlined in the documents submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Date: 6/5/13

Attest: Domen M. Carter *assistant
Corporate
Secretary*
(Name and Title)

[Signature] *assistant
General
Counsel*
(Name and Title)

By [Signature] *SVP, General Counsel
& Corporate Secretary*
(Name and Title)

By [Signature] *EVP + CFO*
(Name and Title)

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

We, the undersigned, on behalf of Diversified Health Services, Inc.
hereby waive our right to a public hearing on the proposed acquisition of
Florida True Health, Inc. by NEWCO MIHC
a Florida corporation, as outlined in the documents
submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the
Director of the Office of Insurance Regulation approve the acquisition immediately.

Date: 6/7/13

Attest: [Signature] Managing Principal

(Name and Title)

[Signature] Managing Principal

(Name and Title)

By [Signature] President

(Name and Title)

By [Signature] Secretary

(Name and Title)

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 16

If an HMO, file documents supporting compliance with Florida Statutes 628.451 or 628.471, as applicable.

Not Applicable. This transaction is not a merger or share exchange of a Specialty Insurer.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 17

Other (identify and explain):

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required statement of notification required by §628.4615(2)(a), Florida Statutes and Question #8 of this application.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

Dwight D. Chenette, Chief Executive Officer
Florida True Health, Inc.,
11601 Kew Gardens Avenue, Suite 200
Palm Beach Gardens, Florida 33410

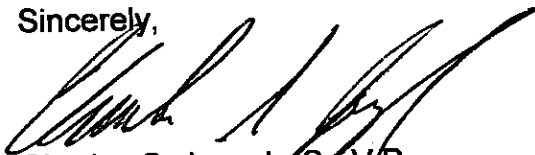
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Chenette:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Florida True Health, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,



Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

R. Chris Doerr, President
Diversified Health Services, Inc.,
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

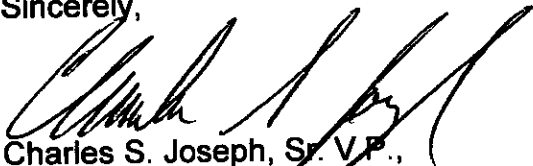
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Doerr:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Florida True Health, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,



Charles S. Joseph, Sr., V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

Patrick J. Geraghty, President & CEO
Blue Cross and Blue Shield of Florida, Inc.,
d/b/a Florida Blue
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

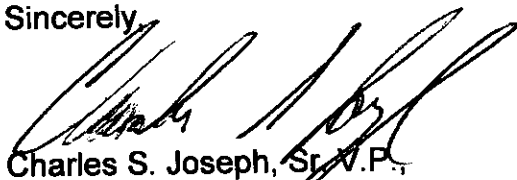
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Geraghty:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Florida True Health, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,



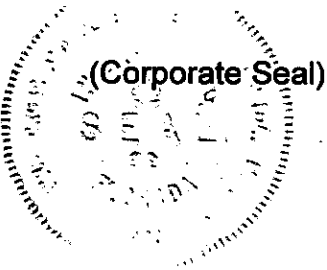
Charles S. Joseph, Sr., V.P.
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

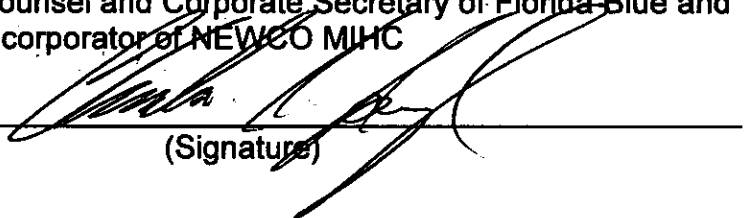
**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

The Following Attestation Form Shall Be Used

I, the undersigned, do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this application are true and correct.



Charles S. Joseph, Senior Vice President, General
Counsel and Corporate Secretary of Florida-Blue and
Incorporator of NEWCO MIHC




(Signature)

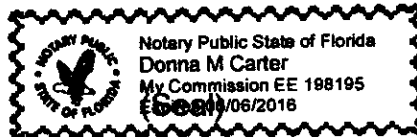
State of Florida
County of Duval

Sworn to and subscribed before me

this 6 day of June, 2013.



(Notary Public)



My Commission Expires 6/6/2016.

Certification of Compliance
With Executive Order 13224 Blocking Property and Prohibiting Transactions with
Persons Who Permit, Threaten to Commit, or Support Terrorism

The undersigned, being first duly sworn, deposes and says that he/she is a senior officer of Florida True Health, Inc. and that he/she is familiar with the procedures which have been implemented in order to comply with Executive Order 13224 regarding terrorists and terrorist support organizations, that Florida True Health, Inc. has implemented appropriate procedures to detect and prevent transactions prohibited by the Executive Order, and that Florida True Health, Inc. is currently in compliance with the requirements of such Order.

Dated 6/6/2013 _____
Florida True Health, Inc.
(Give full and exact name of Applicant)

D Chenette

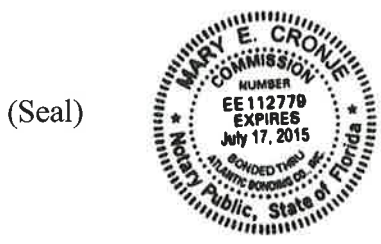
Signature of President, Secretary, or Treasurer

Dwight David Chenette
Printed Name

President
Printed Title

STATE OF Florida
COUNTY OF Duval

The foregoing instrument was acknowledged before me this 6 day of
June, 2013, by Dwight D. Chenette



Mary E. Cronje

(Signature of Notary Public – State of Florida)

MARY E. CRONJE

(Print, Type, or Stamp Commissioned Name of Notary Public)

Personally Known OR Produced Identification _____
Type of Identification Produced _____

My Commission expires: July 17, 2015

Florida True Health, Inc.

Statement of Compliance Sections 641.255(2)(a),(b), Florida Statutes

Section 641.255(2)(a): Florida True Health, Inc. uses a number of professionals for regulatory consulting, accounting, actuarial and legal issues in the normal course of its day to day business operations. The professionals are paid at usual and customary hourly fees or flat retainer for services rendered. The individual professionals, their firms and the services provided are listed below:

<u>Firm</u>	<u>Individual</u>	<u>Services Provided</u>
Meridian Consulting, Inc.	John F. Black	Regulatory
Wakely Consulting Group	Brian Weible	Actuarial
Richard Glover & Company	Richard Glover	Accounting
Holland & Knight	Robert Pupo	Legal
McDermott Will & Emery LLP	Gary Davis	Legal
KPMG	Shean Stacy	Accounting

Florida True Health, Inc.

**Statement of Compliance
Sections 641.255(2)(a),(b), Florida Statutes**

Section 641.225(2)(b): The are no agreements with any party to pay a consultant fee, broker fee, commission or any other fee or to pay a charge, except payment for the professional services of the firms listed, which in any way relates to the issuance of a Certificate of Authority, Healthcare Provider Certificate or Medicaid Contract for Florida True Health, Inc.

I, the undersigned, do hereby affirm that all of the responses and information contained herein are true and correct.



Name: Dwight D. Chenette
Title: President

State of Florida

County of Palm Beach

(Notary Seal)

Sworn and subscribed before me

This 6 day of June, 2013


Notary Public

My Commission Expires July 17, 2015



OFFICE OF INSURANCE REGULATION
Applications Coordination

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

**OFFICE OF INSURANCE REGULATION
BUREAU OF LIFE AND HEALTH SOLVENCY
LARSON BUILDING
TALLAHASSEE, FLORIDA 32399-0327**

1. Acquiring Company:

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville, Florida 32246

(City, State, Zip)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

John F. Black

(Contact Person)

2. Specialty Insurer Affected: Certificate of Authority or License Number

FL Co. Code: 87022 NAIC Co. Code: 95089

Health Maintenance Organization (HMO)

(Type of Certificate of Authority)

Health Options, Inc.

(Name)

4800 Deerwood Campus Pkwy, DC1-7

(Address)

Jacksonville, Florida 32246

(City, State, Zip)

(904) 791-6111

(Telephone Number)

FEIN 59-2403696

(Federal Identification Number)

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

This Section Intentionally Left Blank

Question #2 is Answered in Tab #1

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

(3) This filing is for (check those applicable):

- | | |
|--|--------------|
| a) Acquisition of Controlling Stock (Corporation) | () |
| b) Acquisition of ownership interest (Partnership) | () |
| c) Acquisition of parent company | (X) |
| d) Merger of Consolidation | () |
| e) Purchase or acquisition of assets and certain liabilities | () |
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

4. Check one or both of the following:

- a) This filing affects a Specialty Insurer licensed with the Department pursuant to Chapter _____, Florida Statutes.
 - b) This filing affects a company which controls a Specialty Insurer licensed with the Department pursuant to Chapter 641, Part I Florida Statutes.
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

5. The transaction for which this form is filed is scheduled to occur
January 1, 2014 or, if it is a post filing, occurred _____
-

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

6. In summary, the transaction is as follows:

See the documents contained in the Acquisition of Controlling Interest of a Domestic Insurer submitted by NEWCO MIHC pursuant to §628.461(1)(a), Florida Statutes, I-Apply Work Log 3876

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

7. A statement of Acquisition, Consolidation or Merger was submitted to the Department on June 8, 2013 (initial statement) and June 11, 2013 (complete filing) (date submitted).
-

On June 8, 2013, a Composite Initial Notice of the Statement of Acquisition of Controlling Interest of a Domestic Insurer pursuant to §628.461(1)(a), Florida Statutes, and a Composite Statement of Acquisition of a Specialty Insurer per §628.4615(2)(b), Florida Statutes I-Apply Work Log 3876 was submitted to the Florida Office of Insurance Regulation by NEWCO MIHC. See attached Initial Notice.

A completed Composite Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(b), Florida Statutes and a completed Composite Statement of Acquisition of a Specialty Insurer per §628.4615(2)(b), Florida Statutes, was submitted by NEWCO MIHC to the Florida Office of Insurance Regulation on June 11, 2013, pursuant to §628.461(1)(b) and §628.4615(2)(b), Florida Statutes.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 5, 2013

Gwen Chick, Application Coordination Section
FL Office of Insurance Regulation
200 East Gaines St., Larson Bldg.
Tallahassee, Florida 323299

Filed Via I-Apply

Re: Acquisition of Blue Cross Blue Shield of Florida, Inc., d/b/a Florida Blue, by NEWCO MIHC Initial Letter of Notification of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes.

Dear Ms. Chick:

The following information is the composite Initial Notification by NEWCO MIHC of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes:

1. Acquiring Entity or Person

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville

(City)

FL

(State)

32246

(ZIP)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

John F. Black, President, Meridian Consulting, Inc. **(850) 386-9898**
(Contact Person) (Telephone Number)

P.O. Box 14989, Tallahassee, FL 32317-4989
(Contact Person and Address)

2. FL Domestic Insurer Affected:

HMO / L&H Insurer / P&C Insurer **See Below for Co. Code**
(Type of Authority and Florida Company Code)

Blue Cross and Blue Shield of Florida, Inc.
FEIN # 59-2015694, FL Co. Code 06020
(Name)

Florida Combined Life Insurance Company, Inc.
FEIN #59-2876465, FL Co. Code 05687
(Name)

Comp Options Insurance Company, Inc.
FEIN # 593433503, FL Co. Code 03018

Health Options, Inc.
FEIN 59-2403696; FL Co. Code 87022
(Name)

Florida Health Care Plan, Inc.
FEIN 26-3238817; FL Co. Code 87111
(Name)

Florida True Health, Inc.
FEIN 45-4088232; FL Co. Code 12492
(Name)

Capital Health Plan, Inc.
FEIN 95-1830622; FL Co. Code 87001
(Name)

4800 Deerwood Campus Pkwy, DC1-7
(Address)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

- c) Number and percentage of shares or ownership interests to be acquired by each entity or person.

100% of the stock, 100% of membership interest, or control of the Board of Directors.

2. A statement outlining material changes in the operation or business operations of the FL Domestic Insurer or a statement citing no material change in operations.

There will be no change in the operation or business operations of the domestic insurers or HMOs.

3. An organizational chart indicating the ownership structure of the acquiring entity and the seller, which reflects all affiliated entities prior to and subsequent to the transaction.

Enclosed is a Corporate Organization Chart showing pre and post organization structure.

4. A Management Information Form (OIR-C1-921) for the FL Domestic Insurer and each entity, directly or indirectly, owning or controlling 5% or more of the FL Domestic Insurer.

Enclosed are copies of the Management Information Form (OIR-C1-921) for each entity.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

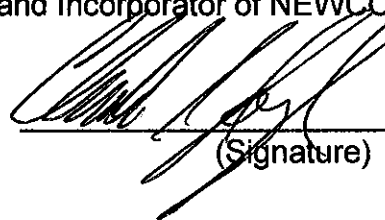
The Following Attestation Form Shall Be Used:

I, the undersigned, of NEWCO MIHC (acquiring entity) do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this Letter of Notification are true and correct.

(Corporate Seal)

**Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel**
Blue Cross and Blue Shield of Florida, Inc.
and Incorporator of NEWCO MIHC

State of Florida



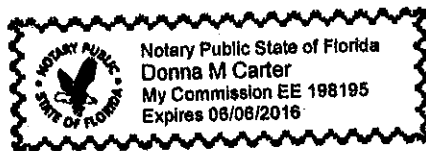
(Signature)

County of Duval

Sworn to and subscribed before me

this 5th day of June, 2013

Donna M. Carter
(Notary Public)



My Commission Expires 6/6/2016

(Seal)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 1(a)

Summary of Transaction

Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue intends to convert its corporate structure from a not-for-profit mutual insurance company to a stock insurer organized as a subsidiary of NEWCO MIHC, a newly created mutual insurance holding company pursuant to Part III, Chapter 628, Florida Statutes. The principal effects of the reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve "the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies" within the meaning of Section 628.709(1), Florida Statutes.

See Section II-7 of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, for a complete description of the transaction as well as copies of the transaction documents.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

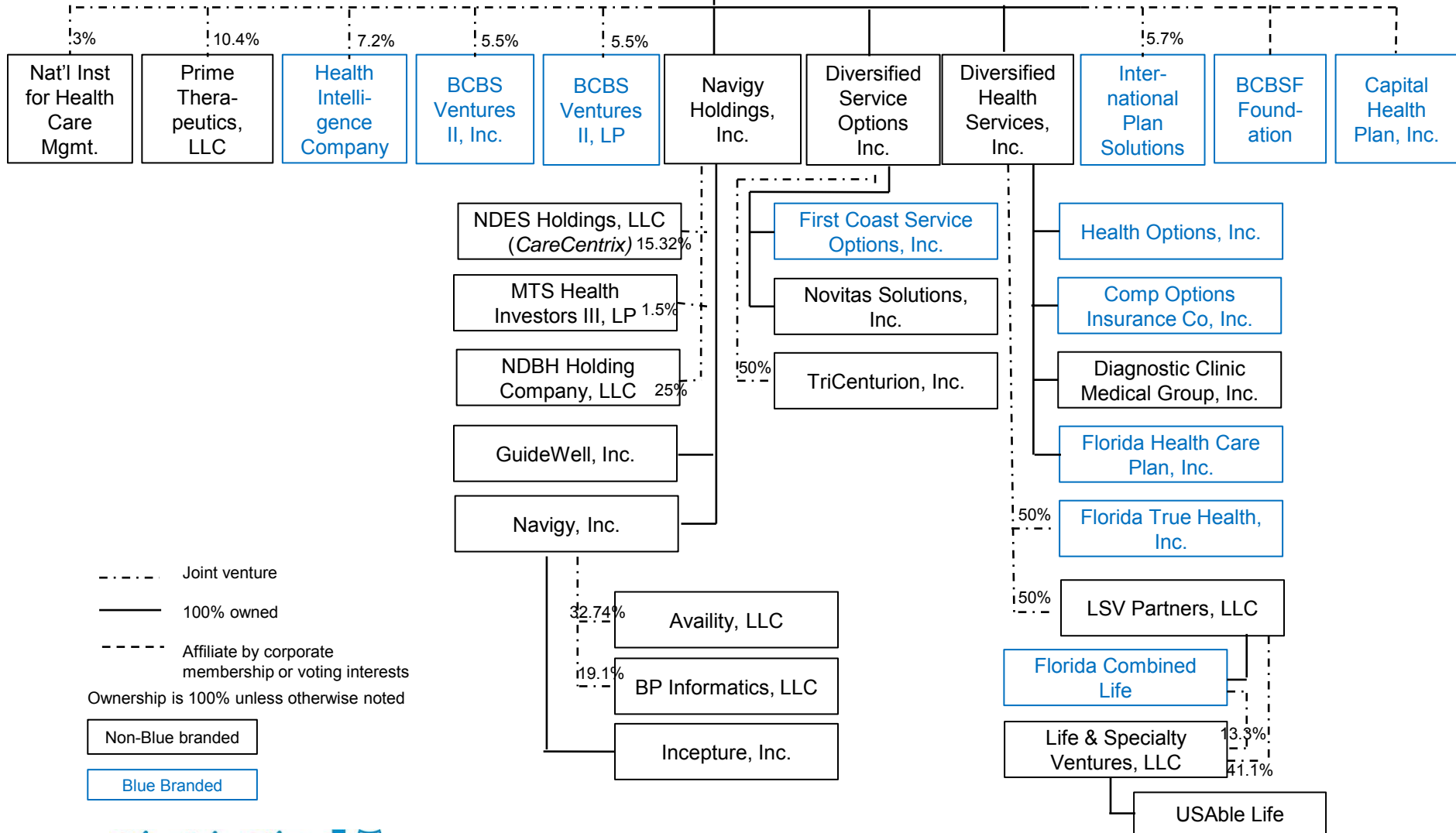
Exhibit 3

Pre and Post Transaction Corporate Organization Chart

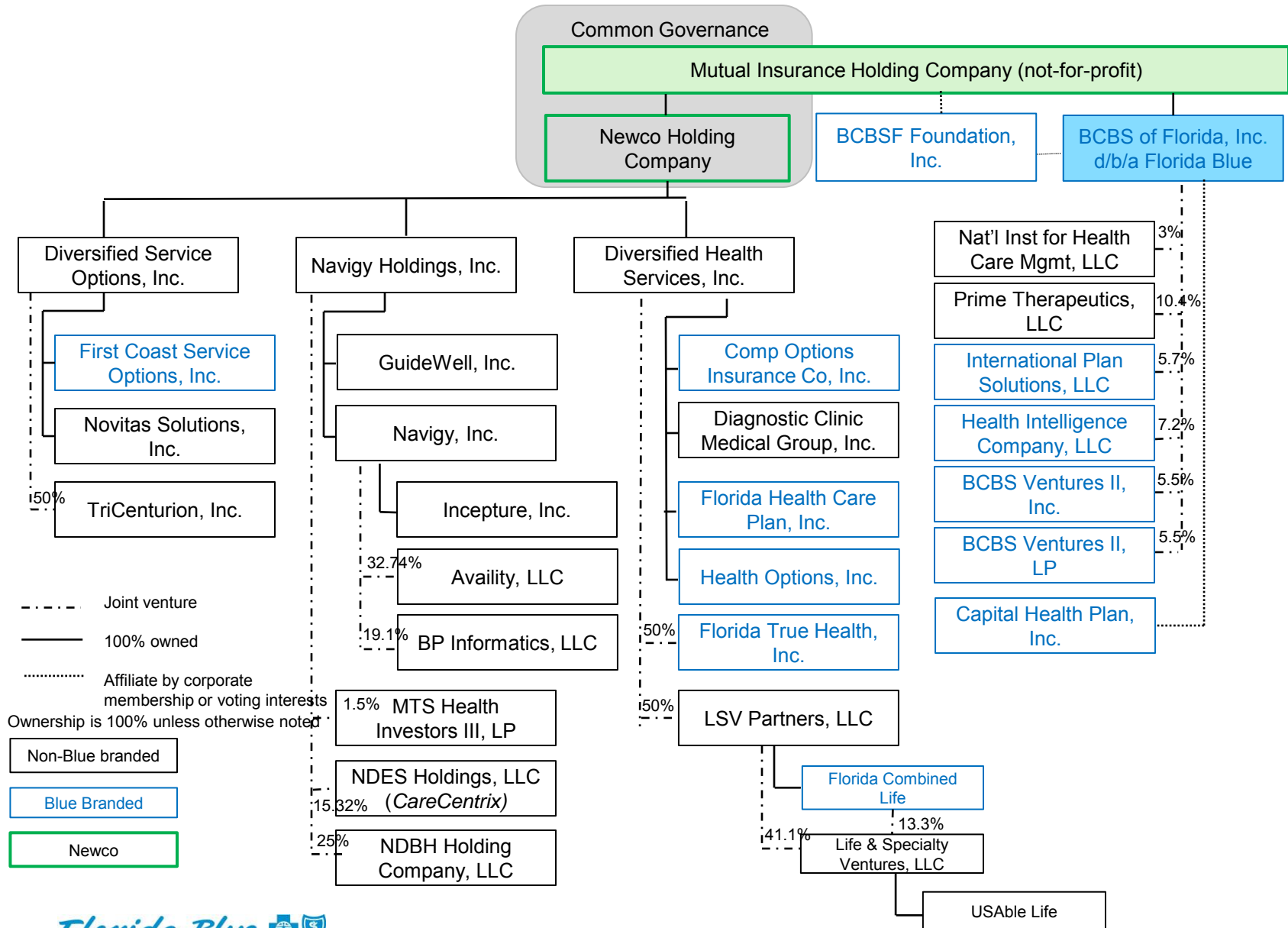
Enclosed is a Corporation Organization Chart showing pre and post organization structure.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 4

Management Information Form (OIR-C1-921) for each entity

Enclosed are Management Information Forms, OIR-C1-921 for each entity.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wallace Kenneth Boutwell, Jr.	President, Chairman
Thomas Arnold Barron	Secretary
David Keith Coburn	Treasurer
Winifred Schmeling	Vice-Chairman
John Hogan	Chief Executive Officer
Sabin Baass	Chief Financial Officer

DIRECTORS (MANAGERS):

Dubose Ausley
John Tom Herndon
Issac Moore, M.D.
James Brian Sheedy, M.D.
Patricia Hayward
Joyce Kramzer
Lillie Bogan
W. Kenneth Boutwell, Jr.
Stephen McArthur
Thomas A. Barron

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.

DIRECTORS (MANAGERS): Continued

David K. Coburn

Winifred H. Schmeling

SHAREHOLDERS (MEMBERS):

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Comp Options Insurance Company, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Joseph Christopher Santore, Jr.

CEO & President

Deanna Marie McDonald

Treasurer

Jarrod Wendell Harmon

Secretary

DIRECTORS (MANAGERS):

Charles (NMN) Divita, III

James Carl Modaff

Elana Gail Schrader

Darnell (NMN) Smith

Jon Richard Urbanek

Deanna Marie McDonald

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Health Care Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wendy Ann Myers, M.D.

President and CEO

David Carl Schandel

CFO and Assoc. CEO

Pamela J. Thomas

Asst. Secretary

Arezou C. Jolly

Secretary

DIRECTORS (MANAGERS):

Joyce A. Kramzer

R. Chris Doerr

Jon Urbanek

Deanna M. McDonald

William Andrew Coats

Wendy Ann Myers, M.D.

David Carl Schandel

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Combined Life Insurance Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Jason Dennis Mann

President & CEO

Mark Alan Langston

Treasurer

William Creasman

Secretary

DIRECTORS (MANAGERS):

L. Joseph Grantham

Jason D. Mann

Mark A. Langston

James Casey

George Mitchell, M.D.

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida True Health, Inc.

(Post MIHC Restructure)

OFFICERS:

TITLES:

Dwight David Chenette

President

Debi Gavras

Executive Director

Steven Harvey Bohner

V.P. & Treasurer

Robert Howard Gilman

V.P. & Secretary

DIRECTORS (MANAGERS):

Robert Chris Doerr

Joyce Ann Kramzer

Anne Maureen Morrissey

Steven Harvey Bohner

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.
AmeriHealth Mercy Health Plan

50.00%
50.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Health Options, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Robert Chris Doerr	Chief Executive Officer
Seth Matthew Phelps	Secretary
William Andrew Coats	Treasurer
Joyce Ann Kramzer	President

DIRECTORS (MANAGERS):

Robert Chris Doerr
Joyce Ann Kramzer
Jonathan Gavras

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

8. This statement was sent by registered mail on June 10, 2013 (date sent) to the Specialty Insurer and any controlling company, if applicable. Please note any additional information required by the Department pursuant to Section 628.4615(4), Florida Statutes, must also be sent by registered mail to the Specialty Insurer and to the controlling company of the Specialty Insurer.

Provide documentation to support this information was received.

The *Composite Acquisition of Controlling Interest of a Domestic Insurer*, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains copies of transmittal letters and the certified mail receipts required by this section and Exhibit 17 of this application.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

9. Have there been any material changes in the facts set forth in the Statement of Acquisition, Consolidation or Merger since it was filed by the Department?
_____ Yes No

If yes, include amendments which set forth the changes. If yes, when was the notice of these changes sent to the affected parties (listed in #8) by registered mail _____ (date sent)? Not Applicable

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

10. a) Does the acquiring person or persons plan to:
- i. Liquidate the Specialty Insurer? Yes No
 - ii. Sell its assets? Yes No
 - iii. Merge or consolidate with any other person? Yes No
 - iv. Make any major change in its business or corporate structure or management?
 Yes No

(If the acquirer does intend to do one or more of the above, such plan must demonstrate that it is fair and free of prejudice to the insureds of the Specialty Insurer and to the public. The burden of proof is on the acquiring entity).

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

10. (b) Does the acquiring person plan to:

- i. Liquidate the parent of the Specialty Insurer? ___ Yes No
- ii. Sell the assets of the parent of the Specialty Insurer? ___ Yes No
- iii. Merge the parent or consolidate it with any other person? ___ Yes No
- iv. Make any major change in the parent's business or corporation structure or management? _____ Yes No

(If the acquirer does intend to do one or more of the above, such plan must demonstrate that it is fair and free of prejudice to the insureds of the Specialty Insurer and to the public. The burden of proof is on the acquiring entity).

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

11. Upon completion of the acquisition, will the Specialty Insurer be able to satisfy the requirement for the issuance of a license or certificate to write the line of insurance for which it is presently licensed or certificated?

Yes No

If "NO", explain.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

12. If the acquisition has already taken place, has the acquirer agreed not to make any material changes in the management or operation of the Specialty Insurer or its controlling company while this application is being considered? _____ Yes _____ No Not Applicable

a) Has the acquirer agreed not to obligate 5% or more of its net worth?
_____ Yes _____ No Not Applicable

b) Has the acquirer agreed not to make any managerial changes?
_____ Yes _____ No Not Applicable

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

13. For HMO's only:

- a) If for-profit, a statement setting forth method of compliance with Florida Statutes 628.451.**
 - b) If non-profit, a statement setting forth method of compliance with Florida Statutes 628.471.**
-

Not Applicable. This transaction is not a merger or a share exchange of a Specialty Insurer.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

- 14. Identify the source and amount of the funds or other consideration used, or to be used, in making the acquisition.**

There are no funds required for this transaction. See the documents contained in The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 1

All Written Agreements Between Parties

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all written agreements between the parties.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 2

Summary of Any Verbal Agreements between parties including:

Any transfer of securities?

a) Any option arrangements?

b) Any puts or calls?

c) Any proxies given or received?

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all written agreements between the parties.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 3

Description of the transaction including:

- a) Controlling interest;**
- b) Terms of the acquisition;**
- c) Number and percentage of share to be acquired;**
- d) Any transfer of securities, any option arrangements, any call, any proxies given or received.**

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains a description of the transaction.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 4

Financial statements of the acquiring company which clearly indicate the acquiring company can fulfill its financial responsibilities.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains all required financial statements.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 5

Evidence that all required reserves are in place.

There will be no change in the Specialty Insurer. Evidence of required reserves is on file with the Florida Office of Insurance Regulation and is hereby incorporated by reference. The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains reserve information on any affected entity.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 6

Copies of all new or revised escrows, contracts or agreements which demonstrate compliance with all applicable statutory provisions by the acquiring company.

There will be no change in the escrows, contracts or agreements of the Specialty Insurer that demonstrates compliance with all applicable statutory requirements.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information to demonstrate NEWCO MIHC will be in compliance with all applicable statutory provisions.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 7

Evidence that the status of revised and existing escrows, contracts or agreements with the consumer are, and will be, satisfactory.

There will be no revisions to existing escrows, contracts or agreements with the consumers as a result of this acquisition.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 8

If needed, copies of pro-forma financial statements which clearly demonstrate the effect of the acquisition after completion of the transaction.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required proforma financial projections.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 9

A statement outlining material changes in the operation or business operations of the affected company or a statement citing no adverse material change in operations.

There is no change in the business operations of the Specialty Insurer.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains information outlining material changes in the operations or business operations of any affected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 10

Certified copies of the appropriate organizational documents of the acquiring company, i.e., Articles of Incorporation, Bylaws, Partnership Agreements, Certificate of Good Standing, etc. and one facsimile copy of each.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required corporate organization documents.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 11

Evidence that all requirements have been met with respect to:

- a) Bonding**
 - b) Deposits**
 - c) Reserves**
 - d) Solvency**
 - e) Insurance**
-

There is no effect on the Specialty Insurer with respect to bonding, deposits, reserves, solvency or insurance.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information concerning the bonding, deposits, reserves, solvency or insurance of any effected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 12

Status of existing debts or obligations including all claims of the Specialty Insurer.

There is no effect on the Specialty Insurer with respect to existing debts, obligations or claims

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required information concerning the status of existing debts, obligations or claims of any effected company.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

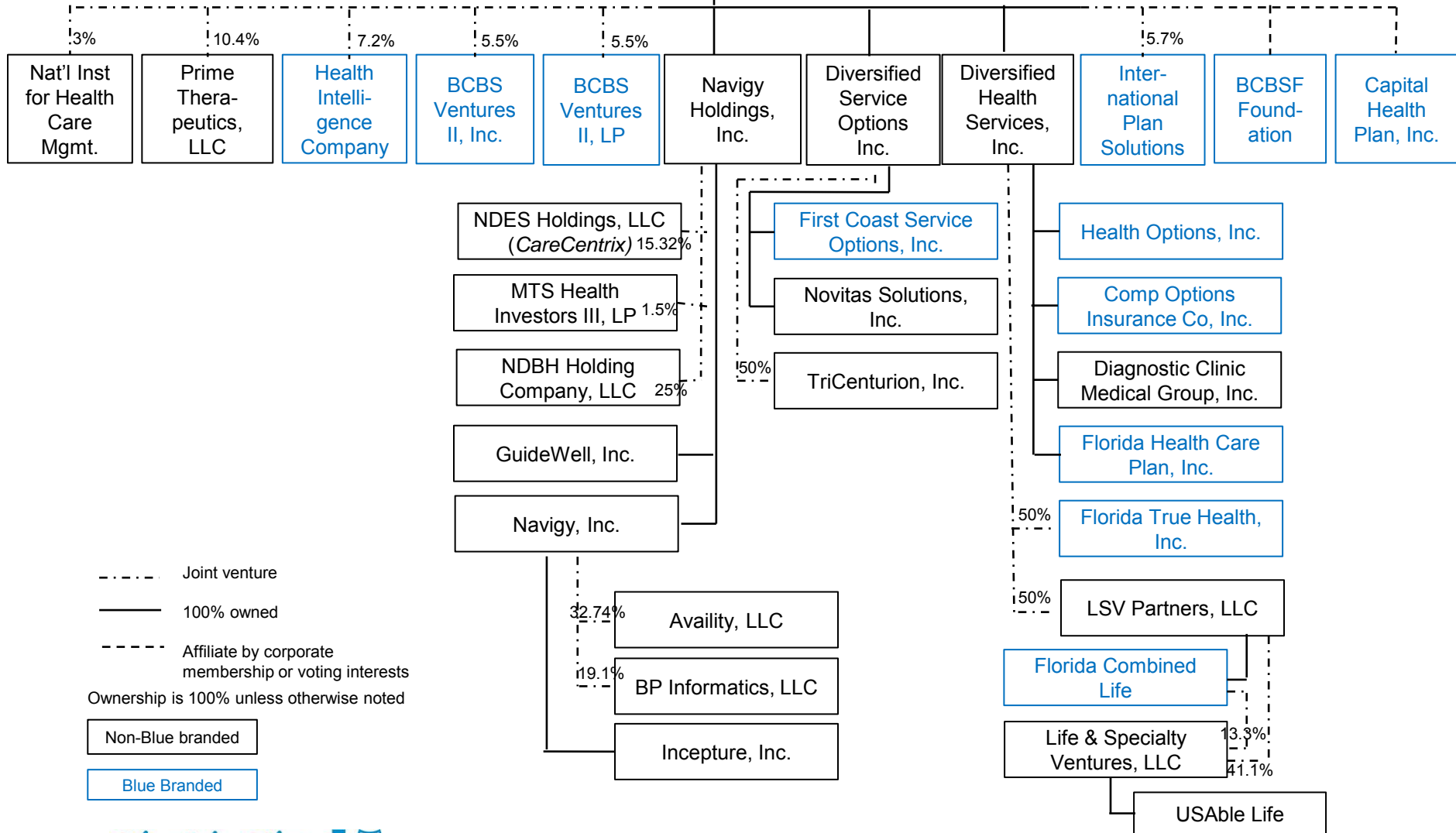
EXHIBIT 13

An organizational chart indicating the corporate structure of the acquiring entity and the seller which reflects all affiliate entities prior to and subsequent to the acquisition for each.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains corporate organizational charts that reflects affiliated entities prior to and subsequent to the transaction.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



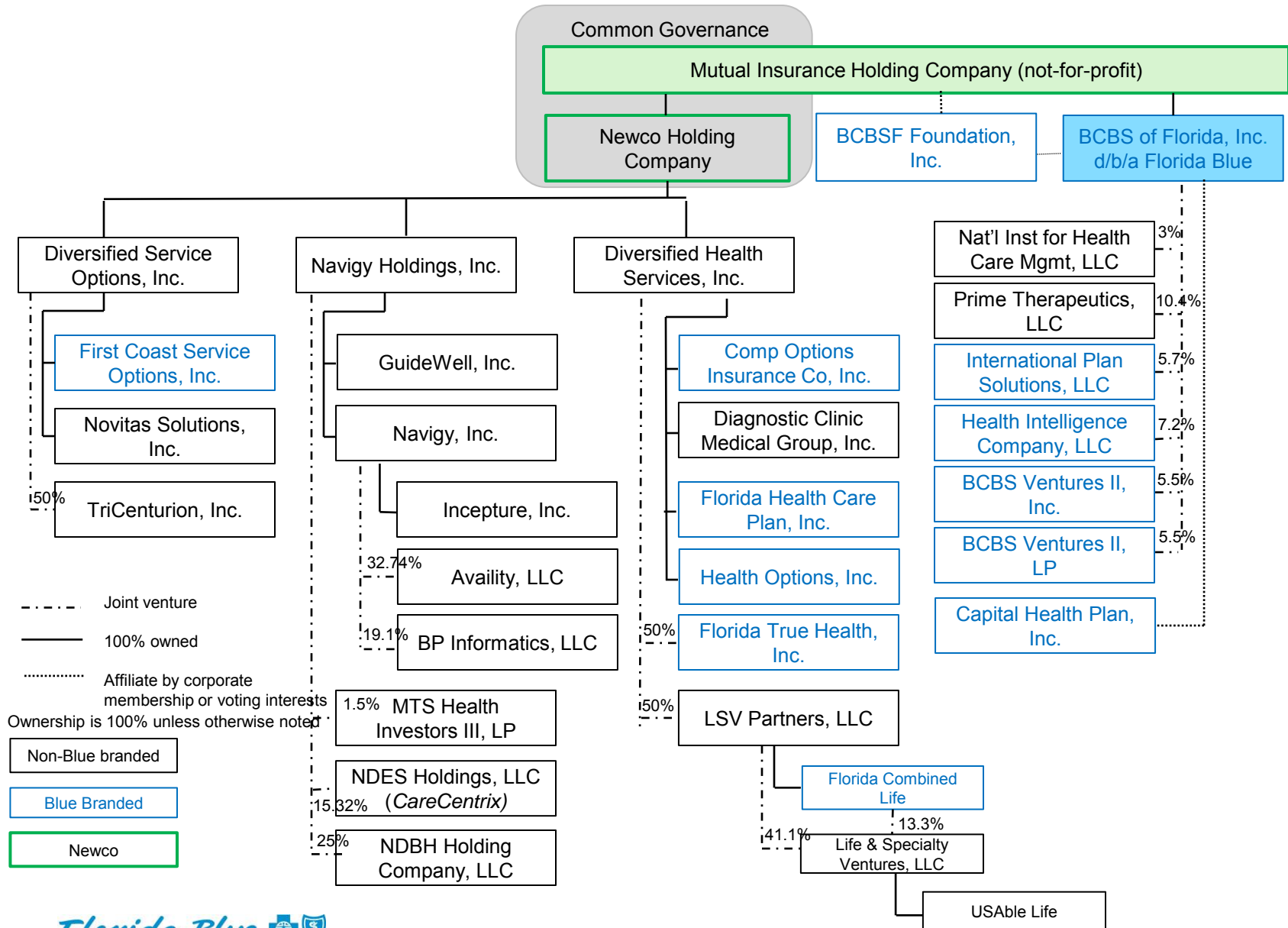
- - - - - Joint venture
 ————— 100% owned
 - - - - - Affiliate by corporate membership or voting interests
 Ownership is 100% unless otherwise noted

Non-Blue branded

Blue Branded



Post Reorganization Organizational Structure



- - - - - Joint venture
 ——— 100% owned
 Affiliate by corporate membership or voting interests
 Ownership is 100% unless otherwise noted

Non-Blue branded
 Blue Branded
 Newco



**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 14

Biographical Statements on Department forms for each natural person who possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the applicant, whether through the ownership of voting securities, title or position, by contract or otherwise; including all partners, and if a corporation, all stockholders and directors, and the President, Chief Executive Officer, all Vice-Presidents, Secretary, Treasurer and Chief Financial Officer.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required Management Information Forms, Biographical Statements and other background information.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Health Options, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Robert Chris Doerr	Chief Executive Officer
Seth Matthew Phelps	Secretary
William Andrew Coats	Treasurer
Joyce Ann Kramzer	President

DIRECTORS (MANAGERS):

Robert Chris Doerr
Joyce Ann Kramzer
Jonathan Gavras

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 15

“Waiver of Public Hearing and Request for Approval,” Form.

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer , I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required “Waiver of Public Hearing Forms”.

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

We, the undersigned, on behalf of Blue Cross and Blue Shield of Florida, Inc.

hereby waive our right to a public hearing on the proposed acquisition of

Health Options, Inc. by NEWCO MIHC

a Florida corporation, as outlined in the documents

submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the

Director of the Office of Insurance Regulation approve the acquisition immediately.

Date: 6/5/13

Attest: Donna M. Carter *assistant corporate secretary*
(Name and Title)

[Signature] *assistant general counsel*
(Name and Title)

By [Signature] *SVP, General Counsel*
(Name and Title) *Corporate Secretary*

By [Signature] *EVP+CFO*
(Name and Title)

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

We, the undersigned, on behalf of Diversified Health Services, Inc.
hereby waive our right to a public hearing on the proposed acquisition of
Health Options, Inc. by NEWCO MIHC
a Florida corporation, as outlined in the documents
submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the
Director of the Office of Insurance Regulation approve the acquisition immediately.

Date:

6/17/13

Attest:

Jordan M. Anderson, Managing Principal
(Name and Title)

By

R. Charles Sawyer, President
(Name and Title)

Scott M. DeLoe, Managing Principal
(Name and Title)

By

Scott M. DeLoe, Secretary
(Name and Title)

**STATEMENT OF
ACQUISITION MERGER OR CONSOLIDATION OF
A SPECIALTY INSURER
PURSUANT TO
FLORIDA STATUTES 628.4615**

WAIVER OF PUBLIC HEARING AND REQUEST FOR APPROVAL

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Health Options, Inc. by NEWCO MIHC

a Florida corporation, as outlined in the documents

submitted pursuant to Florida Statutes S.628.4615, and respectfully request that the

Director of the Office of Insurance Regulation approve the acquisition immediately.

Date: 6/17/13

Attest: [Signature] Manager
(Name and Title)

[Signature] Manager
(Name and Title)

By [Signature] CEO
(Name and Title)

By [Signature] Secretary
(Name and Title)

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 16

If an HMO, file documents supporting compliance with Florida Statutes 628.451 or 628.471, as applicable.

Not Applicable. This transaction is not a merger or share exchange of a Specialty Insurer.

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

EXHIBIT 17

Other (identify and explain):

The Composite Statement of Acquisition of Controlling Interest of a Domestic Insurer, I-Apply Work Log 3876 submitted by NEWCO MIHC pursuant to §628.461(1)(b), Florida Statutes, contains the required statement of notification required by §628.4615(2)(a), Florida Statutes and Question #8 of this application.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

R. Chris Doerr, Chief Executive Officer
Health Options, Inc.
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

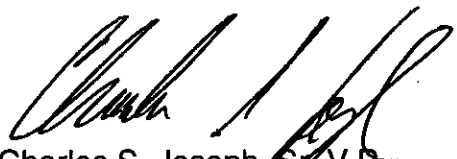
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Doerr:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Health Options, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,


Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

US POSTAL SERVICE
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only, No Insurance Coverage Provided)
 For delivery information visit our website at www.usps.com

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Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ <u>2.11</u>	

Sent To: **R. Chris Doerr, President**
 Street or PO Box No.: **Health Options, Inc.,**
4800 Deerwood Campus Pkwy, DC 1-8
 City, State, ZIP+4: **Jacksonville, Florida 32246**

PS Form 3800, August 2006 See Reverse for Instructions

7070 2780 0001 9361 4038

NEWCO MIHC
4800 Deerwood Campus Pk
Jacksonville, Florida 32246

June 10, 2013

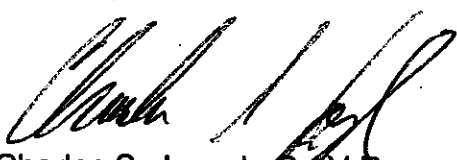
R. Chris Doerr, Chief Executive Officer
 Health Options, Inc.
 4800 Deerwood Campus Pkwy, DC1-7
 Jacksonville, Florida 32246

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Sincerely,



Charles S. Joseph, Sr. V.P.,
 Secretary & General Counsel
 Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

R. Chris Doerr, President
Diversified Health Services, Inc.,
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

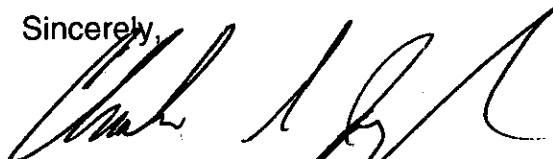
Certified Mail
Return Receipt Requested

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per
Section 628.4615(2)(a), Florida Statutes

Dear Mr. Doerr:

Attached is a copy of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.4615(2)(a), Florida Statutes, for the indirect acquisition of Health Options, Inc., a Florida domestic HMO, by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.4615(2)(a), Florida Statutes.

Sincerely,



Charles S. Joseph, Sr., V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

US Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)
 For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 7.11	

Sent To: **R. Chris Doerr, President**
 Diversified Health Services, Inc.,
 Street, or PO Box: **4800 Deerwood Campus Pkwy, DC 1-8**
 City, State, ZIP+4: **Jacksonville, Florida 32246**

PS Form 3800, August 2006 See Reverse for Instructions

7010 2780 0001 9361 4021
 7966 1000 0001 0101

NEWCO MIHC
4800 Deerwood Campus Pkwy
Jacksonville, Florida 32246

June 10, 2013

R. Chris Doerr, President
 Diversified Health Services, Inc.,
 4800 Deerwood Campus Pkwy, DC1-7
 Jacksonville, Florida 32246

Re: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer. Per Section 628.4615(2)(a), Florida Statutes

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Sincerely,

Charles S. Joseph, Sr., V.P.,
 Secretary & General Counsel
 Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 10, 2013

Patrick J. Geraghty, President & CEO
Blue Cross and Blue Shield of Florida, Inc.,
d/b/a Florida Blue
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

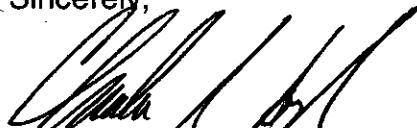
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Dear Mr. Geraghty:

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Sincerely,



Charles S. Joseph, Sr., V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

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Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 6.11	

Sent to: **Patrick J. Geraghty, President & CEO**
Blue Cross Blue Shield of Florida, Inc.,
 Street, Apt. No. or PO Box: **d/b/a Florida Blue**
 City, State, and ZIP+4: **4800 Deerwood Campus Pkwy, DC 1-8**
Jacksonville, Florida 32246
 PS Form 3800, August 2006 See Reverse for Instructions

7010 2780 0001 9361 4014

NEWCO MIHC
4800 Deerwood Campus Pk
Jacksonville, Florida 3

June 10, 2013

Patrick J. Geraghty, President & CEO
 Blue Cross and Blue Shield of Florida, Inc.,
 d/b/a Florida Blue
 4800 Deerwood Campus Pkwy, DC1-7
 Jacksonville, Florida 32246

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Sincerely,

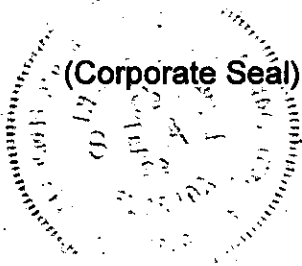
Charles S. Joseph, Sr. V.P.,
 Secretary & General Counsel
 Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Statement of Acquisition, Merger or Consolidation of a Specialty Insurer

**STATEMENT OF ACQUISITION MERGER OR CONSOLIDATION
OF A SPECIALTY INSURER
PURSUANT TO FLORIDA STATUTES 628.4615**

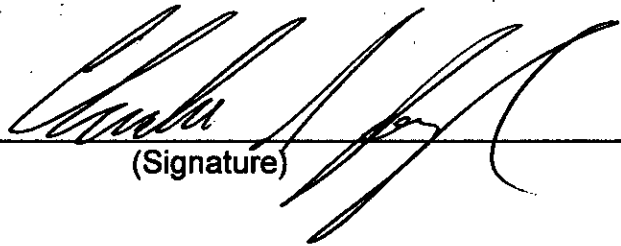
The Following Attestation Form Shall Be Used

I, the undersigned, do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this application are true and correct.



(Corporate Seal)

Charles S. Joseph, Senior Vice President, General
Counsel and Corporate Secretary of Florida Blue and
Incorporator of NEWCO MIHC

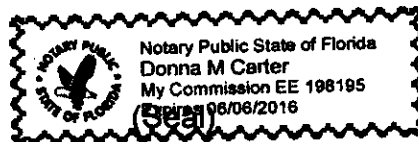

(Signature)

State of Florida
County of Duval

Sworn to and subscribed before me

this 6 day of June, 2013.

Donna M. Carter
(Notary Public)



My Commission Expires 6/6/2016.

Certification of Compliance
With Executive Order 13224 Blocking Property and Prohibiting Transactions with
Persons Who Permit, Threaten to Commit, or Support Terrorism

The undersigned, being first duly sworn, deposes and says that he/she is a senior officer of Health Options, Inc. and that he/she is familiar with the procedures which have been implemented in order to comply with Executive Order 13224 regarding terrorists and terrorist support organizations, that Health Options, Inc. has implemented appropriate procedures to detect and prevent transactions prohibited by the Executive Order, and that Health Options, Inc. is currently in compliance with the requirements of such Order.

Dated 6/7/13 _____ Health Options, Inc.
(Give full and exact name of Applicant)

Seth M. Phelps

Signature of President, Secretary, or Treasurer

Seth Matthew Phelps
Printed Name

Secretary
Printed Title

STATE OF Florida
COUNTY OF Duval

The foregoing instrument was acknowledged before me this 7 day of
June, 2013, by Seth M. Phelps

(Seal)

J. Keene
(Signature of Notary Public - State of Florida)
Notary Public State of Florida
Jelen G Keene
My Commission EE111114
Expires 07/13/2015

(Print, Type, or Stamp Commissioned Name of Notary Public)

Personally Known OR Produced Identification _____
Type of Identification Produced _____

My Commission expires: 7/13/2015

Blue Cross and Blue Shield of Florida, Inc.

**Actuarial Opinion for 2012 Statutory Financial Statement
Asset Adequacy Tested Amounts Reserves and Liabilities**

TABLE OF KEY INDICATORS

This opinion is: Unqualified Qualified Adverse Inconclusive

IDENTIFICATION SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

SCOPE SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

RELIANCE SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

OPINION SECTION

Prescribed Wording Only Prescribed Wording with Additional Wording Revised Wording

RELEVANT COMMENTS

Revised Wording

The Actuarial Memorandum includes "Deviation from Standard" wording regarding conformity with an Actuarial Standard of Practice.

IDENTIFICATION

I, Douglas Lynch, F.S.A., Vice President and Chief Actuary, am an employee of Blue Cross and Blue Shield of Florida, Inc. (the company) and a member of the American Academy of Actuaries. I was appointed on May 12, 2012 in accordance with the requirements of the annual statement instructions. I meet the Academy qualification standards for rendering the opinion.

SCOPE

I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities and related items listed below, as shown in the annual statement of the organization as prepared for filing with state regulatory officials, as of December 31, 2012.

A. Claims unpaid (Page 3, Line 1);

B. Accrued medical incentive pool and bonus payments (Page 3, Line 2);

C. Unpaid claims adjustment expenses (Page 3, Line 3);

D. Aggregate health policy reserves (Page 3, Line 4) including unearned premium reserves, premium deficiency reserves and additional policy reserves from the Underwriting and Investment Exhibit – Part 2D;

E. Aggregate life policy reserves (Page 3, Line 5);

F. Property/casualty unearned premium reserves (Page 3, Line 6);

G. Aggregate health claim reserves (Page 3, Line 7);

H. Any other loss reserves, actuarial liabilities, or related items presented as liabilities in the annual statement;

1. Medicare Part D Risk Sharing (Page 3, line 22); and

I. Specified actuarial items presented as assets in the annual statement.

1. Accrued Retrospective Premiums (Page 2, line 15.3, column 1)

<u>Statement Items</u>	(1) <u>Formula Reserves</u>	(2) <u>Additional Actuarial Reserves</u>	<u>Analysis Method</u>	(3) <u>Other Amount</u>	(4) <u>Total Amount</u>
A. Claims unpaid (Page 3, line 1)	\$568,746,131	\$0	Follow Up Study	\$0	\$568,746,131
B. Accrued medical incentive pool and bonus amounts (Page 3, line 2)	\$ 0	\$0		\$0	\$ 0
C. Unpaid claims expense (Page 3, line 3)	\$19,892,920	\$0	Follow Up Study	\$0	\$19,892,920
D. Aggregate health policy reserves (Page 3, line 4)	\$1,185,129,547	\$0	Gross Prm Valuation	\$0	\$1,185,129,547
E. Aggregate life policy reserves (Page 3, line 5)	\$ 0	\$ 0		\$0	\$ 0
F. Property/Casualty unearned premium reserve (Page 3, line 6)	\$7,543,803	\$ 0		\$0	\$ 7,543,803
G. Aggregate health claim Reserves (Page 3, line 7)	\$ 0	\$0		\$0	\$ 0
H. Other loss reserves, actuarial liabilities, or related items presented as liabilities in the annual statement					
1. Medicare Advantage and Part D Risk Sharing					
(Page 3, line 22)	\$1,864,380	\$0	Follow Up Study	\$0	\$1,864,380
I. Specified actuarial items presented as assets in the annual statement					
1. Accrued Retrospective Premiums					
(Page 2, line 15.3)	\$1,873,526	\$0	Follow Up Study	\$0	\$1,873,526

RELIANCE

My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic liability records to the Underwriting and Investment Exhibit Part 2B of the company's current annual statement. In forming my opinion on the Property and Casualty Unearned Premium Reserve (Page 3, line 6), I relied upon data prepared by Dana Fleming, Finance Controller of Comp Options Insurance Company, Inc. as certified in the attached statements. I evaluated that data for reasonableness and consistency. My examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.

OPINION

In my opinion, the amounts carried in the balance sheet on account of the items identified above:

- (i) are in accordance with accepted actuarial standards consistently applied and fairly stated in accordance with sound actuarial principles,
- (ii) are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (iii) meet the requirements of the Insurance Laws and regulations of the State of Florida, and are at least as great as the minimum aggregate amounts required by the state,
- (iv) make good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements,
- (v) are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year end,
- (vi) include appropriate provision for all actuarial items that ought to be established.

The Underwriting and Investment Exhibit Part 2B was reviewed for reasonableness and consistency with the applicable Actuarial Standard of Practice.

Actuarial methods, considerations, and analyses used in forming my opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.


RELEVANT COMMENTS

A change in assumptions was made during the past year. The reserve assumptions for Active Life Reserves for Individual policies were updated to be consistent with Statutory Minimum Standards. The change was approved by the Florida Office of Insurance Regulation and such change is consistent with accepted actuarial standards.

This opinion has been prepared solely for the Board and management of the Company, for filing with insurance regulatory agencies of the states in which the Company is licensed, and for the Blue Cross and Blue Shield Association.

To the best of my knowledge, there has been no material change between December 31, 2012 and the date of the rendering of this opinion.

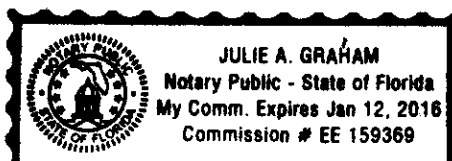
The impact of unanticipated events subsequent to the date of this opinion is beyond its scope.


Douglas Lynch, F.S.A., M.A.A.A.

4800 Deerwood Campus Parkway
P. O. Box 60729
Jacksonville, Florida 32236 (mailing address)
Jacksonville, Florida 32246 (main administrative office)
(904)-905-4003

Subscribed and sworn to before me
this 21st day of February, 2013.


Notary Public, State of Florida

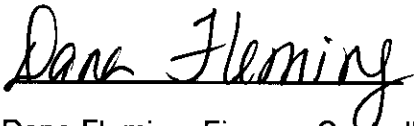


Comp Options, Inc.

**Attachment to the Blue Cross and Blue Shield of Florida, Inc. Actuarial Opinion
Supporting the 2012 Statutory Financial Statement**

I, Dana Fleming, Finance Controller of Comp Options Insurance Company, Inc., hereby affirm that the listings, summaries and analyses relating to data prepared for and submitted to Douglas Lynch in support of the Property and Casualty Unearned Premium Reserve reported by Blue Cross and Blue Shield of Florida, Inc. in the company's 2012 Statutory Financial Statement were prepared under my direction. To the best of my knowledge and belief, they are substantially accurate and complete and are the same as, or derived from, the records and other data which form the basis of the annual statement of Comp Options, Inc.

To the best of my knowledge, there has been no material change between December 31, 2012 and the date of the rendering of this affirmation.



Dana Fleming, Finance Controller
Comp Options Insurance Company, Inc.
4800 Deerwood Campus Parkway, DCC801
Jacksonville, FL 32246
(904) 905-7979

Subscribed and sworn to before me
This 18th day of February, 2013



Notary Public, State of Florida

LILIANA WINTER
Notary Public, State of Florida
My comm. exp. Jan. 24, 2014
Comm. No. DD 955009

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

I am the President of Blue Cross and Blue Shield of Florida, Inc., a Florida corporation under Chapters 617 and 628, Florida Statutes, and I do hereby certify that:

1. The name of the Corporation is Blue Cross and Blue Shield of Florida, Inc.; and
2. In compliance with Chapter 628, Florida Statutes, a majority of those members of Blue Cross and Blue Shield of Florida, Inc. present in person or represented by proxy at a lawful meeting of the members held on [September 10, 2013], affirmatively voted to adopt these Amended and Restated Articles of Incorporation and the number of votes cast was sufficient for approval.

Therefore, the Corporation hereby amends and restates its Articles of Incorporation to read as follows:

ARTICLE I
ORGANIZATION

The Corporation is a company organized under the Florida Business Corporations Act pursuant to a reorganization in accordance with Chapter 628, Florida Statutes.

ARTICLE II
NAME

The name of the Corporation shall be Blue Cross and Blue Shield of Florida, Inc. (the "Corporation").

ARTICLE III
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE IV
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE V
PURPOSE

The general purpose of the Corporation shall be to establish, maintain and operate an insurance company in the State of Florida to promote the betterment of public health through the availability of health insurance, and to engage in programs to contain health care costs and provide for the mutual protection and benefit of those persons who hold insurance policies issued by the Corporation or have a beneficial interest in such policies, by providing and operating an effective and progressive prepayment and financing mechanism for health care services consistent with the needs of the community through developing and implementing innovative methods to deal with the economic and delivery opportunities and problems of health care and to serve in the capacity as an administrator of federal, state and local government financed health care programs, and to assist, in an underwriting capacity and otherwise, mutual and non-profit corporations incorporated in and doing business in other states, territories and possessions of the United States in their providing of hospital, medical and other health care services and in their activities as administrators of federal, state and local government and privately financed health care programs.

The Corporation shall be authorized to engage in the transaction of any form of disability insurance or health insurance business and any other type of insurance which may be written by a health or disability insurer, including, without limitation, any type of program which may be transacted by a care service plan corporation, and to engage in any activities, reasonably and necessarily incidental to such insurance business and any other activity permitted by law.

It is hereby provided that said purposes are not intended to limit or restrict in any manner the powers or purposes of the Corporation to any extent permitted by law, nor shall the expression of one thing be deemed to exclude another although it be of like nature.

The Corporation is subject to and shall be entitled to the exemptions and provisions of the Laws of Florida, Chapter 628 "Stock and Mutual Insurers; Holding Companies."

ARTICLE VI
STOCK

The aggregate number of shares which the corporation shall have authority to issue shall be 1,000,000 shares of common stock at no par value each.

ARTICLE VII
SHAREHOLDERS

A majority of the shares of Common Stock of the Corporation shall be owned at all times, either directly or indirectly through one or more intermediate holding companies, by [NEWCO MIHC].

ARTICLE VIII
TERM OF EXISTENCE

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE IX
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
200 E. Gaines St.
Tallahassee, FL 32399

ARTICLE X
DIRECTORS

The Corporation shall never have less than five (5) directors. The number of directors that shall constitute the Board of Directors of the Corporation shall be set forth from time to time in the Bylaws. The Directors of the Corporation shall be elected by the shareholders as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE XI
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XII
SHAREHOLDER ACTION WITHOUT A MEETING

Any action required or permitted by Florida law to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted.

ARTICLE XIII
AMENDMENTS

The power to amend the Articles of Incorporation shall be reserved exclusively to the shareholders.

ARTICLE XIV
INCORPORATOR

The name and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway

	Jacksonville, FL 32246
--	------------------------

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

NGEDOCs: 017483.0033:2082872.6

ARTICLES OF INCORPORATION

OF

[NEWCO MIHC]

In compliance with Chapter 628, Florida Statutes, the undersigned incorporator to these Articles of Incorporation hereby forms a domestic mutual insurance holding company under the laws of the State of Florida.

ARTICLE I
ORGANIZATION

The Corporation is a domestic mutual insurance holding company organized under Chapter 628, Florida Statutes, resulting from the reorganization of Blue Cross and Blue Shield of Florida, Inc., a not for profit mutual insurer, pursuant to Chapter 628, Florida Statutes, and therefore the Corporation is deemed to be a not for profit corporation.

ARTICLE II
NAME

The name of the Corporation shall be [NEWCO MIHC] (the “Corporation”).

ARTICLE III
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32236

ARTICLE IV
NATURE OF BUSINESS

The Corporation is being formed to hold at all times, either directly or indirectly through one or more intermediate holding companies as permitted by law, a majority of the voting shares of the capital stock of Blue Cross and Blue Shield of Florida, Inc., which was originally organized as a not for profit mutual insurer in the state of Florida and was reorganized into stock insurer in the state of Florida. In addition, the Corporation may engage in any lawful business incidental thereto, and any other business permitted by law.

ARTICLE V
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE VI
TERM OF EXISTENCE

The Corporation shall exist perpetually.

ARTICLE VII
MEMBERS

Membership in the Corporation shall be determined by policies set forth in the Corporation's Bylaws in accordance with law. No member may transfer membership or any rights arising therefrom.

ARTICLE VIII
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
4800 Deerwood Campus Parkway
Jacksonville, Florida 32236

ARTICLE IX
DIRECTORS

The Directors of the Corporation shall be elected by the members as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE X
DIVIDENDS

The Corporation will not be required to pay dividends or make any other distributions to its members, except as directed or approved by the Office of Insurance Regulation or such governmental officer, body or authority as may succeed it as the primary regulator of the Corporation under applicable law.

ARTICLE XI
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XII
MEMBER ACTION WITHOUT MEETING

To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice, and without a vote if the action is taken by the members entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all members entitled to vote on such action were present and voted.

ARTICLE XIII
AMENDMENTS

The Articles of Incorporation may be amended by vote of a majority of those members present in person or represented by proxy at a lawful meeting of the members, if notice given members included due notice of the proposal to amend.

ARTICLE XIV
INCORPORATOR

The names and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

ARTICLES OF INCORPORATION

OF

[NEWCO]

ARTICLE I
ORGANIZATION

The Corporation is a company organized under the Florida Business Corporations Act pursuant to a reorganization in accordance with Chapter 628, Florida Statutes.

ARTICLE II
NAME

The name of the Corporation shall be [NEWCO] (the "Corporation").

ARTICLE III
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE IV
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE V
PURPOSE

The purpose for which the corporation is organized is to engage in any lawful act or activity for which a corporation may be organized under the Florida General Corporation Act.

ARTICLE VI
STOCK

The aggregate number of shares which the corporation shall have authority to issue shall be 1,000,000 shares of common stock at no par value each.

ARTICLE VII
TERM OF EXISTENCE

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE VIII
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE IX
DIRECTORS

The Directors of the Corporation shall be elected by the shareholders as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE X
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XI
SHAREHOLDER ACTION WITHOUT A MEETING

Any action required or permitted by Florida law to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted.

ARTICLE XII
AMENDMENTS

The power to amend the Articles of Incorporation shall be reserved exclusively to the shareholders.

ARTICLE XIII
INCORPORATOR

The name and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

DRAFT ESTIMATES

4. Asset Transfer Detail

	<u>Assets and Liabilities Transfer from FB to Newco</u>		<u>Statutory Admitted Balances</u>	
	<u>GAAP Values</u>	<u>Statutory Value</u>	<u>FB Pre-transaction 12/31/13</u>	<u>FB Post Transaction 1/1/14</u>
Bonds:			\$ 2,552	\$ 1,938
U.S. State, U.S. Political & Special Revenue & Special Assessment - Issuer Obligations				
Class 01	\$ 438	\$ 412		
Class 02	\$ 22	\$ 21		
Class 03	\$ -	\$ -		
Class 04	\$ -	\$ -		
Class 05	\$ -	\$ -		
Class 06	\$ -	\$ -		
	<u>\$ 461</u>	<u>\$ 433</u>		
Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations				
Class 01	\$ 145	\$ 146		
Class 02	\$ 34	\$ 34		
Class 03	\$ -	\$ -		
Class 04	\$ -	\$ -		
Class 05	\$ -	\$ -		
Class 06	\$ -	\$ -		
	<u>\$ 179</u>	<u>\$ 180</u>		
Stocks			\$ 748	\$ 335
iShares S&P 500 Index Fund - ETF	\$ 252	\$ 252		
Vanguard FTSE International Equity ETF	\$ 162	\$ 162		
	<u>\$ 413</u>	<u>\$ 413</u>		
Affiliated Investments			\$ 588	\$ -
DHS	\$ 416	\$ 415		
DSO	\$ 45	\$ 50		
Navigy Holdings	\$ 183	\$ 123		
	<u>\$ 644</u>	<u>\$ 588</u>		
Real Estate			\$ 212	\$ 192
Data Center	\$ 19	\$ 19		
Retail Centers	\$ 2	\$ 1		
	<u>\$ 21</u>	<u>\$ 20</u>		
Cash, Cash Equivalents & Short term Investments	<u>\$ -</u>	<u>\$ -</u>	\$ 88	\$ 88
Other Assets			\$ 1,877	\$ 1,850
Electronic data processing equipment and software	\$ 48	\$ 4		
Furniture and equipment	\$ 10	\$ -		
Prepaid & other expenses	\$ 67	\$ -		
Forwards & other assets	\$ 31	\$ 23		
Leashold Improvements	\$ 9	\$ -		
	<u>\$ 165</u>	<u>\$ 27</u>		
Liabilities			\$ 3,220	\$ 3,169
Trade Creditors	\$ 30	\$ 30		
Year End Accruals	\$ 21	\$ 21		
	<u>\$ 52</u>	<u>\$ 52</u>		
Total net assets	<u>\$ 1,831</u>	<u>\$ 1,610</u>	<u>\$ 2,845</u>	<u>\$ 1,235</u>

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 5 , 2013

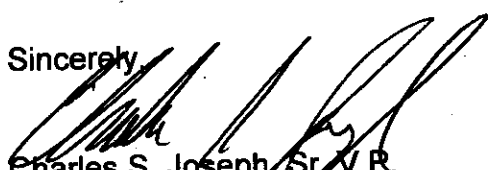
Gwen Chick, Application Coordinator
Application Coordination Section
FL Department of Insurance
200 East Gaines St., Larson Bldg.
Tallahassee, Florida 32399

Re: Authorization for Representation

Dear Ms. Chick :

Please be advised that John F. Black, President, Meridian Consulting, Inc. of 1809 Miccosukee Commons Drive, Suite #110, Tallahassee, Florida 32308 and Thomas J. Maida of Foley & Lardner, LLP are authorized to represent NEWCO MIHC, Blue Cross and Blue Shield of Florida, Inc. and all their Subsidiaries, in all matters before the Florida Office of Insurance Regulation concerning the mutual insurance holding company reorganization of Blue Cross and Blue Shield of Florida, Inc.

Sincerely,



Charles S. Joseph, Sr. V.P.
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc.
and Incorporator of NEWCO MIHC

cc: John F. Black – Meridian Consulting, Inc.
Thomas J. Maida, Foley & Lardner, LLP

RESOLUTION
BOARD OF DIRECTORS
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
ADOPTION OF THE PLAN OF REORGANIZATION
MAY 28, 2013

WHEREAS, Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue (“Florida Blue”) is a not-for-profit mutual insurance company under Chapters 617 and 628, Florida Statutes (2012), which has no authorized capital stock; and

WHEREAS, Florida Blue proposes to reorganize pursuant to the provisions of Part III of Chapter 628, Florida Statutes (2012) (the “Reorganization”) through the adoption of a Plan of Reorganization (the “Plan”), in substantially the form as presented to the Board of Directors of Florida Blue (the “Board”) and attached hereto as Exhibit A; and

WHEREAS, pursuant to the Plan, Florida Blue will form a mutual insurance holding company (the “MIHC”); and

WHEREAS, pursuant to the Plan, the membership interests of the members of Florida Blue will become membership interests in the MIHC in accordance with the articles of incorporation and bylaws of the MIHC, and the members’ membership interests in Florida Blue will be extinguished; and

WHEREAS, pursuant to the Plan, the Reorganization will result in Florida Blue becoming a stock insurance company. Florida Blue’s articles of incorporation will be amended and restated to reflect that at all times, as required by applicable law, the MIHC will own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue; and

WHEREAS, pursuant to the Plan, the MIHC will be admitted as a new member of the Blue Cross and Blue Shield of Florida Foundation Inc., of which Florida Blue is the current sole member; and

WHEREAS, pursuant to the Plan, Florida Blue will form a new stock company (“NEWCO”) and will contribute all of its shares in Diversified Service Options, Inc., Diversified Health Services, Inc. and Navigy Holdings, Inc., constituting 100 percent of the total number of issued and outstanding shares of each of them, and all of the Non-Subsidiary Assets (as defined in the Plan) in excess of statutory requirements, to NEWCO, and NEWCO will assume the liabilities and obligations associated therewith; and

WHEREAS, Florida Blue will distribute 100 percent of its shares of common stock of NEWCO to the MIHC; and

WHEREAS, every insurance policy which is in force at the time of the Reorganization will continue as a policy of Florida Blue and all policyholder contractual rights will remain as they existed at the time of the Reorganization; and

WHEREAS, following the Reorganization, the MIHC will at all times own, directly or indirectly, at least a majority of the voting shares and a majority in economic value of the capital stock of Florida Blue as required by Florida law; and

WHEREAS, Florida Blue has secured a fairness opinion from the investment banking firm of J.P. Morgan Securities Inc., on the fairness of the Plan to the members that the exchange of membership interests in Florida Blue for membership interests in the mutual holdings is fair, from a financial point of view, to policyholders who are members of Florida Blue, taken as a group; and

WHEREAS, the Board, after a thorough review and discussion, believes that the Reorganization will enhance Florida Blue's strategic and financial flexibility by creating a corporate structure that will facilitate growth important to Florida Blue's goal of remaining strong, effective and competitive in the future; and

WHEREAS, the Board believes the Reorganization is in the best interest of Florida Blue and its members and that the Reorganization is fair and equitable to Florida Blue's members;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the Plan and the transactions contemplated thereby, including the adoption of the amended and restated articles and bylaws of Florida Blue, in substantially the form as outlined in the attached Exhibits, and the formation of the MIHC and NEWCO and adoption of their respective articles and bylaws, each substantially in the form as outlined in the attached Exhibits; and

FURTHER RESOLVED, that the Board hereby approves submission of the Plan to the Office of Insurance Regulation ("OIR"); and

FURTHER RESOLVED, that subject to Florida Blue's receipt of:

1. the approved Blue Cross and Blue Shield Association License transfer request; and
2. a favorable Internal Revenue Service Private Letter Ruling indication or sufficient assurance of a favorable ruling following the effective date of reorganization and/or one or more opinions of Florida Blue's independent tax advisor with respect to those tax considerations as outlined in Section 7.03 of the Plan; and

3. a “no-action” letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, or an opinion of independent legal counsel with respect to federal securities law matters; and
4. OIR’s approval of the Plan and the transactions contemplated by the Plan; and
5. the members’ approval of the Plan and the transactions contemplated by the Plan.

The Board hereby authorizes and directs the Chief Executive Officer of Florida Blue, and such other officers of Florida Blue with a title of Vice President or higher (the “Authorized Officers”) for and on behalf of Florida Blue, to (a) execute and deliver the Plan and the documents referred to therein to the extent Florida Blue is a party thereto and (b) execute such other documents, and do or cause to be done such other acts and things, in each case as the Authorized Officers may deem necessary or advisable to effectuate the Plan and its approval by OIR and the members; and

FURTHER RESOLVED, that any documents heretofore delivered and any other actions heretofore taken by the Authorized Officers, in furtherance of the purposes hereof are ratified, approved and confirmed in all respects; and

FURTHER RESOLVED, that whenever it is provided in these resolutions that the Authorized Officers of Florida Blue may execute any document or other instrument or take any other action as he or she may deem or determine to be advisable or in the best interests of Florida Blue, or as he or she may approve, the fact that such officer or officers will execute such document or other instrument or take such other action will be deemed to be conclusive evidence that such officer or officers deem and determine the execution of such document or other instrument or the taking of such other action to be advisable and for the best interests of Florida Blue and approve such action; and

FURTHER RESOLVED, that in the event that the OIR determines the Plan cannot be consummated as submitted or any material change occurs in the law, statutes, or regulations or other requirements imposed by OIR or another a regulatory or legislative body, which may have a material adverse effect on the intent of the Plan and these resolutions, then the authorizations contained in the above resolutions will be withdrawn and Board approval must be sought in order to consummate the Reorganization.

MIHC Business Plan/Plan of Operations

MIHC Structure

Florida Blue has applied to reorganize its corporate structure as a policyholder owned, not-for-profit Mutual Insurance Holding Company that will provide greater flexibility to transform the health care system. This will result in a new upstream parent company operating as a not-for-profit mutual insurance holding company (the “MIHC”) and Florida Blue reorganized as an insurance subsidiary. Under the new structure, current subsidiaries and affiliates will be indirectly wholly controlled by MIHC through a NewCo holding company and will also report up to the not-for-profit MIHC (see Figure 1). The MIHC, Florida Blue and all subsidiaries will operate under a commitment to a not-for-profit mission.

The business is managed across the legal structure, including common management and market approaches for our largest subsidiaries (such as Florida Blue and Health

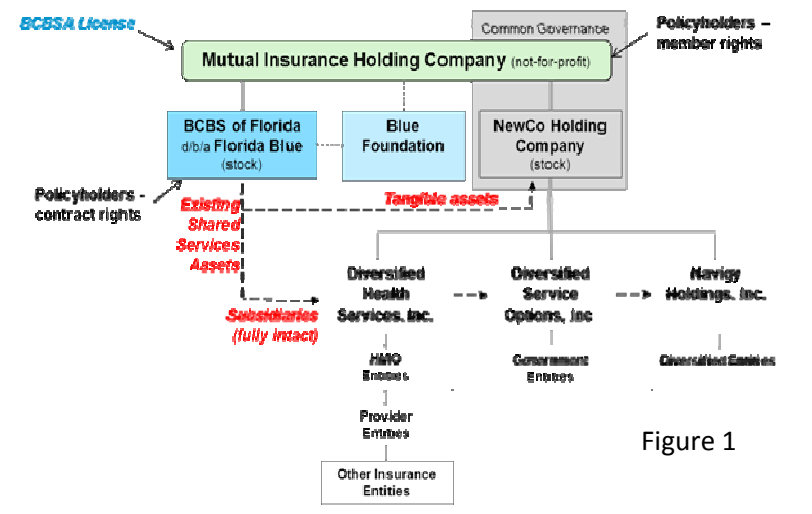


Figure 1

Options. Inc.), while our smaller subsidiaries (such as Florida Health Care Plan) are independently managed. Business activities, consistent with those deployed pre-reorganization, will continue to be conducted through the MIHC’s indirectly wholly owned/controlled subsidiaries including Florida Blue, Health Options, Inc., Capital Health Plan, Florida Health Care Plan, OptaComp, First Coast Service Options, Inc., Novitas Solutions, Inc., Navigy Holdings, Inc., Incepture, Inc., GuideWell, Inc., and Diagnostic Clinic Medical Group.

The MIHC’s strategic direction is to transform and diversify from a health insurance company to an innovative health solutions company focused on helping people and communities achieve better health. Such health solutions concentrate on affordable health insurance offerings, an array of ancillary health related products, services to help members live healthy lifestyles, and integrated care delivery in certain markets as a commitment to improving community health.

The MIHC structure is supportive of this transformation and is expected to provide several benefits including a structure that advances Florida Blue’s mission and commitment to its policyholders. The MIHC structure will provide additional flexibility and better position it to achieve its longer-term strategic objectives as well as allows Florida Blue to accelerate the process of changing its business model from a health insurer to a health solutions company.

All legal entities are managed under three main lines of business (Health, Diversified and Traditional Government) and are designed to fulfill the organizational goals of the MIHC’s strategic profile. The market strategy is to be a strong player in all health segments and its diversified business is to support the transformation of its core business. Under health business are BlueOptions Group, PPO Group, HMO Group, Medicare Advantage, Medicare Supplement,

MIHC Business Plan/Plan of Operations

Individual BlueOptions, PPO and HMO, the federal employees health benefit program (FEHBP), and the National Blue Card Program products which are managed across market segments. The local group market segment is expected to have moderate market share growth while sustaining profitability. The public, large and national group markets are expected to maintain share while achieving targeted margins. Florida Blue will invest in the Under 65 individual market segment to enter the Exchanges established under the Accountable Care Act (ACA) and to grow profitably. Florida Blue is also investing in government market segments such as commercial Medicare and Medicaid.

Diversified business includes life and disability, dental, long-term care, workers' compensation, specialty benefits management, data analytics & warehousing, health & wellness solutions and strategic provider models in certain markets. Traditional government business covers Florida Medicare Parts A & B administration under Diversified Service Options, Inc., which is focused on leveraging best practices for scale and retaining contracts.

Florida Blue

Florida Blue is currently licensed in Florida as a domestic insurer to write health insurance and will continue to do so under Florida statutes. Florida Blue will continue to leverage its Blue Options network (PPO) spanning the state of Florida and Blue Select network (low cost) in 24 counties and growing. Delivery systems include arrangements with numerous hospitals, primary care physicians, and specialty doctors and clinics for PPO and low cost networks.

Health insurance underwriting policies and processes are designed to balance risks and the actuarial process ensures pricing is adequate to cover medical trends and administrative costs and are in accordance with Florida statutes. Under ACA, plan years beginning January 1, 2014 and after, health business can no longer deny any applicant that applies for coverage, increase rates based on health status (except smoking status), or restrict benefits based on health status both on and off of the Exchange. In addition, insurers must use a single risk pool for both the individual and small group markets. The MIHC's plan of operation includes anticipated impacts of ACA to membership growth and premiums projections.

Health insurance claims processing is performed by subsidiaries through either administrative services arrangements or independently. Florida Blue has a single platform capability which provides a multi-payer portal solution for providers; a payer gateway for a single platform for business and clinical transactions; revenue cycle management; clinical exchange which leverages the existing platform for bi-directional information exchange and value-added solutions such as training, federally mandated support, and a call center. Florida Blue is innovating the payment process to ensure accountability for care with pay-for-performance/quality-based incentive programs which reward providers for achieving improvements such as efficiency, patient safety, clinical quality, etc.; patient-centered medical homes for collective care responsibility; episode-based/bundled payment which is a single payment to providers for all clinically related services; and accountable care models for care delivery for a population. These new payment and care delivery models are essential to drive coordinated, efficient, and quality-focused health care.

MIHC Business Plan/Plan of Operations

Other Regulated Entities

Other regulated entities include Health Options, Inc., Capital Health Plan, Florida Health Care Plan, OptaComp, Florida True Health, and Florida Combined Life. Health Options, Inc., Capital Health Plan, Florida Health Care Plan, and Florida True Health are subsidiary and affiliate health maintenance organizations (HMO) licensed in the state of Florida. Health Options, Inc., Capital Health Plan and Florida Health Care Plan combined provide comprehensive HMO products and services throughout the state. Florida Health Care Plan and Capital Health Plan are mixed staff model health maintenance organizations providing integrated health care for nine counties in Florida. Florida True Health is a Medicaid HMO jointly owned between Diversified Health Services, Inc. and AmeriHealth Caritas Health Plan. Florida True Health currently has a contract with AHCA to administer Medicaid in Volusia County and is preparing applications for expansion into additional areas. OptaComp is a property and casualty insurance subsidiary that operates in the state of Florida offering workers' compensation management (risk and ASO) with a strong focus on functional restoration and an emphasis on loss prevention. Florida Combined Life and USable Life are life and health insurance subsidiaries, providing ancillary products and services including life and dental. Under the MIHC structure, there will not be any changes in the way these regulated entities are managed or conduct business. The holding company which holds these entities, Diversified Health Services, Inc., will be realigned under the Newco holding company.

Transfer of Assets Upon Reorganization

Upon the plan of reorganization, certain assets will be transferred out of Florida Blue to the Newco holding company directly under the MIHC. Current statutory minimums equal approximately \$255 million per the minimum statutory reserve requirement and 200% risk-based capital for monitoring purposes. The asset transfer is anticipated to approximate \$1.6 billion on a statutory accounting basis. Florida Blue will contribute all of its shares in subsidiaries and affiliates as well as certain non-subsidiary shared services assets such as property and equipment, technology infrastructure and certain investment portfolio assets to the Newco holding company. It is anticipated that Florida Blue will be well capitalized with \$1.2 billion in statutory surplus and over 700% risk-based capital after the transfer of assets and statutory surplus.

Shared services assets currently administered by Florida Blue pre-reorganization will transfer to the Newco holding company upon the implementation of the plan of reorganization. Subsequent to the reorganization, Florida Blue may transfer certain of its employees to the Newco holding company subject to providing notice to the Office of Insurance Regulation (Office).

MIHC Business Plan/Plan of Operations

The assets and liabilities transfer from Florida Blue to Newco

	<u>GAAP Basis</u>	<u>SAP Basis</u>
1)Affiliated Assets	\$ 644	\$ 588
2) Bonds and Common Stocks	\$ 1,053	\$ 1,027
3) Real Estate	\$ 21	\$ 20
4) Other Assets	\$ 165	\$ 27
5) Certain General Liabilities	\$ (52)	\$ (52)
	<u>\$ 1,831</u>	<u>\$ 1,610</u>

NOTE: This is an estimate of anticipated assets and liabilities transfers from Florida Blue to Newco

Intercompany Agreements

Florida Blue's current policy recognizes the need for consistent, reliable methods for allocating administrative expenses across the enterprise. Its policy is to fully allocate all administrative expenses incurred in accordance with the cost allocation methodology, which must provide equitable treatment for all subsidiaries; appropriately represent the work activity on behalf of subsidiaries, where applicable; comply with applicable federal and state laws and regulations; and meet the requirements of the Blue Cross and Blue Shield Association.

Florida Blue employees perform activities for several subsidiaries under written service level agreements (SLAs) to provide certain services, including but not limited to administrative, managerial, professional and technical services. Activities performed consist of marketing and advertising the company's products; working with agents and in house sales employees to enroll members incorporating underwriting procedures for eligibility; enrolling members within the company's membership and billing process; customer service activities such as benefits communications; contracting with providers for its network; managing and monitoring provider performance; ensuring compliance with federal and state laws and regulations; processing and paying provider claims based on member coverage; and handling customer and provider disputes and questions. Various overhead services include human resources, finance, legal and information technology.

Under the MIHC structure, the cost allocation policy as discussed above would in substance be consistent. The MIHC will make required changes on allocating the costs associated with real estate, EDP equipment and other assets that are transferred to Newco. In addition, Florida Blue's current SLAs will be updated and Newco SLAs will be implemented to reflect the changes in services provided by Florida Blue and Newco to affiliate entities within the MIHC.

Tax Sharing Agreements

Florida Blue files consolidated federal and state income tax returns with its eligible subsidiaries. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using currently enacted tax rates and laws in effect for the years in which the differences are expected to reverse. The method of allocation of

MIHC Business Plan/Plan of Operations

income tax liability is subject to a written tax sharing agreement among the companies. Allocation is based upon each company's separate taxable income. A company with a net operating loss is reimbursed for the tax benefit associated with its loss. Intercompany tax estimates are recorded monthly and adjusted annually after the consolidated tax return is filed. The Tax Sharing Agreement will be modified to reflect the MIHC structure and will be relatively consistent with the current operations. The modifications will incorporate the MIHC filing consolidated federal and state income tax returns with its eligible subsidiaries and bank operations will be set up within the appropriate company for intercompany reimbursements.

Reinsurance Agreements

Florida Blue has several reinsurance contracts, as disclosed in Schedule S of its annual statutory statements, in which it assumes a percentage of health risk business and cedes a portion of its stop loss business as well as cedes its dental and long term care businesses. Under the MIHC structure, these reinsurance agreements will remain in place with no changes anticipated considering the nature of the business.

Projections and Assumptions

The projected revenue over a three year period under the MIHC is as follows and is consistent with Florida Blue's current plan of operations:

- 2014: \$10,309 million
- 2015: \$11,673 million
- 2016: \$12,697 million

The key assumptions to project the financial performance for the MIHC are based on the historical forecasting process for Florida Blue, which incorporates historical performance, market studies, Health Care Reform impacts (as legislated under ACA), strategic objectives, pricing policy, and organizational effectiveness expectations. The key assumptions by market are as follows:

Under 65 Individual Market

This segment is the most impacted by ACA with significant growth expected through the Exchanges; changes in risk of the population is expected due to the elimination of underwriting; and implementation of the new risk programs around risk scores (permanent program), reinsurance (temporary program in 2014-2016) and risk corridors (temporary program in 2014-2016).

The average revenue per member per month (PMPM) is expected to increase as a result of medical trend, mandated benefits under ACA, and migration to non-underwritten plans offset by estimated rebates based on the medical loss ratio (MLR) calculations required under ACA.

Group Business Markets

Small, mid-size, and large group businesses reflect price increases representative of medical trend partially offset by reductions in enrollment anticipated as a portion of groups discontinue offering coverage resulting in members migrating to individual products offered on the Exchange (anticipated impact of Health Care Reform). Loss ratios are projected to be stable and result in minimal rebates.

MIHC Business Plan/Plan of Operations

Government Markets

Growth is expected in both Medicare Advantage and Medicare Supplement blocks of business with modest projected revenue PMPM changes and medical trends resulting in stable MLRs. In addition, the Medicaid business is expected to increase and is reflected in equity income through the Medicaid joint venture, Florida True Health.

Other

Diversified business pre-tax income is forecast to increase significantly driven by earnings from existing subsidiaries and joint ventures as well as newly acquired affiliates. Core investment income increases reflect the impact of investing accumulated earnings as well as reinvested interest and dividends.

Administrative costs and ratios decrease due to capability planning, anticipated operating efficiencies, and achievement of greater scale. These reductions are partially offset by additional costs from ACA that are non-tax deductible (such as the Insurer Fee, PCORTF Fee and reinsurance and risk adjuster programs administrative fees, which is roughly 1.5% of premium).

Dividends

Pursuant to the Florida Statutes, Florida Blue as a domestic stock insurance company shall not be permitted to pay any dividend or distribute cash or other property to the MIHC, its sole shareholder, except out of that part of its available and accumulated surplus funds which is derived from realized net operating profits on its business and net realized capital gains.

Dividend payments or distributions by Florida Blue to the MIHC, without prior written approval of the Office can be made by one of two alternatives. Under the first alternative, dividend payments or distributions shall not exceed the larger of (a) the lesser of 10 percent of surplus or net income, not including realized capital gains; (b) ten percent of surplus, with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains; or (c) the lesser of 10 percent of surplus or net gain before capital gains plus a 2-year carry forward with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains.

Under the second alternative, Florida Blue may pay a dividend or make a distribution to the MIHC without the prior written approval of the Office when (a) the dividend is equal to or less than the greater of 10 percent of the insurer's surplus derived from realized net operating profits on its business and net realized capital gains or the insurer's entire net operating profits and realized net capital gains derived during the immediately preceding calendar year; and (b) the insurer will have surplus equal to or exceeding 115 percent of the minimum required statutory surplus after the dividend or distribution is made; and (c) the insurer has filed notice with the Office at least 10 business days prior to the dividend payment or distribution, or such shorter period of time as approved by the Office on a case-by-case basis (such notice shall not create a right in the office to approve or disapprove a dividend otherwise properly payable under this provision); and (d) the notice includes a certification by an officer of the insurer attesting that after payment of the dividend or distribution the insurer will have at least 115 percent of required statutory surplus.

Based on these Florida Statutes, Florida Blue has included dividend distributions to the MIHC within the proforma financial statements in anticipation of making dividend payments as allowed under these statutes. Florida Blue will ensure that dividends in excess of the allowed amounts

MIHC Business Plan/Plan of Operations

are appropriately requested and approved by the Office. The following dividends are anticipated based on the proforma financial statements:

	<u>31-Dec-14</u>	<u>31-Dec-15</u>	<u>31-Dec-16</u>
10% of Surplus	\$ 140	\$ 144	\$ 143
Prior year Net Income	\$ 8	\$ 100	\$ 117
Dividend Payment	\$ 140	\$ 144	\$ 143
Surplus After Dividend Payment	\$ 1,257	\$ 1,298	\$ 1,284
<u>Resulting Required Minimum Surplus:</u>			
Minimum Required (10% of liabilities)	\$ 300	\$ 311	\$ 357
115% of Minimum Required Surplus	\$ 345	\$ 357	\$ 411

Proforma Financial Statements

The proforma financial statements attached include premiums, medical trend and operating results for 2012 and subsequent forecasts for 2013, 2014, 2015, and 2016.

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Resulting Key Balance Sheet Information

MIHC GAAP Consolidated	<u>31-Dec-12</u> (Pre-Transaction)	<u>31-Dec-13</u> (Pre-Transaction)	<u>1-Jan-14</u> (Post-Transaction)	<u>31-Dec-14</u>	<u>31-Dec-15</u>	<u>31-Dec-16</u>
Invested Assets	\$ 4,425	\$ 4,630	\$ 4,630	\$ 4,726	\$ 4,947	\$ 5,360
Other Assets	\$ 2,785	\$ 3,041	\$ 3,041	\$ 3,111	\$ 3,193	\$ 3,352
Total Assets	<u>\$ 7,210</u>	<u>\$ 7,671</u>	<u>\$ 7,671</u>	<u>\$ 7,837</u>	<u>\$ 8,140</u>	<u>\$ 8,712</u>
Current Liabilities	\$ 3,307	\$ 3,599	\$ 3,599	\$ 3,532	\$ 3,614	\$ 3,903
Non-Current Liabilities	\$ 150	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Total Liabilities	\$ 3,457	\$ 3,799	\$ 3,799	\$ 3,732	\$ 3,814	\$ 4,103
Equity	\$ 3,753	\$ 3,872	\$ 3,872	\$ 4,105	\$ 4,326	\$ 4,609
Total Liabilities and Equity	<u>\$ 7,210</u>	<u>\$ 7,671</u>	<u>\$ 7,671</u>	<u>\$ 7,837</u>	<u>\$ 8,140</u>	<u>\$ 8,712</u>

Note: 2012 and 2013 represent the current consolidated Florida Blue entity

Reorganized - Florida Blue (GAAP)	<u>31-Dec-12</u>	<u>31-Dec-13</u>	<u>1-Jan-14</u>	<u>31-Dec-14</u>	<u>31-Dec-15</u>	<u>31-Dec-16</u>
Invested Assets	\$ 4,055	\$ 4,233	\$ 2,536	\$ 2,495	\$ 2,489	\$ 2,689
Other Assets	\$ 2,414	\$ 2,638	\$ 2,452	\$ 2,670	\$ 2,769	\$ 3,055
Total Assets	<u>\$ 6,469</u>	<u>\$ 6,871</u>	<u>\$ 4,988</u>	<u>\$ 5,165</u>	<u>\$ 5,258</u>	<u>\$ 5,744</u>
Current Liabilities	\$ 3,123	\$ 3,400	\$ 3,348	\$ 3,516	\$ 3,631	\$ 4,116
Non-Current Liabilities	\$ 150	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Total Liabilities	\$ 3,273	\$ 3,600	\$ 3,548	\$ 3,716	\$ 3,831	\$ 4,316
Surplus	\$ 3,196	\$ 3,271	\$ 1,440	\$ 1,449	\$ 1,427	\$ 1,428
Total Liabilities and Equity	<u>\$ 6,469</u>	<u>\$ 6,871</u>	<u>\$ 4,988</u>	<u>\$ 5,165</u>	<u>\$ 5,258</u>	<u>\$ 5,744</u>

Reorganized - Florida Blue (Statutory)	<u>31-Dec-12</u>	<u>31-Dec-13</u>	<u>1-Jan-14</u>	<u>31-Dec-14</u>	<u>31-Dec-15</u>	<u>31-Dec-16</u>
Invested Assets	\$ 3,817	\$ 4,017	\$ 2,402	\$ 2,377	\$ 2,393	\$ 2,591
Other Assets	\$ 1,766	\$ 2,049	\$ 2,002	\$ 2,280	\$ 2,410	\$ 2,668
Total Assets	<u>\$ 5,583</u>	<u>\$ 6,066</u>	<u>\$ 4,404</u>	<u>\$ 4,657</u>	<u>\$ 4,803</u>	<u>\$ 5,259</u>
Current Liabilities	\$ 2,643	\$ 3,020	\$ 2,969	\$ 3,201	\$ 3,305	\$ 3,775
Non-Current Liabilities	\$ 150	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Total Liabilities	\$ 2,793	\$ 3,220	\$ 3,169	\$ 3,401	\$ 3,505	\$ 3,975
Surplus	\$ 2,790	\$ 2,845	\$ 1,235	\$ 1,257	\$ 1,298	\$ 1,284
Total Liabilities and Equity	<u>\$ 5,583</u>	<u>\$ 6,066</u>	<u>\$ 4,404</u>	<u>\$ 4,657</u>	<u>\$ 4,803</u>	<u>\$ 5,259</u>
RBC %	1214%	1086%	709%	658%	606%	556%

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Post-Transaction Income Statement

MIHC - CONSOLIDATED GAAP	2012	2013	2014	2015	2016
Revenue	\$8,885	\$9,536	\$10,309	\$11,673	\$12,697
Medical	6,960	7,353	7,952	9,287	10,103
Gross Margin	\$ 1,925	\$ 2,183	\$ 2,357	\$ 2,386	\$ 2,594
Administrative Expense	1,813	2,141	2,088	2,148	2,257
Operating Income	112	42	269	238	337
Investment Income	198	161	177	213	229
Income Tax	93	83	213	230	283
Net Income	\$ 217	\$ 120	\$ 233	\$ 221	\$ 283
Key Metrics:					
Admin Ratio	20%	22%	20%	18%	18%
Operating Income Margin	1%	0%	3%	2%	3%
Return on Revenue	2%	1%	2%	2%	2%

Note: 2012 and 2013 represent the current consolidated Florida Blue entity.

Reorganized - Florida Blue (GAAP)	2012	2013	2014	2015	2016
Revenue	\$ 6,939	\$ 7,029	\$ 7,743	\$ 8,336	\$ 8,896
Medical	\$ 5,536	\$ 5,564	\$ 6,057	\$ 6,818	\$ 7,308
Gross Margin	\$ 1,403	\$ 1,465	\$ 1,686	\$ 1,518	\$ 1,588
Administrative Expense	\$ 1,320	\$ 1,452	\$ 1,472	\$ 1,369	\$ 1,399
Operating Income	\$ 83	\$ 13	\$ 214	\$ 149	\$ 189
Investment Income	\$ 169	\$ 127	\$ 87	\$ 104	\$ 110
Income Tax	\$ 82	\$ 65	\$ 152	\$ 130	\$ 154
Net Income	\$ 169	\$ 75	\$ 149	\$ 123	\$ 145
Key Metrics:					
Admin Ratio	19%	21%	19%	16%	16%
Operating Income Margin	1%	0%	3%	2%	2%
Return on Revenue	2%	1%	2%	1%	2%
Reorganized - Florida Blue (Statutory)					
	2012	2013	2014	2015	2016
Revenue	\$ 6,565	\$ 6,651	\$ 7,293	\$ 7,986	\$ 8,558
Medical	\$ 5,458	\$ 5,645	\$ 6,158	\$ 6,807	\$ 7,309
Gross Margin	1,107	\$ 1,006	1,135	1,179	1,248
Administrative Expense	1,038	\$ 1,068	982	1,042	1,084
Operating Income	69	\$ (62)	153	137	165
Investment Income	\$ 153	\$ 127	\$ 88	\$ 101	\$ 107
Income Tax	\$ 62	\$ 57	\$ 140	\$ 122	\$ 148
Net Income	\$ 159	\$ 8	\$ 100	\$ 117	\$ 124
Key Metrics:					
Admin Ratio	16%	16%	13%	13%	13%
Operating Income Margin	1%	-1%	2%	2%	2%
Return on Revenue	2%	0%	1%	1%	1%

**BYLAWS
OF
[NEWCO MIHC]**

ARTICLE I - NAME, LOCATION

Section 1. Name. The name of the Corporation shall be [NEWCO MIHC].

Section 2. Location. The principal office of the Corporation shall be located at such place within Florida as the Board of Directors determines from time to time. The Corporation may have and maintain other offices within or outside of the State of Florida.

ARTICLE II - MEMBERSHIP

Section 1. General. Each policyholder of an insurance policy issued by Blue Cross and Blue Shield of Florida, Inc. shall be a member of the Corporation with all rights and obligations of membership. The term “insurance policy,” whenever it is used in these Bylaws, means a written agreement or contract for or effecting insurance, other than reinsurance.

A person immediately and automatically shall (i) become a member of the Corporation at such time as such person becomes such a policyholder and (ii) cease to be a member of the Corporation at such time as such person ceases to be such a policyholder.

Membership, or any rights appertaining thereto or derived therefrom, shall not be transferable in any manner whatsoever. Membership, or any rights appertaining thereto or derived therefrom, shall not be separated from the insurance policy, nor subject to attachment, execution or levy, nor subject to a lien, mortgage, security interest nor in any manner used as collateral or otherwise hypothecated.

ARTICLE III - MEETINGS OF MEMBERS

Section 1. Annual Meeting. An annual meeting of members shall be held each and every calendar year in the State of Florida for the purpose of electing directors and transacting such other business as may properly come before the meeting. The meeting shall be held at such place, date, and time as may be designated by the Chief Executive Officer (“CEO”) with the approval of the Board of Directors of the Corporation.

Section 2. Special Meetings. A special meeting of members for any purpose may only be called by the Secretary of the Corporation at the request of the Board of Directors or the CEO. Such request shall state the purpose or purposes and no other business outside the scope of the stated purpose or purposes shall be transacted. The time and place of each special meeting of members shall be determined by or under the authority of the Board of Directors, provided that if no such determination shall be made prior to the mailing of the notice for such meeting, the time and place for such meeting shall be determined by the CEO with the approval of the Board of Directors of the Corporation.

Section 3. Notice of Meetings. Written notice of the annual meeting and every special meeting of the members, stating the place, date, time, and the purpose or purposes of such meeting shall be given to the members entitled to vote at such meeting not less than ten (10), nor more than sixty (60), days before the date of the meeting. All such notices shall be in writing and may be communicated and shall be effective as provided in Section 617.0141 of Florida Statutes, or any successor statute.

Any member may waive notice of any meeting by signing a written waiver of notice either before or after the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of members need be specified in the waiver of notice of any meeting. The attendance of a member at any meeting shall constitute waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4. Members' Nominations and Proposals. A member may nominate a person for election as a director only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) the name and address of the person to be nominated; (iii) a statement in support of the member's recommendation, including a description of the candidate's qualifications; (iv) a disclosure of any actual or potential conflicts of interest that the candidate may have with the interests of the Corporation; and (v) the candidate's written, signed consent to serve if elected, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

A member may submit a proposal for the consideration and vote of members at a meeting only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) a full description of the proposal; and (iii) a disclosure of any material interest of the member in the proposal, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

Section 5. Board's Nominations and Proposals. The Board of Directors may nominate persons for election by members to a director position and may submit proposals for the consideration and vote of members at any time prior to the meeting of members at which the election shall be held or the proposal shall be considered and voted upon.

Section 6. Quorum. Except as otherwise provided by applicable law, the members entitled to vote and present, either in person or represented by proxy, at any annual or special meeting of members shall constitute a quorum for the transaction of business at such meeting, provided that any notice of the meeting required by these Bylaws shall have been given.

Section 7. Voting Rights. Each member shall have the right at each meeting of the members to vote a number of votes equal to the monthly premium dollars attributed to such member as determined in the month immediately preceding the record date of a meeting.

Section 8. Vote Required. A majority of the member votes cast at any member meeting with a quorum shall be necessary and sufficient to approve any given matter, except that: (A) if the given matter is one upon which, by express provisions of applicable law or of the Articles of Incorporation, a different vote is required, such express provision shall govern and control the decision of such questions; and (B) directors shall be elected by a plurality vote.

Section 9. Proxies. Each member entitled to vote at a meeting of members or to otherwise express consent or dissent to corporate action may authorize another person or persons to act for such member by a written proxy, which may be an electronic proxy, filed in accordance with the procedure established for the meeting or taking of other action.

Any copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission created pursuant to this Section 9 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication, or other reproduction shall be a complete reproduction of the entire original writing or transmission. An electronic proxy (which may be transmitted via telephone, e-mail, the Internet, or such other electronic means as the Secretary of the Corporation may determine from time to time) shall be deemed executed if the Secretary of the Corporation receives an appropriate electronic transmission from the member or the member's attorney-in-fact that reasonably establishes the member or the member's attorney-in-fact as the sender of such transmission.

Section 10. Governing Rules. The Chairman of the Board ("Chairman") shall preside at all meetings of the members. In the absence of the Chairman, the Lead Director, if any, and if none then the Vice Chairman of the Board ("Vice Chairman") or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of members shall have the power to determine: (A) whether and to what extent proxies presented at the meeting shall be recognized as valid; (B) the procedure for taking and counting votes at such meeting; (C) the procedures for the conduct of such meeting; (D) the propriety of any proposal brought before the meeting; and (E) the resolution of any questions which may be raised at such meeting.

Section 11. Action by Members Without a Meeting. To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice, and without a vote if the action is taken by the members entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all members entitled to vote on such action were present and voted. Only members of record on the record date shall be entitled to consent to corporate action in writing without a meeting.

Without qualification, any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a

record date for the purpose of determining the members entitled to take such action, which request shall be in accordance with Section 2 of Article XI of these Bylaws.

In the event of the delivery, in the manner required by this Section 11 and applicable law, to the Corporation of the requisite written consent or consents to take corporate action, the Corporation shall engage independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be authorized and effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with this Section 11 and applicable law represent at least the minimum number of votes that would be necessary to take the corporate action. The action by written consent and without a meeting will be deemed authorized and will take effect as of the date and time of the certification of the written consents and will not relate back to the date the written consents were delivered to the Corporation. In the event that the action by written consent and without a meeting elects a director or directors to the Board of Directors, such newly elected director or directors shall take office and have the authority of a director conferred upon them as of the date and time of certification, and not the date of delivery to the Corporation, of the written consents. In the event that the action by written consent and without a meeting replaces a director or directors on the Board of Directors, the authority of such replaced director or directors shall continue until the date and time of the certification of the written consents. Nothing contained in this Section 11 shall in any way be construed to suggest or imply that the Board of Directors or any member shall not be entitled to contest the validity of any consent or update or supplement thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Notwithstanding anything in these Bylaws to the contrary, no action may be taken by the members by written consent except in accordance with this Section 11. If the Board of Directors shall determine that any request to fix a record date or to take member action by written consent was not properly made in accordance with this Section 11 and Section 2 of Article XI, or the member or members seeking to take such action do not otherwise comply with this Section 11, Section 2 of Article XI or applicable law, then the Board of Directors shall not be required to fix a record date and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the members by statute, the Articles of Incorporation, or these Bylaws.

Section 2. Qualifications. Only natural persons who are at least eighteen (18) years of age shall be qualified to become directors of the Corporation. A director of the

Corporation shall, at all times, meet the statutory and regulatory qualifications for a director of a not-for-profit mutual insurer in the State of Florida and such other qualifications as may be contained in the Corporate Governance Guidelines established by the Board or as otherwise determined by the Board. A person need not be a member to become or remain a director. A majority of the Board must be comprised of citizens of the United States.

Section 3. Number of Directors. The number of directors of the Corporation shall be, from time to time, fixed by the Board of Directors, but shall not be less than five (5) directors, and collectively such directors shall be known as the Board of Directors. The CEO and the President, if not directors, shall be *ex officio* members of the Board with all rights of directors except the right to vote and they shall not be counted for the purposes of determining a quorum.

Section 4. Election and Term. The directors shall be elected at the annual meeting of the members. The Board of Directors shall be divided into three classes as nearly equal in size as possible, with the term of office of one such class expiring each year. The term of office for directors shall be three years unless a longer or shorter term is determined necessary. Directors shall hold office until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals.

Section 5. Removal. Any director may be removed with or without cause by a majority of all votes of the membership at any annual meeting or special meeting of the members called for that purpose.

Any director may be removed with cause at any regular or special meeting of the directors called for that purpose by a majority vote of the then serving directors, if the director was elected or appointed by the directors. Any director may be removed without cause at any regular meeting or special meeting of the directors called for that purpose by a two-thirds vote of the then serving directors, if the director was elected or appointed by the directors. The director or directors sought to be removed shall not be counted in computing the two-thirds vote requirement nor shall said director or directors be entitled to vote on removal.

Section 6. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, or the Chairman of the Board, or the Corporation. Such resignation shall take effect when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 7. Vacancies. Except as otherwise provided by law, a vacancy in the Board shall be deemed to exist in the event of the death, retirement, disqualification, resignation or removal of a director, or increase in the number of directors, however caused. In the case of any such vacancy, other than a vacancy resulting from the removal of a director effected at a meeting, the remaining directors, though less than a quorum, by vote of a majority thereof, may elect a successor to fill the vacancy. Any vacancy created by the removal of a director at a meeting shall be filled by the members or directors eligible to vote for the removal. The term of any director elected or appointed to fill a vacancy expires at the next annual meeting at which directors are elected except that any director appointed by the Board to fill a vacancy resulting

from an increase in the number of directors shall serve only for a term of office continuing until the next election of directors by members.

Section 8. Compensation. No director who is an employee of the Corporation or any of its subsidiaries or affiliates shall receive any stated salary or fee for service as director. A director who is not an employee may receive such reasonable compensation for service as a director as fixed by the Board of Directors. Members of any Board Committee may receive such reasonable compensation for their duties as committee members as fixed by the Board of Directors. All directors and members of the Board and all Board Committees and Advisory Committees shall be reimbursed for their expenses incurred to attend meetings.

Section 9. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

ARTICLE V - MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An annual meeting of the Board of Directors shall be held, without further notice than this Bylaw provision, following, and at the same place as, the annual meeting of the members of the Corporation.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the CEO, or the President and shall be called by any of them at the request, in writing, of at least two (2) of the directors. Such meetings of the directors may be held at any place within or outside the State of Florida as designated in the notice of any such meeting. Written notice of special meetings of the Board of Directors, but not the annual meeting or regular meetings of the Board, shall be communicated at least three (3) business days before the date of such meeting. Any director may waive any notice required to be given to such director by law, under the Articles of Incorporation, or under these Bylaws, and any attendance at any meeting shall be deemed a waiver of notice thereof, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of business because the meeting is not lawfully called.

Section 4. Quorum. Except as otherwise provided in these Bylaws or by applicable law, directors holding a majority of the positions on the Board of Directors shall constitute a quorum for transacting business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is obtained.

Section 5. Order of Business. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman, the Lead Director, if any, or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of the Board shall have the power to determine: (A) the procedure for counting votes at such meeting; (B) procedures for the conduct of such meeting; and (C) the resolution of any questions which may be raised at such meeting.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws or by applicable law, the affirmative vote of at least a majority of the directors present at any meeting at which a quorum shall be present shall be necessary and sufficient to take or approve any action within the Board's power, and any action so taken or approved by such a majority shall be deemed to have been taken or approved by the Board of Directors. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless the director votes against the action or abstains from voting on the action, which shall be recorded in the meeting minutes.

Section 7. Meetings by Telephone Conference or Other Means of Communication. Members of the Board of Directors or any Board Committee may participate in any meeting of the Board of Directors or such Board Committee by any means of communication by which all persons participating in the meeting may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 8. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any Board Committee may be taken without a meeting if all members of the Board or Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee. In the event one or more positions on the Board or any Board Committee shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board or such Committee at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board or such Committee. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9. Conflicts of Interest. The Board shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

Section 10. Emergency Bylaws. In the event of any catastrophe or other emergency condition, as a result of which a quorum of the Board of Directors, the Executive Committee or any other standing committee of the Board cannot readily be convened for action, then the director or directors in attendance at a meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one (1) or more of themselves or other directors to membership on any standing or temporary committees of the Board as they shall deem necessary and appropriate.

ARTICLE VI - BOARD COMMITTEES

Section 1. Executive Committee. There shall be an Executive Committee consisting of the Chairman of the Board of Directors, the Vice Chairman, and the Chairman of each of the Board Governance and Nominating Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee. The Executive Committee shall have full power to manage the affairs and business of the Corporation in the event of any catastrophe or other emergency conditions as a result of which a quorum of the Board of Directors cannot readily be convened for action.

Section 2. Other Committees. There shall be a Board Governance and Nominating Committee, a Personnel and Compensation Committee, an Audit and Compliance Committee and a Finance Committee consisting of at least three (3) members each appointed by the Board of Directors, on recommendation of the Board Governance and Nominating Committee.

Other committees of the Board of Directors consisting of at least two (2) directors of the Corporation may be created from time to time by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, in accordance with these Bylaws, the committee's charter and applicable law.

The Chairman of each committee of the Board of Directors shall be appointed by the Board of Directors on recommendation of the Board Governance and Nominating Committee.

Section 3. Terms; Procedures. Unless otherwise determined by the Board of Directors, the term of office of each committee member shall expire at the next annual meeting of the Board of Directors following the appointment of such committee member if not otherwise terminated prior thereto or until such member's successor is appointed and qualified or until such member's earlier death, retirement, disqualification, resignation or removal.

Committees shall report regularly to the Board of Directors with respect to committee activities. Any such committee shall be referred to as a "Board Committee." Except as may be otherwise prescribed by the Board of Directors, all Board Committees shall develop and operate under a written charter approved by the Board of Directors.

ARTICLE VII - ADVISORY COMMITTEES

Section 1. General. The Board of Directors or the CEO may establish Advisory Committees with such membership, duties, and purposes (including advising and consulting with the Board of Directors or the Corporation's management), and governance procedures, as the Board of Directors or the CEO, as appropriate, shall designate from time to time. Such committees are referred to in these Bylaws as "Advisory Committees." No Advisory Committee shall have or may exercise any of the powers or authority of the Board of Directors or any of the officers of the Corporation in the management of the business and affairs of the Corporation.

ARTICLE VIII - OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board of Directors may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board of Directors may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board of Directors. One person may simultaneously hold any two or more offices.

Section 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board of Directors pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board of Directors.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed

upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board of Directors shall be subject to the approval of the Board of Directors.

Section 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board of Directors from time to time.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

Section 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

Section 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board of Directors or by amendment to these Bylaws.

Section 8. Secretary. The Secretary shall, subject to the supervision of the Board of Directors and the CEO: keep the minutes of the meetings of members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each member which shall be furnished to the Secretary by such member; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any

resolution adopted by the Corporation's members, Board of Directors or Board Committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

Section 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

Section 10. Treasurer. The Treasurer shall, subject to the supervision of the Board of Directors and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board of Directors.

Section 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board of Directors, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

Section 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

Section 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. Indemnification. The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii)

is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 1 of this Article IX, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 1(A) or 1(B) of this Article IX has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article IX have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article IX, except for Proceedings to enforce rights provided in this Article IX, the Corporation shall not be obligated under this Article IX to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board of Directors.

Section 2. Successful Defense of Proceedings. To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1 of this Article IX, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Section 3. Insurance. The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or the applicable provisions of Florida law.

Section 4. Advancement of Expenses. The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 1 of this Article IX to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another Corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 1 of this Article IX upon such terms or conditions that the Board of Directors deems appropriate.

Section 5. Continuation of Indemnification and Advancement of Expenses. Indemnification and advancement of expenses as provided in this Article IX shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article IX to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 6. Indemnification Contracts. The indemnification and advancement of expenses provided by this Article IX shall not be deemed exclusive of any other

rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of members or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a member.

Section 7. Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article IX that shall not have been invalidated and as permitted by applicable law.

Section 8. Certain Definitions. For purposes of this Article IX, the term: (A) "corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) "director" includes director emeritus; (C) "expenses" includes counsel fees, including those for appeal; (D) "liability" includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) "Proceeding" includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) "agent" includes a volunteer; (G) "serving at the request of the corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) "not opposed to the best interest of the Corporation" describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850 of Florida Business Corporation Act, Section 617.0831 of the Florida Not For Profit Corporation Act and Section 628.703 under Part III, Chapter 628, Florida Statutes.

ARTICLE X - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

Section 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

Section 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Record Owner of Policies. The Corporation may (but shall not be required to) treat the person in whose name insurance policies stand on the books of the Corporation as the only person having the right to vote with respect to such insurance policies and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such insurance policies on the part of any other person, whether or not it shall have express or other notice thereof. The Corporation may rely on the last known address of a person, as such address stands on the books of the Corporation, in providing any notice required hereunder or as otherwise required under these bylaws or any law or regulation.

Section 2. Record Dates. (A) Except as provided in clause (B) of this Section 2, for the purpose of (i) determining members entitled to notice of or to vote at any meeting of members or to take action by written consent without a meeting of members, or (ii) determining the number of votes to which each member is entitled at any meeting of members or to take action by written consent without a meeting of members, or (iii) in order to make a determination of members for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of members or votes, such date in any case to be not less than ten (10) days, nor more than sixty (60) days, immediately preceding such meeting or action requiring a determination of members or votes.

If no record date is fixed for the determination of members entitled to notice of or to vote at any meeting of members or the number of votes to which each member is entitled at any meeting of members, the close of business on the day immediately preceding the date on which notice of the meeting is given (or in the case of an annual meeting of members for which no record date is fixed, the date which is ten (10) days immediately preceding such meeting) shall be the record date for such determination of members or votes. When a determination of members entitled to notice of or to vote at any meeting of members and the numbers of votes to

which each such member is entitled has been made as provided in this Section 2, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

(B) Any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a record date for the purpose of determining the members entitled to take such action, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal office of the Corporation. Within ten (10) days after receipt of a request in proper form and otherwise in compliance with this Section 2 and Section 11 of Article III of these Bylaws from any such member, the Board of Directors may adopt a resolution fixing a record date for the purpose of determining the members entitled to take such action, which date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no resolution fixing a record date has been adopted by the Board of Directors within such ten (10) day period after the date on which such a request is received, (i) the record date for determining members entitled to consent to such action, when no prior action of the Board of Directors is required by applicable law, shall be the first date after the expiration of such ten (10) day time period, on which a valid signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with this Section 2 and Section 11 of Article III of these Bylaws and applicable law, and (ii) the record date for determining members entitled to consent to such action, when prior action by the Board of Directors is required by applicable law, shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

To be in proper form for purposes of this clause (B) of this Section 2, a request by a member for the Board of Directors to fix a record date shall set forth the name and address of the member and the following information: (A) if the action or actions proposed to be taken by written consent relate to a proposal other than the election of directors, a full description of the proposal and disclosure of any material interest of the member in the proposal; and (B) if directors are proposed to be elected by written consent, the information that would be required by Section 4(A)(i)-(v) of Article III of these Bylaws if the member were nominating a person for election as a director at a meeting of members.

Section 3. Voting Securities Issued by Another Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE XII - AMENDMENTS

Section 1. Amendments. Unless otherwise provided by law, these Bylaws may be amended, altered, or repealed and new Bylaws may be adopted by the Board of Directors of the Corporation at any meeting of the Board of Directors, or by the members at any regular or special meeting of the members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, recision, or other changes.

**BYLAWS
OF
[NEWCO MIHC]**

ARTICLE I - NAME, LOCATION

Section 1. Name. The name of the Corporation shall be [NEWCO MIHC].

Section 2. Location. The principal office of the Corporation shall be located at such place within Florida as the Board of Directors determines from time to time. The Corporation may have and maintain other offices within or outside of the State of Florida.

ARTICLE II - MEMBERSHIP

Section 1. General. Each policyholder of an insurance policy issued by Blue Cross and Blue Shield of Florida, Inc. shall be a member of the Corporation with all rights and obligations of membership. The term “insurance policy,” whenever it is used in these Bylaws, means a written agreement or contract for or effecting insurance, other than reinsurance.

A person immediately and automatically shall (i) become a member of the Corporation at such time as such person becomes such a policyholder and (ii) cease to be a member of the Corporation at such time as such person ceases to be such a policyholder.

Membership, or any rights appertaining thereto or derived therefrom, shall not be transferable in any manner whatsoever. Membership, or any rights appertaining thereto or derived therefrom, shall not be separated from the insurance policy, nor subject to attachment, execution or levy, nor subject to a lien, mortgage, security interest nor in any manner used as collateral or otherwise hypothecated.

ARTICLE III - MEETINGS OF MEMBERS

Section 1. Annual Meeting. An annual meeting of members shall be held each and every calendar year in the State of Florida for the purpose of electing directors and transacting such other business as may properly come before the meeting. The meeting shall be held at such place, date, and time as may be designated by the Chief Executive Officer (“CEO”) with the approval of the Board of Directors of the Corporation.

Section 2. Special Meetings. A special meeting of members for any purpose may only be called by the Secretary of the Corporation at the request of the Board of Directors or the CEO. Such request shall state the purpose or purposes and no other business outside the scope of the stated purpose or purposes shall be transacted. The time and place of each special meeting of members shall be determined by or under the authority of the Board of Directors, provided that if no such determination shall be made prior to the mailing of the notice for such meeting, the time and place for such meeting shall be determined by the CEO with the approval of the Board of Directors of the Corporation.

Section 3. Notice of Meetings. Written notice of the annual meeting and every special meeting of the members, stating the place, date, time, and the purpose or purposes of such meeting shall be given to the members entitled to vote at such meeting not less than ten (10), nor more than sixty (60), days before the date of the meeting. All such notices shall be in writing and may be communicated and shall be effective as provided in Section 617.0141 of Florida Statutes, or any successor statute.

Any member may waive notice of any meeting by signing a written waiver of notice either before or after the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of members need be specified in the waiver of notice of any meeting. The attendance of a member at any meeting shall constitute waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4. Members' Nominations and Proposals. A member may nominate a person for election as a director only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) the name and address of the person to be nominated; (iii) a statement in support of the member's recommendation, including a description of the candidate's qualifications; (iv) a disclosure of any actual or potential conflicts of interest that the candidate may have with the interests of the Corporation; and (v) the candidate's written, signed consent to serve if elected, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

A member may submit a proposal for the consideration and vote of members at a meeting only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) a full description of the proposal; and (iii) a disclosure of any material interest of the member in the proposal, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

Section 5. Board's Nominations and Proposals. The Board of Directors may nominate persons for election by members to a director position and may submit proposals for the consideration and vote of members at any time prior to the meeting of members at which the election shall be held or the proposal shall be considered and voted upon.

Section 6. Quorum. Except as otherwise provided by applicable law, the members entitled to vote and present, either in person or represented by proxy, at any annual or special meeting of members shall constitute a quorum for the transaction of business at such meeting, provided that any notice of the meeting required by these Bylaws shall have been given.

Section 7. Voting Rights. Each member shall have the right at each meeting of the members to vote a number of votes equal to the monthly premium dollars attributed to such member as determined in the month immediately preceding the record date of a meeting.

Section 8. Vote Required. A majority of the member votes cast at any member meeting with a quorum shall be necessary and sufficient to approve any given matter, except that: (A) if the given matter is one upon which, by express provisions of applicable law or of the Articles of Incorporation, a different vote is required, such express provision shall govern and control the decision of such questions; and (B) directors shall be elected by a plurality vote.

Section 9. Proxies. Each member entitled to vote at a meeting of members or to otherwise express consent or dissent to corporate action may authorize another person or persons to act for such member by a written proxy, which may be an electronic proxy, filed in accordance with the procedure established for the meeting or taking of other action.

Any copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission created pursuant to this Section 9 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication, or other reproduction shall be a complete reproduction of the entire original writing or transmission. An electronic proxy (which may be transmitted via telephone, e-mail, the Internet, or such other electronic means as the Secretary of the Corporation may determine from time to time) shall be deemed executed if the Secretary of the Corporation receives an appropriate electronic transmission from the member or the member's attorney-in-fact that reasonably establishes the member or the member's attorney-in-fact as the sender of such transmission.

Section 10. Governing Rules. The Chairman of the Board ("Chairman") shall preside at all meetings of the members. In the absence of the Chairman, the Lead Director, if any, and if none then the Vice Chairman of the Board ("Vice Chairman") or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of members shall have the power to determine: (A) whether and to what extent proxies presented at the meeting shall be recognized as valid; (B) the procedure for taking and counting votes at such meeting; (C) the procedures for the conduct of such meeting; (D) the propriety of any proposal brought before the meeting; and (E) the resolution of any questions which may be raised at such meeting.

Section 11. Action by Members Without a Meeting. To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice, and without a vote if the action is taken by the members entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all members entitled to vote on such action were present and voted. Only members of record on the record date shall be entitled to consent to corporate action in writing without a meeting.

Without qualification, any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a

record date for the purpose of determining the members entitled to take such action, which request shall be in accordance with Section 2 of Article XI of these Bylaws.

In the event of the delivery, in the manner required by this Section 11 and applicable law, to the Corporation of the requisite written consent or consents to take corporate action, the Corporation shall engage independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be authorized and effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with this Section 11 and applicable law represent at least the minimum number of votes that would be necessary to take the corporate action. The action by written consent and without a meeting will be deemed authorized and will take effect as of the date and time of the certification of the written consents and will not relate back to the date the written consents were delivered to the Corporation. In the event that the action by written consent and without a meeting elects a director or directors to the Board of Directors, such newly elected director or directors shall take office and have the authority of a director conferred upon them as of the date and time of certification, and not the date of delivery to the Corporation, of the written consents. In the event that the action by written consent and without a meeting replaces a director or directors on the Board of Directors, the authority of such replaced director or directors shall continue until the date and time of the certification of the written consents. Nothing contained in this Section 11 shall in any way be construed to suggest or imply that the Board of Directors or any member shall not be entitled to contest the validity of any consent or update or supplement thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Notwithstanding anything in these Bylaws to the contrary, no action may be taken by the members by written consent except in accordance with this Section 11. If the Board of Directors shall determine that any request to fix a record date or to take member action by written consent was not properly made in accordance with this Section 11 and Section 2 of Article XI, or the member or members seeking to take such action do not otherwise comply with this Section 11, Section 2 of Article XI or applicable law, then the Board of Directors shall not be required to fix a record date and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the members by statute, the Articles of Incorporation, or these Bylaws.

Section 2. Qualifications. Only natural persons who are at least eighteen (18) years of age shall be qualified to become directors of the Corporation. A director of the

Corporation shall, at all times, meet the statutory and regulatory qualifications for a director of a not-for-profit mutual insurer in the State of Florida and such other qualifications as may be contained in the Corporate Governance Guidelines established by the Board or as otherwise determined by the Board. A person need not be a member to become or remain a director. A majority of the Board must be comprised of citizens of the United States.

Section 3. Number of Directors. The number of directors of the Corporation shall be, from time to time, fixed by the Board of Directors, but shall not be less than five (5) directors, and collectively such directors shall be known as the Board of Directors. The CEO and the President, if not directors, shall be *ex officio* members of the Board with all rights of directors except the right to vote and they shall not be counted for the purposes of determining a quorum.

Section 4. Election and Term. The directors shall be elected at the annual meeting of the members. The Board of Directors shall be divided into three classes as nearly equal in size as possible, with the term of office of one such class expiring each year. The term of office for directors shall be three years unless a longer or shorter term is determined necessary. Directors shall hold office until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals.

Section 5. Removal. Any director may be removed with or without cause by a majority of all votes of the membership at any annual meeting or special meeting of the members called for that purpose.

Any director may be removed with cause at any regular or special meeting of the directors called for that purpose by a majority vote of the then serving directors, if the director was elected or appointed by the directors. Any director may be removed without cause at any regular meeting or special meeting of the directors called for that purpose by a two-thirds vote of the then serving directors, if the director was elected or appointed by the directors. The director or directors sought to be removed shall not be counted in computing the two-thirds vote requirement nor shall said director or directors be entitled to vote on removal.

Section 6. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, or the Chairman of the Board, or the Corporation. Such resignation shall take effect when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 7. Vacancies. Except as otherwise provided by law, a vacancy in the Board shall be deemed to exist in the event of the death, retirement, disqualification, resignation or removal of a director, or increase in the number of directors, however caused. In the case of any such vacancy, other than a vacancy resulting from the removal of a director effected at a meeting, the remaining directors, though less than a quorum, by vote of a majority thereof, may elect a successor to fill the vacancy. Any vacancy created by the removal of a director at a meeting shall be filled by the members or directors eligible to vote for the removal. The term of any director elected or appointed to fill a vacancy expires at the next annual meeting at which directors are elected except that any director appointed by the Board to fill a vacancy resulting

from an increase in the number of directors shall serve only for a term of office continuing until the next election of directors by members.

Section 8. Compensation. No director who is an employee of the Corporation or any of its subsidiaries or affiliates shall receive any stated salary or fee for service as director. A director who is not an employee may receive such reasonable compensation for service as a director as fixed by the Board of Directors. Members of any Board Committee may receive such reasonable compensation for their duties as committee members as fixed by the Board of Directors. All directors and members of the Board and all Board Committees and Advisory Committees shall be reimbursed for their expenses incurred to attend meetings.

Section 9. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

ARTICLE V - MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An annual meeting of the Board of Directors shall be held, without further notice than this Bylaw provision, following, and at the same place as, the annual meeting of the members of the Corporation.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the CEO, or the President and shall be called by any of them at the request, in writing, of at least two (2) of the directors. Such meetings of the directors may be held at any place within or outside the State of Florida as designated in the notice of any such meeting. Written notice of special meetings of the Board of Directors, but not the annual meeting or regular meetings of the Board, shall be communicated at least three (3) business days before the date of such meeting. Any director may waive any notice required to be given to such director by law, under the Articles of Incorporation, or under these Bylaws, and any attendance at any meeting shall be deemed a waiver of notice thereof, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of business because the meeting is not lawfully called.

Section 4. Quorum. Except as otherwise provided in these Bylaws or by applicable law, directors holding a majority of the positions on the Board of Directors shall constitute a quorum for transacting business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is obtained.

Section 5. Order of Business. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman, the Lead Director, if any, or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of the Board shall have the power to determine: (A) the procedure for counting votes at such meeting; (B) procedures for the conduct of such meeting; and (C) the resolution of any questions which may be raised at such meeting.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws or by applicable law, the affirmative vote of at least a majority of the directors present at any meeting at which a quorum shall be present shall be necessary and sufficient to take or approve any action within the Board's power, and any action so taken or approved by such a majority shall be deemed to have been taken or approved by the Board of Directors. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless the director votes against the action or abstains from voting on the action, which shall be recorded in the meeting minutes.

Section 7. Meetings by Telephone Conference or Other Means of Communication. Members of the Board of Directors or any Board Committee may participate in any meeting of the Board of Directors or such Board Committee by any means of communication by which all persons participating in the meeting may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 8. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any Board Committee may be taken without a meeting if all members of the Board or Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee. In the event one or more positions on the Board or any Board Committee shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board or such Committee at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board or such Committee. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9. Conflicts of Interest. The Board shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

Section 10. Emergency Bylaws. In the event of any catastrophe or other emergency condition, as a result of which a quorum of the Board of Directors, the Executive Committee or any other standing committee of the Board cannot readily be convened for action, then the director or directors in attendance at a meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one (1) or more of themselves or other directors to membership on any standing or temporary committees of the Board as they shall deem necessary and appropriate.

ARTICLE VI - BOARD COMMITTEES

Section 1. Executive Committee. There shall be an Executive Committee consisting of the Chairman of the Board of Directors, the Vice Chairman, and the Chairman of each of the Board Governance and Nominating Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee. The Executive Committee shall have full power to manage the affairs and business of the Corporation in the event of any catastrophe or other emergency conditions as a result of which a quorum of the Board of Directors cannot readily be convened for action.

Section 2. Other Committees. There shall be a Board Governance and Nominating Committee, a Personnel and Compensation Committee, an Audit and Compliance Committee and a Finance Committee consisting of at least three (3) members each appointed by the Board of Directors, on recommendation of the Board Governance and Nominating Committee.

Other committees of the Board of Directors consisting of at least two (2) directors of the Corporation may be created from time to time by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, in accordance with these Bylaws, the committee's charter and applicable law.

The Chairman of each committee of the Board of Directors shall be appointed by the Board of Directors on recommendation of the Board Governance and Nominating Committee.

Section 3. Terms; Procedures. Unless otherwise determined by the Board of Directors, the term of office of each committee member shall expire at the next annual meeting of the Board of Directors following the appointment of such committee member if not otherwise terminated prior thereto or until such member's successor is appointed and qualified or until such member's earlier death, retirement, disqualification, resignation or removal.

Committees shall report regularly to the Board of Directors with respect to committee activities. Any such committee shall be referred to as a "Board Committee." Except as may be otherwise prescribed by the Board of Directors, all Board Committees shall develop and operate under a written charter approved by the Board of Directors.

ARTICLE VII - ADVISORY COMMITTEES

Section 1. General. The Board of Directors or the CEO may establish Advisory Committees with such membership, duties, and purposes (including advising and consulting with the Board of Directors or the Corporation's management), and governance procedures, as the Board of Directors or the CEO, as appropriate, shall designate from time to time. Such committees are referred to in these Bylaws as "Advisory Committees." No Advisory Committee shall have or may exercise any of the powers or authority of the Board of Directors or any of the officers of the Corporation in the management of the business and affairs of the Corporation.

ARTICLE VIII - OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board of Directors may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board of Directors may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board of Directors. One person may simultaneously hold any two or more offices.

Section 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board of Directors pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board of Directors.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed

upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board of Directors shall be subject to the approval of the Board of Directors.

Section 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board of Directors from time to time.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

Section 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

Section 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board of Directors or by amendment to these Bylaws.

Section 8. Secretary. The Secretary shall, subject to the supervision of the Board of Directors and the CEO: keep the minutes of the meetings of members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each member which shall be furnished to the Secretary by such member; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any

resolution adopted by the Corporation's members, Board of Directors or Board Committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

Section 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

Section 10. Treasurer. The Treasurer shall, subject to the supervision of the Board of Directors and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board of Directors.

Section 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board of Directors, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

Section 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

Section 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. Indemnification. The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii)

is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 1 of this Article IX, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 1(A) or 1(B) of this Article IX has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article IX have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article IX, except for Proceedings to enforce rights provided in this Article IX, the Corporation shall not be obligated under this Article IX to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board of Directors.

Section 2. Successful Defense of Proceedings. To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1 of this Article IX, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Section 3. Insurance. The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or the applicable provisions of Florida law.

Section 4. Advancement of Expenses. The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 1 of this Article IX to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another Corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 1 of this Article IX upon such terms or conditions that the Board of Directors deems appropriate.

Section 5. Continuation of Indemnification and Advancement of Expenses. Indemnification and advancement of expenses as provided in this Article IX shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article IX to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 6. Indemnification Contracts. The indemnification and advancement of expenses provided by this Article IX shall not be deemed exclusive of any other

rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of members or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a member.

Section 7. Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article IX that shall not have been invalidated and as permitted by applicable law.

Section 8. Certain Definitions. For purposes of this Article IX, the term: (A) "corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) "director" includes director emeritus; (C) "expenses" includes counsel fees, including those for appeal; (D) "liability" includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) "Proceeding" includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) "agent" includes a volunteer; (G) "serving at the request of the corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) "not opposed to the best interest of the Corporation" describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850 of Florida Business Corporation Act, Section 617.0831 of the Florida Not For Profit Corporation Act and Section 628.703 under Part III, Chapter 628, Florida Statutes.

ARTICLE X - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

Section 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

Section 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Record Owner of Policies. The Corporation may (but shall not be required to) treat the person in whose name insurance policies stand on the books of the Corporation as the only person having the right to vote with respect to such insurance policies and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such insurance policies on the part of any other person, whether or not it shall have express or other notice thereof. The Corporation may rely on the last known address of a person, as such address stands on the books of the Corporation, in providing any notice required hereunder or as otherwise required under these bylaws or any law or regulation.

Section 2. Record Dates. (A) Except as provided in clause (B) of this Section 2, for the purpose of (i) determining members entitled to notice of or to vote at any meeting of members or to take action by written consent without a meeting of members, or (ii) determining the number of votes to which each member is entitled at any meeting of members or to take action by written consent without a meeting of members, or (iii) in order to make a determination of members for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of members or votes, such date in any case to be not less than ten (10) days, nor more than sixty (60) days, immediately preceding such meeting or action requiring a determination of members or votes.

If no record date is fixed for the determination of members entitled to notice of or to vote at any meeting of members or the number of votes to which each member is entitled at any meeting of members, the close of business on the day immediately preceding the date on which notice of the meeting is given (or in the case of an annual meeting of members for which no record date is fixed, the date which is ten (10) days immediately preceding such meeting) shall be the record date for such determination of members or votes. When a determination of members entitled to notice of or to vote at any meeting of members and the numbers of votes to

which each such member is entitled has been made as provided in this Section 2, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

(B) Any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a record date for the purpose of determining the members entitled to take such action, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal office of the Corporation. Within ten (10) days after receipt of a request in proper form and otherwise in compliance with this Section 2 and Section 11 of Article III of these Bylaws from any such member, the Board of Directors may adopt a resolution fixing a record date for the purpose of determining the members entitled to take such action, which date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no resolution fixing a record date has been adopted by the Board of Directors within such ten (10) day period after the date on which such a request is received, (i) the record date for determining members entitled to consent to such action, when no prior action of the Board of Directors is required by applicable law, shall be the first date after the expiration of such ten (10) day time period, on which a valid signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with this Section 2 and Section 11 of Article III of these Bylaws and applicable law, and (ii) the record date for determining members entitled to consent to such action, when prior action by the Board of Directors is required by applicable law, shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

To be in proper form for purposes of this clause (B) of this Section 2, a request by a member for the Board of Directors to fix a record date shall set forth the name and address of the member and the following information: (A) if the action or actions proposed to be taken by written consent relate to a proposal other than the election of directors, a full description of the proposal and disclosure of any material interest of the member in the proposal; and (B) if directors are proposed to be elected by written consent, the information that would be required by Section 4(A)(i)-(v) of Article III of these Bylaws if the member were nominating a person for election as a director at a meeting of members.

Section 3. Voting Securities Issued by Another Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE XII - AMENDMENTS

Section 1. Amendments. Unless otherwise provided by law, these Bylaws may be amended, altered, or repealed and new Bylaws may be adopted by the Board of Directors of the Corporation at any meeting of the Board of Directors, or by the members at any regular or special meeting of the members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, recision, or other changes.

BYLAWS

OF

[NEWCO]

ARTICLE I

Corporation Meetings

SECTION 1. Annual Meeting. The annual meeting of the shareholders shall be held at the principal office of the Corporation in Jacksonville, Florida or at such other place within or without the State of Florida as may be designated by the chairperson of the Board of Directors, by the chief executive officer, by a majority of the directors or by shareholders owning fifty percent or more of the voting power of the Corporation in the notice of such meeting.

SECTION 2. Special Meetings. Special meetings of the shareholders may be called by the chairperson of the Board of Directors, the president, the secretary, the written request of one-third of the members of the Board of Directors or by written demand to the secretary by the holders of at least 10% of all votes entitled to be cast on any issue.

SECTION 3. Notice. Notice of the annual meeting and special meetings of the shareholders shall be given no fewer than ten (10) days nor more than sixty (60) days prior thereto. In the case of a special meeting, the notice shall contain the purpose for which it is called.

SECTION 4. Voting and Proxies. Each shareholder shall be entitled to one vote per share at all meetings of the shareholders. Representation by written proxy shall be allowed. Proxies for a specific meeting shall only be valid for that meeting and any adjournment thereof.

SECTION 5. Action Without Meeting. Any action required or permitted to be taken by the shareholders of the Corporation at a duly called annual or special meeting of the shareholders of the Corporation may be taken by unanimous written consent in lieu of a meeting.

SECTION 6. Action by Telephonic Communications. Shareholders of record of the Corporation may participate in any meeting of shareholders by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in any meeting pursuant to this provision shall constitute presence in person at such meeting.

SECTION 7. Quorum. Holders of a majority of the outstanding shares entitled to vote shall constitute a quorum at any meeting of the shareholders and a majority of those voting may decide any issue unless otherwise required by law, the amended and restated articles of incorporation of the Corporation or these bylaws.

ARTICLE II

Board of Directors

SECTION 1. Election - Term of Office. The number of directors may be increased or decreased from time to time in accordance with the same procedure as is required for amending these Bylaws, but shall never be less than five. The directors shall serve staggered three-year terms such that a proportionate number of directors' terms expires at each annual meeting of the shareholders. At each annual meeting of shareholders, the successor or successors of the directors whose term expires at that meeting shall be elected by a majority of the votes cast by shareholders present in person or represented by proxy at such meeting and entitled to vote on the election of directors, and shall hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election. The directors elected to each class shall hold office until their successors are duly elected and qualified or until their earlier death, disqualification, resignation, or removal. The current Board of Directors and the years that their respective terms of office expire are as follows:

<u>Name</u>	<u>Expiration of Term</u>
Patrick J. Geraghty	2014
Robert M. Beall, II	2015
Leerie T. Jenkins, Jr.	2014
Catherine P. Bessant	2016
Barbara S. Thomas	2016
Steven T. Halverson	2016
Tracy A. Leinbach	2015
John B. Ramil	2014
Frank P. Scruggs, Jr.	2015
Gonzalo F. Valdes-Fauli	2016

SECTION 2. Vacancies. Vacancies either in the total number of directors or in the unexpired terms of members of the Board of Directors or in any elected office caused for any reason between annual meetings may be filled by the directors.

SECTION 3. Duties. The directors shall manage the business of the Corporation and shall exercise all the powers as may be exercised by the Corporation. They shall, by resolution, fix the compensation of the directors. The directors shall have the authority to remove any director for cause. The directors may elect committees and shall specify the purpose of such committees and prescribe their powers and duties not inconsistent with the law or these Bylaws. A majority of the members of a committee so elected shall constitute a quorum at any meeting of said committee. The directors shall designate a chief executive officer who shall be either the president or the chairperson of the Board of Directors. The directors shall elect the president

who need not be of and from their number. If they elect a chairperson of the Board of Directors, same shall likewise be elected of and from their number. The directors shall also elect the other officers as are called for in these Bylaws and they may elect such additional officers as are by them deemed necessary.

SECTION 4. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

SECTION 5. Regular Meetings. A meeting of the directors shall be held following the annual meeting of the shareholders of the Corporation.

SECTION 6. Special Meetings. Special meetings of the directors may be called by the chairperson of the Board of Directors, president, secretary, or by the written request of at least one-third of the members of the Board of Directors on at least five (5) days' notice to each director.

SECTION 7. Governing Rules. The Chairman of the Board ("Chairman") shall preside at all meetings of the members. In the absence of the Chairman, the Lead Director, if any, and if none then the Vice Chairman of the Board ("Vice Chairman") or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of members shall have the power to determine: (A) whether and to what extent proxies presented at the meeting shall be recognized as valid; (B) the procedure for taking and counting votes at such meeting; (C) the procedures for the conduct of such meeting; (D) the propriety of any proposal brought before the meeting; and (E) the resolution of any questions which may be raised at such meeting.

SECTION 8. Action Without Meeting. Any action required or permitted to be taken by the directors of the Corporation at a duly called meeting of the directors of the Corporation may be taken by unanimous written consent in lieu of a meeting.

SECTION 9. Action by Telephonic Communications. Members of the Board of Directors of the Corporation may participate in any meeting of directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in any meeting pursuant to this provision shall constitute presence in person at such meeting.

SECTION 10. Quorum. A majority of the members of the Board of Directors duly elected shall constitute a quorum at any meeting of the directors.

SECTION 11. Waiver of Notice. When all directors are present at any meeting of the Board of Directors and same may not have been properly called or notified, or when all members are not present but a quorum as required by these Bylaws is present, and all absent members shall sign a written consent thereto, the action taken at such meeting shall be valid as if properly called and noticed.

SECTION 12. Emergency Powers. If, as the result of a catastrophe or other emergency conditions a meeting of the Board of Directors, with the number required to be present by other provisions of these Bylaws cannot feasibly be convened, then the number required for a quorum shall be the minimum number required by the statute in effect at the time of the meeting and this provision shall supersede the quorum requirement otherwise stated in these Bylaws. Notwithstanding any other provisions of these Bylaws, the directors may, at any time, adopt a resolution in accordance with authority now or hereafter vested in it under which, to the extent and upon the terms stated therein, corporate powers may be exercised during the existence of emergency conditions.

ARTICLE III

Officers

SECTION 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board of Directors may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board of Directors may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board of Directors. One person may simultaneously hold any two or more offices.

SECTION 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board of Directors pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board of Directors.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed

upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board of Directors shall be subject to the approval of the Board of Directors.

SECTION 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

SECTION 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

SECTION 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board of Directors or by amendment to these Bylaws.

SECTION 8. Secretary. The Secretary shall, subject to the supervision of the Board of Directors and the CEO: keep the minutes of the meetings of members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each member which shall be furnished to the Secretary by such member; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any

resolution adopted by the Corporation's members, Board of Directors or Board committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

SECTION 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

SECTION 10. Treasurer. The Treasurer shall, subject to the supervision of the Board of Directors and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board of Directors.

SECTION 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board of Directors, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

SECTION 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

SECTION 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IV

Certificates Of Stock

The interest of each stockholder of the Corporation shall be evidenced by certificates or shares of stock certifying the number of shares represented thereby and in such form not inconsistent with the articles of incorporation as the Board of Directors may from time to time prescribe. The certificate of stock shall be signed by the president or a vice president and by the treasurer or an assistant treasurer and sealed with the seal of the Corporation. Such signatures may be facsimiles if the certificate is signed by a transfer agent of the Corporation other than a director, officer or employee of the Corporation. In case any officer who has signed or whose

facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he/she were such officer at the time of its issue.

ARTICLE V

Certain Transactions; Indemnification

SECTION 1. Transactions between Directors and Officers and the Corporation.

The Board of Directors shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board of Directors had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

The Board of Directors shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

SECTION 2. Indemnification of Officers, Directors, Employees and Agents.

The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation

has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 2 of this Article V, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 2(A) or 2(B) of this Article V has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 2 of this Article V have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article V, except for Proceedings to enforce rights provided in this Article V, the Corporation shall not be obligated under this Article V to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board.

To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 2 of this Article V, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article V or the applicable provisions of Florida law.

The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 2 of this Article V to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 2 of this Article V upon such terms or conditions that the Board of Directors deems appropriate.

Indemnification and advancement of expenses as provided in this Article V shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

The indemnification and advancement of expenses provided by this Article V shall not be deemed exclusive of any other rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had

reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a shareholder.

If this Article V or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and as permitted by applicable law.

For purposes of this Article V, the term: (A) "Corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) "director" includes director emeritus; (C) "expenses" includes counsel fees, including those for appeal; (D) "liability" includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) "Proceeding" includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) "agent" includes a volunteer; (G) "serving at the request of the Corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) "not opposed to the best interest of the Corporation" describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Chapter 607, the Florida Business Corporation Act, Chapter 617, the Florida Not For Profit Corporation Act and Chapter 628, Florida Statutes.

ARTICLE VI

Contracts, Checks and Deposits

SECTION 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

SECTION 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

SECTION 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE VII

Voting Securities Issued by Another Corporation

Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE VIII

Subordination to Law

Every part of each section of these Bylaws shall be construed, whenever possible, as being consistent with applicable laws, and only such part as is clearly inconsistent, and to the extent that it is clearly inconsistent, shall be inoperative; and such part to the extent not clearly inconsistent and all other parts of the section and all other sections shall remain operative.

ARTICLE IX

Contributions

The Board of Directors may, subject to the restrictions imposed by law and to such rules as it may adopt, make or authorize contributions by the Corporation in such forms and in such amounts as it deems to be reasonable for public welfare or for charitable, scientific or educational purposes.

ARTICLE X

Amendments

These Bylaws may be amended by the Board of Directors or by the affirmative vote of a majority of the shareholders voting at a meeting of shareholders at which a quorum is present, in person or by proxy.

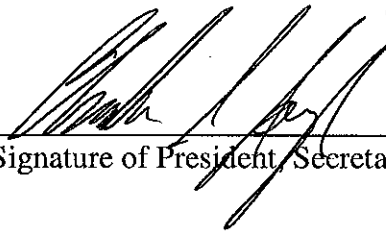
Certification of Compliance
With Executive Order 13224 Blocking Property and Prohibiting Transactions with
Persons Who Permit, Threaten to Commit, or Support Terrorism

The undersigned, being first duly sworn, deposes and says that he/she is a senior officer of Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue and that he/she is familiar with the procedures which have been implemented in order to comply with Executive Order 13224 regarding terrorists and terrorist support organizations, that Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue has implemented appropriate procedures to detect and prevent transactions prohibited by the Executive Order, and that Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue is currently in compliance with the requirements of such Order.

Dated 6/5/13

Blue Cross and Blue Shield of Florida, Inc.
d/b/a Florida Blue

(Give full and exact name of Applicant)



Signature of President, Secretary, or Treasurer

Charles S. Joseph
Printed Name

Sr. V.P., Secretary and General Counsel
Printed Title

STATE OF Florida
COUNTY OF Duval

The foregoing instrument was acknowledged before me this 5th day of

June, 2013, by Charles S. Joseph

Donna M. Carter
(Signature of Notary Public - State of Florida)



Donna M. Carter
(Print, Type, or Stamp Commissioned Name of Notary Public)

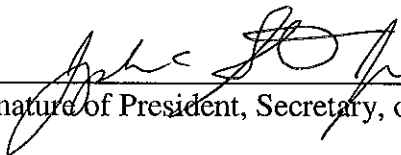
Personally Known OR Produced Identification
Type of Identification Produced _____

My Commission expires: 6/06/2016

Certification of Compliance
With Executive Order 13224 Blocking Property and Prohibiting Transactions with
Persons Who Permit, Threaten to Commit, or Support Terrorism

The undersigned, being first duly sworn, deposes and says that he/she is a senior officer of Comp Options Insurance Company, Inc. and that he/she is familiar with the procedures which have been implemented in order to comply with Executive Order 13224 regarding terrorists and terrorist support organizations, that Comp Options Insurance Company, Inc. has implemented appropriate procedures to detect and prevent transactions prohibited by the Executive Order, and that Comp Options Insurance Company, Inc. is currently in compliance with the requirements of such Order.

Dated 6-10-13 Comp Options Insurance Company, Inc.
(Give full and exact name of Applicant)



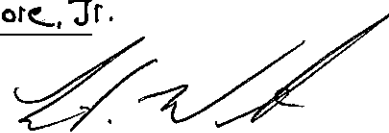
Signature of President, Secretary, or Treasurer

Joseph Christopher Santore, Jr.
Printed Name

President & CEO
Printed Title

STATE OF Florida
COUNTY OF Duval

The foregoing instrument was acknowledged before me this 10th day of
June, 2013, by Joseph C. Santore, Jr.



(Signature of Notary Public – State of Florida)

(Seal) **LILIANA WINTER**
Notary Public, State of Florida
My comm. exp. Jan. 24, 2014
Comm. No. DD 955009

LILIANA WINTER
(Print, Type, or Stamp Commissioned Name of
Notary Public)

Personally Known OR Produced Identification _____
Type of Identification Produced _____

My Commission expires: 1-24-14

Certification of Compliance
With Executive Order 13224 Blocking Property and Prohibiting Transactions with
Persons Who Permit, Threaten to Commit, or Support Terrorism

The undersigned, being first duly sworn, deposes and says that he/she is a senior officer of Florida Combined Life Insurance Company, Inc. and that he/she is familiar with the procedures which have been implemented in order to comply with Executive Order 13224 regarding terrorists and terrorist support organizations, that Florida Combined Life Insurance Company, Inc. has implemented appropriate procedures to detect and prevent transactions prohibited by the Executive Order, and that Florida Combined Life Insurance Company, Inc. is currently in compliance with the requirements of such Order.

Dated 6/7/13 Florida Combined Life Insurance Company, Inc.
(Give full and exact name of Applicant)



Signature of President, Secretary, or Treasurer

Jason Dennis Mann
Printed Name

President & CEO
Printed Title

STATE OF Florida
COUNTY OF Duval

The foregoing instrument was acknowledged before me this ___ day of
June, 2013, by Jason Dennis Mann

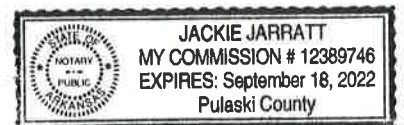
(Seal)


(Signature of Notary Public - State of Florida) Arkansas

Jackie Jarratt
(Print, Type, or Stamp Commissioned Name of Notary Public)

Personally Known OR Produced Identification _____
Type of Identification Produced _____

My Commission expires: 9-18-22



NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 5, 2013

Gwen Chick, Application Coordination Section
FL Office of Insurance Regulation
200 East Gaines St., Larson Bldg.
Tallahassee, Florida 323299

Filed Via I-Apply

Re: Acquisition of Blue Cross Blue Shield of Florida, Inc., d/b/a Florida Blue, by NEWCO MIHC Initial Letter of Notification of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes.

Dear Ms. Chick:

The following information is the composite Initial Notification by NEWCO MIHC of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes:

1. Acquiring Entity or Person

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville

(City)

FL

(State)

32246

(ZIP)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

John F. Black, President, Meridian Consulting, Inc. (850) 386-9898
(Contact Person) (Telephone Number)

P.O. Box 14989, Tallahassee, FL 32317-4989
(Contact Person and Address)

2. FL Domestic Insurer Affected:

HMO / L&H Insurer / P&C Insurer See Below for Co. Code
(Type of Authority and Florida Company Code)

Blue Cross and Blue Shield of Florida, Inc.
FEIN # 59-2015694, FL Co. Code 06020
(Name)

Florida Combined Life Insurance Company, Inc.
FEIN #59-2876465, FL Co. Code 05687
(Name)

Comp Options Insurance Company, Inc.
FEIN # 593433503, FL Co. Code 03018

Health Options, Inc.
FEIN 59-2403696; FL Co. Code 87022
(Name)

Florida Health Care Plan, Inc.
FEIN 26-3238817; FL Co. Code 87111
(Name)

Florida True Health, Inc.
FEIN 45-4088232; FL Co. Code 12492
(Name)

Capital Health Plan, Inc.
FEIN 95-1830622; FL Co. Code 87001
(Name)

4800 Deerwood Campus Pkwy, DC1-7
(Address)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

- c) Number and percentage of shares or ownership interests to be acquired by each entity or person.

100% of the stock, 100% of membership interest, or control of the Board of Directors.

2. A statement outlining material changes in the operation or business operations of the FL Domestic Insurer or a statement citing no material change in operations.

There will be no change in the operation or business operations of the domestic insurers or HMOs.

3. An organizational chart indicating the ownership structure of the acquiring entity and the seller, which reflects all affiliated entities prior to and subsequent to the transaction.

Enclosed is a Corporate Organization Chart showing pre and post organization structure.

4. A Management Information Form (OIR-C1-921) for the FL Domestic Insurer and each entity, directly or indirectly, owning or controlling 5% or more of the FL Domestic Insurer.

Enclosed are copies of the Management Information Form (OIR-C1-921) for each entity.

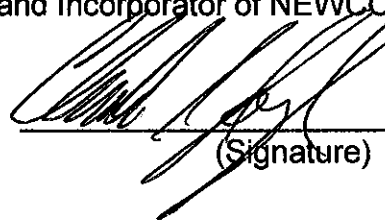
NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

The Following Attestation Form Shall Be Used:

I, the undersigned, of NEWCO MIHC (acquiring entity) do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this Letter of Notification are true and correct.

(Corporate Seal)

**Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel**
Blue Cross and Blue Shield of Florida, Inc.
and Incorporator of NEWCO MIHC



(Signature)

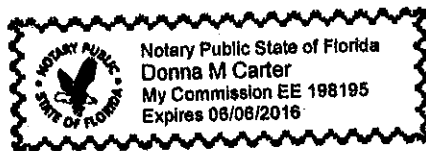
State of Florida

County of Duval

Sworn to and subscribed before me

this 5th day of June, 2013

Donna M. Carter
(Notary Public)



(Seal)

My Commission Expires 6/6/2016

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 1(a)

Summary of Transaction

Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue intends to convert its corporate structure from a not-for-profit mutual insurance company to a stock insurer organized as a subsidiary of NEWCO MIHC, a newly created mutual insurance holding company pursuant to Part III, Chapter 628, Florida Statutes. The principal effects of the reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve "the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies" within the meaning of Section 628.709(1), Florida Statutes.

See Section II-7 of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, for a complete description of the transaction as well as copies of the transaction documents.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

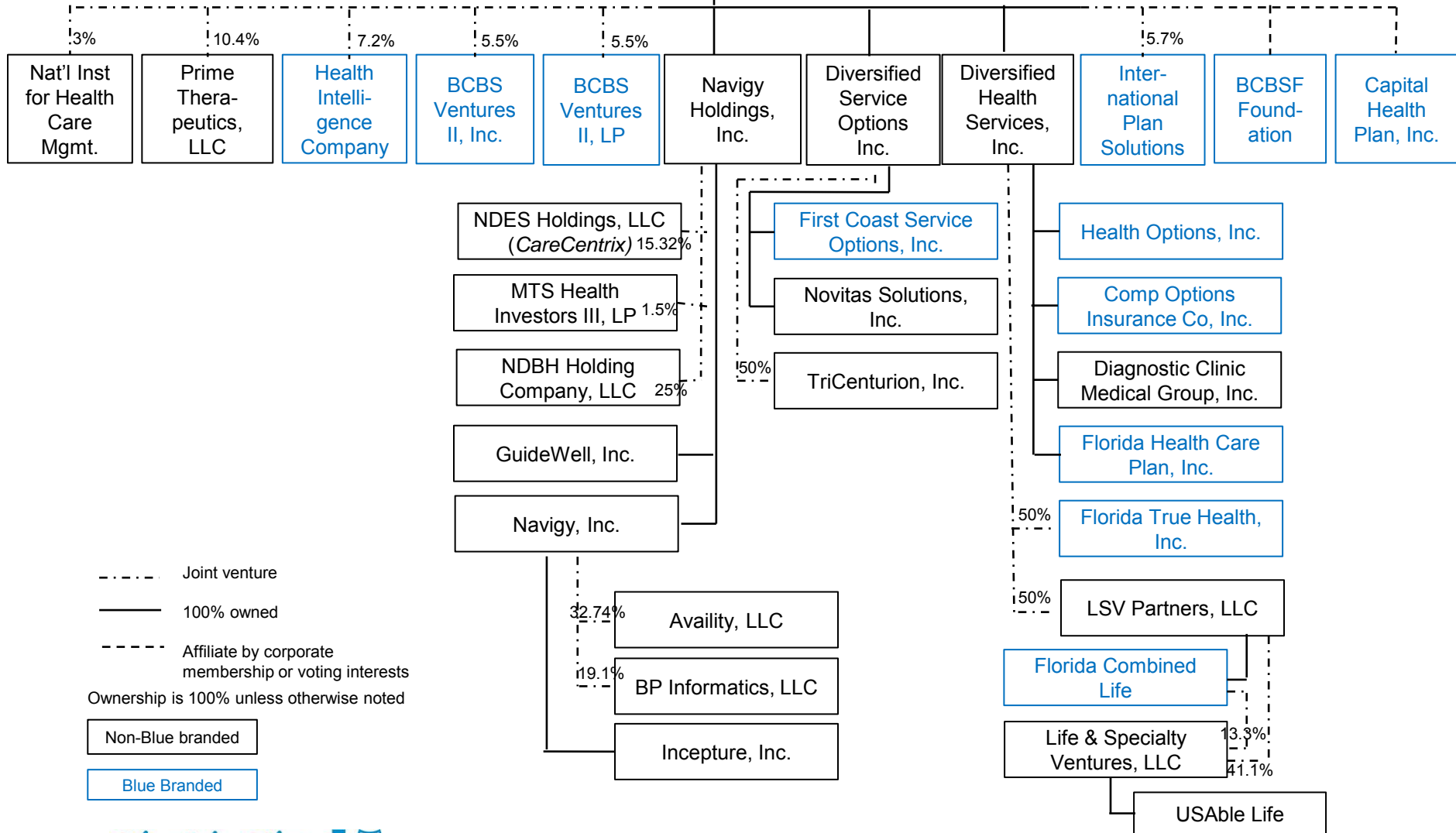
Exhibit 3

Pre and Post Transaction Corporate Organization Chart

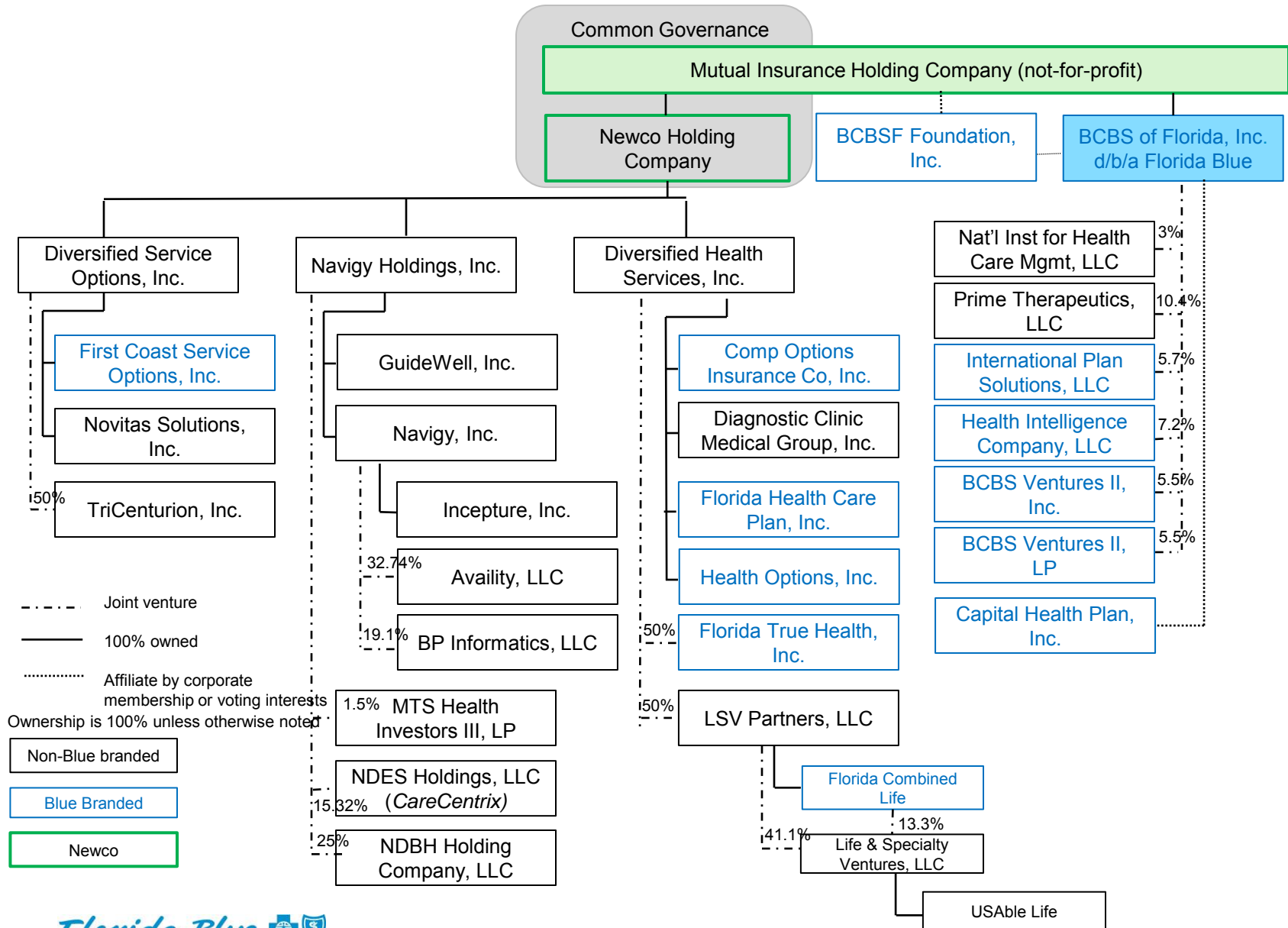
Enclosed is a Corporation Organization Chart showing pre and post organization structure.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 4

Management Information Form (OIR-C1-921) for each entity

Enclosed are Management Information Forms, OIR-C1-921 for each entity.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wallace Kenneth Boutwell, Jr.	President, Chairman
Thomas Arnold Barron	Secretary
David Keith Coburn	Treasurer
Winifred Schmeling	Vice-Chairman
John Hogan	Chief Executive Officer
Sabin Baass	Chief Financial Officer

DIRECTORS (MANAGERS):

Dubose Ausley
John Tom Herndon
Issac Moore, M.D.
James Brian Sheedy, M.D.
Patricia Hayward
Joyce Kramzer
Lillie Bogan
W. Kenneth Boutwell, Jr.
Stephen McArthur
Thomas A. Barron

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.

DIRECTORS (MANAGERS): Continued

David K. Coburn

Winifred H. Schmeling

SHAREHOLDERS (MEMBERS):

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Comp Options Insurance Company, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Joseph Christopher Santore, Jr.

CEO & President

Deanna Marie McDonald

Treasurer

Jarrod Wendell Harmon

Secretary

DIRECTORS (MANAGERS):

Charles (NMN) Divita, III

James Carl Modaff

Elana Gail Schrader

Darnell (NMN) Smith

Jon Richard Urbanek

Deanna Marie McDonald

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Health Care Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wendy Ann Myers, M.D.

President and CEO

David Carl Schandel

CFO and Assoc. CEO

Pamela J. Thomas

Asst. Secretary

Arezou C. Jolly

Secretary

DIRECTORS (MANAGERS):

Joyce A. Kramzer

R. Chris Doerr

Jon Urbanek

Deanna M. McDonald

William Andrew Coats

Wendy Ann Myers, M.D.

David Carl Schandel

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Combined Life Insurance Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Jason Dennis Mann

President & CEO

Mark Alan Langston

Treasurer

William Creasman

Secretary

DIRECTORS (MANAGERS):

L. Joseph Grantham

Jason D. Mann

Mark A. Langston

James Casey

George Mitchell, M.D.

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida True Health, Inc.

(Post MIHC Restructure)

OFFICERS:

TITLES:

Dwight David Chenette

President

Debi Gavras

Executive Director

Steven Harvey Bohner

V.P. & Treasurer

Robert Howard Gilman

V.P. & Secretary

DIRECTORS (MANAGERS):

Robert Chris Doerr

Joyce Ann Kramzer

Anne Maureen Morrissey

Steven Harvey Bohner

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.
AmeriHealth Mercy Health Plan

50.00%
50.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Health Options, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Robert Chris Doerr	Chief Executive Officer
Seth Matthew Phelps	Secretary
William Andrew Coats	Treasurer
Joyce Ann Kramzer	President

DIRECTORS (MANAGERS):

Robert Chris Doerr
Joyce Ann Kramzer
Jonathan Gavras

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

**COMPOSITE
STATEMENT REGARDING THE ACQUISITION OF MORE THAN FIVE
PERCENT OF THE CONTROLLING INTEREST OF**

**BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
(D/B/A FLORIDA BLUE)
A Florida Domestic Insurer**

SUBSIDIARIES AND AFFILIATES

BY

**NEWCO MIHC
a Florida Corporation**

Filed with the Florida Office of Insurance Regulation

Dated this 11th Day of June, 2013

Person to Whom Notice and Correspondence Should Be Sent

**Sondra M. Tucker, CPA
Managing Principal, Strategic Investments
Florida Blue**

**4800 Deerwood Campus Pkwy, DC9-1
Jacksonville, FL 32246**

Ph: (904) 905-4035

E-Mail: Sondra.Tucker@bcbsfl.com

With Copies To:

**Tom J. Maida, Esq.
Foley & Lardner, LLP
106 East College Avenue, Suite 900
Tallahassee, FL 32301
Ph: (850) 513-3377
E-Mail: TMaida@foley.com**

**John F. Black, President
Meridian Consulting, Inc.
P.O. Box 14989
Tallahassee, Florida 32317-4989
Ph: (850) 386-9898, Ext. 103
E-Mail: jblack@merid-consulting.com**

Footnote:

This filing represents the reorganization of Blue Cross & Blue Shield of Florida, Inc., d/b/a Florida Blue, from a Mutual Insurance Company to a wholly owned stock insurer subsidiary of a Mutual Insurance Holding Company pursuant to Part III, Chapter 628, Florida Statutes. The “composite” designation of the application recognizes the aggregation of multiple applications for the direct and indirect Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(b), Florida Statutes, and a Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(b), Florida Statutes for the following subsidiaries and affiliates:

Blue Cross and Blue Shield of Florida, Inc. (d/b/a Florida Blue)	A&H Insurance Company
Capital Health Plan, Inc.	HMO
Comp Options Insurance Company, Inc. (d/b/a OptaComp)	P&C Insurance Company
Florida Combined Life Insurance Company, Inc.	Life Insurance Company
Florida Health Care Plan, Inc.	HMO
Florida True Health, Inc.	HMO
Health Options, Inc. (d/b/a Florida Blue HMO)	HMO

NEWCO MIHC

STATEMENT OF ACQUISITION OF

**BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
D/B/A FLORIDA BLUE AND AFFILIATES**

Section III-7 Confirmation of Funds

Funds to complete the transaction of this acquisition must be confirmed and provided in writing by a third party (bank, approved escrow agent, etc.) prior to the Office of Insurance Regulation's approval of the acquisition. Provide the confirmation letter in this section for confirmation of funds.

ANY COPIES OF DOCUMENTS SUBMITTED IN THIS SECTION MUST BE CERTIFIED BY THE PRESIDENT AND SECRETARY AS TRUE AND ACCURATE COPIES.

There are no funds required for the reorganization.



June 11, 2013

Gwen Chick, Application Coordinator
Application Coordination Section
Office of Insurance Regulation
200 East Gaines St. Larson Bldg.
Tallahassee, Florida 32399

**Submitted Via I-Apply
Work Log 3876**

Re: Application for Acquisition of a FL Domestic Insurer (Form A)

Dear Ms. Chick:

Attached is a copy of the Application for Acquisition of a FL Domestic Insurer (Form A) submitted via I-Apply, Work Log 3876. The Statement is being filed with the Office of Insurance Regulation pursuant to Section 628.461, and Section 628.4615, Florida Statutes, for the acquisition of Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue, a Florida domestic insurer, by NEWCO MIHC. This application is for the reorganization of Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue to a stock insurer as part of a Mutual Insurance Holding Company in accordance with Part III, Chapter 628, Florida Statutes.

The initial statement required by Section 628.461(1)(a) and Section 628.4615(2)(a), Florida Statutes, was transmitted via I-Apply Work Log 3876 on June 8, 2013.

All fees have been paid directly to the Bureau of Financial Services, Department of Financial Services with copies of the payment and invoices included in the appropriate sections of the application. All requisite background information should be on file with the Office of Insurance Regulation as part of the ongoing regulation of Blue Cross and Blue Shield of Florida, Inc., Subsidiaries and Affiliates or will be submitted as supplemental information to this filing.

If you have any questions or need additional information, please give me a call at (850) 386-9898, Ext. 103 or I can be reached via electronic mail at jblack@merid-consulting.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "John F. Black", is written over a light blue circular background.

John F. Black
President

Attachment: Application for Acquisition of a FL Domestic Insurer (Form A) BCBS-FL

cc: Blue Cross and Blue Shield of Florida, Inc.

NEWCO MIHC
4800 Deerwood Campus Pk
Jacksonville, Florida 32246

June 10, 2013

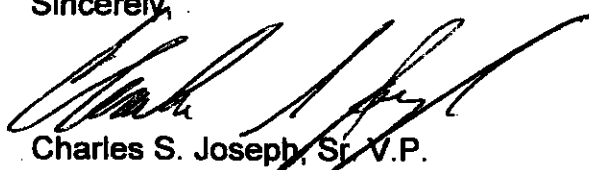
Patrick J. Geraghty, President & CEO
Blue Cross and Blue Shield of Florida, Inc.,
d/b/a Florida Blue
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Re: Application for Indirect Acquisition of a FL Domestic Insurer (Form A)
Pursuant to Section 628.461(1)(a), Florida Statutes

Dear Mr. Geraghty:

Attached is a copy of the Application for Acquisition of a FL Domestic Insurer (Form A) filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.461, Florida Statutes, for the indirect acquisition of Comp Options Insurance Company, Inc., d/b/a OptaComp, a Florida domestic insurer subsidiary of Diversified Health Services, Inc., by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.461(1)(a), Florida Statutes.

Sincerely,



Charles S. Joseph, Sr., V.P.
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Application for Acquisition of a FL Domestic Insurer (Form A)

7010 2780 0001 9361 4076

CERTIFIED MAIL RECEIPT <i>(Domestic Mail Only; No Insurance Coverage Provided)</i>	
For delivery information visit our website at www.usps.com	
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Total Postage & Fees	\$ 6.11
Sent to Patrick J. Geraghty, President & CEO	
Blue Cross Blue Shield of Florida, Inc.,	
Street, Apt. No., or PO Box d/b/a Florida Blue	
City, State, ZIP+4 [®] 4800 Deerwood Campus Pkwy, DC 1-8	
Jacksonville, Florida 32246	
PS Form 3800 August 2006 See Reverse for Instructions	

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Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 6.11	

Sent to **Joseph C. Santore, Jr., President & CEO**
Comp Options Insurance Co., Inc.

Street, Apt. No., or PO Box **d/b/a OptaComp**

City, State, ZIP **4800 Deerwood Campus Pkwy, DC 801**
Jacksonville, Florida 32246

PS Form 3800, August 2006 See Reverse for Instructions

NEWCO MIHC
4800 Deerwood Campus Pkw
Jacksonville, Florida 32

June 10, 2013

Joseph C. Santore, Jr., President & CEO
 Comp Options Insurance Company, Inc.
 d/b/a OptaComp
 4800 Deerwood Campus Pkwy, DCC-801
 Jacksonville, Florida 32246

Re: Application for Indirect Acquisition of a FL Domestic Insurer (Form A)
 Pursuant to Section 628.461(1)(a), Florida Statutes

Dear Mr. Santore:

Attached is a copy of the Application for Acquisition of a FL Domestic Insurer (Form A) filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.461, Florida Statutes, for the indirect acquisition of Comp Options Insurance Company, Inc., d/b/a OptaComp, a Florida domestic insurer subsidiary of Diversified Health Services, Inc., by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.461(1)(a), Florida Statutes.

Sincerely,

Charles S. Joseph, Sr. V.P.
 Secretary & General Counsel
 Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Application for Acquisition of a FL Domestic Insurer (Form A)

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7010 2780 0001 9361 3994

NEWCO MIHC
4800 Deerwood Campus Pk
Jacksonville, Florida 32246

June 10, 2013

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 6.11

Postmark Here

R. Chris Doerr, President
Diversified Health Services, Inc.
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Sent to **R. Chris Doerr, President**
Diversified Health Services, Inc.
Street, Apt. No., or PO Box No. **4800 Deerwood Campus Pkwy, DC 1-8**
City, State, ZIP+4 **Jacksonville, Florida 32246**

PS Form 3800, August 2005 See Reverse for Instructions

Re: Application for Indirect Acquisition of a FL Domestic Insurer (Form A)
Pursuant to Section 628.461(1)(a), Florida Statutes

Dear Mr. Doerr:

Attached is a copy of the Application for Acquisition of a FL Domestic Insurer (Form A) filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.461, Florida Statutes, for the indirect acquisition of Florida Combined Life Insurance Company, Inc., a Florida domestic insurer subsidiary of Diversified Health Services, Inc., by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.461(1)(a), Florida Statutes.

Sincerely,

Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

Attachment: Application for Acquisition of a FL Domestic Insurer (Form A)

For delivery information visit our website at www.usps.com

OFFICIAL USE

7010 2780 0001 9361 4007

NEWCO MIHC
4800 Deerwood Campus Pkwy
Jacksonville, Florida 32246

June 10, 2013

Jason D. Mann, President & CEO
Florida Combined Life Insurance Company, Inc.
4800 Deerwood Campus Pkwy, Bldg. 200, Suite 600
Jacksonville, Florida 32246

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 1.11

Postmark
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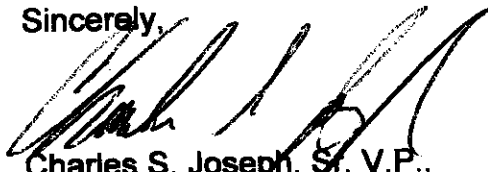
Sent to **Jason D. Mann, President & CEO**
FL Combined Life Insurance Co., Inc.
Street, Apt. No.,
or P.O. Box **4800 Deerwood Campus Parkway**
City **Bldg. 200, Suite 600**
Jacksonville, Florida 32246
PS Form 3800, August 2006 See Reverse for Instructions

Re: **Application for Indirect Acquisition of a FL Domestic Insurer (Form A)**
Pursuant to Section 628.461(1)(a), Florida Statutes

Dear Mr. Mann:

Attached is a copy of the Application for Acquisition of a FL Domestic Insurer (Form A) filed with the Florida Department of Financial Services, Office of Insurance Regulation pursuant to Section 628.461, Florida Statutes, for the indirect acquisition of Florida Combined Life Insurance Company, Inc., a Florida domestic insurer subsidiary of Diversified Health Services, Inc., by NEWCO MIHC. This notice and copy of the application are being provided to you as required by Section 628.461(1)(a), Florida Statutes.

Sincerely,

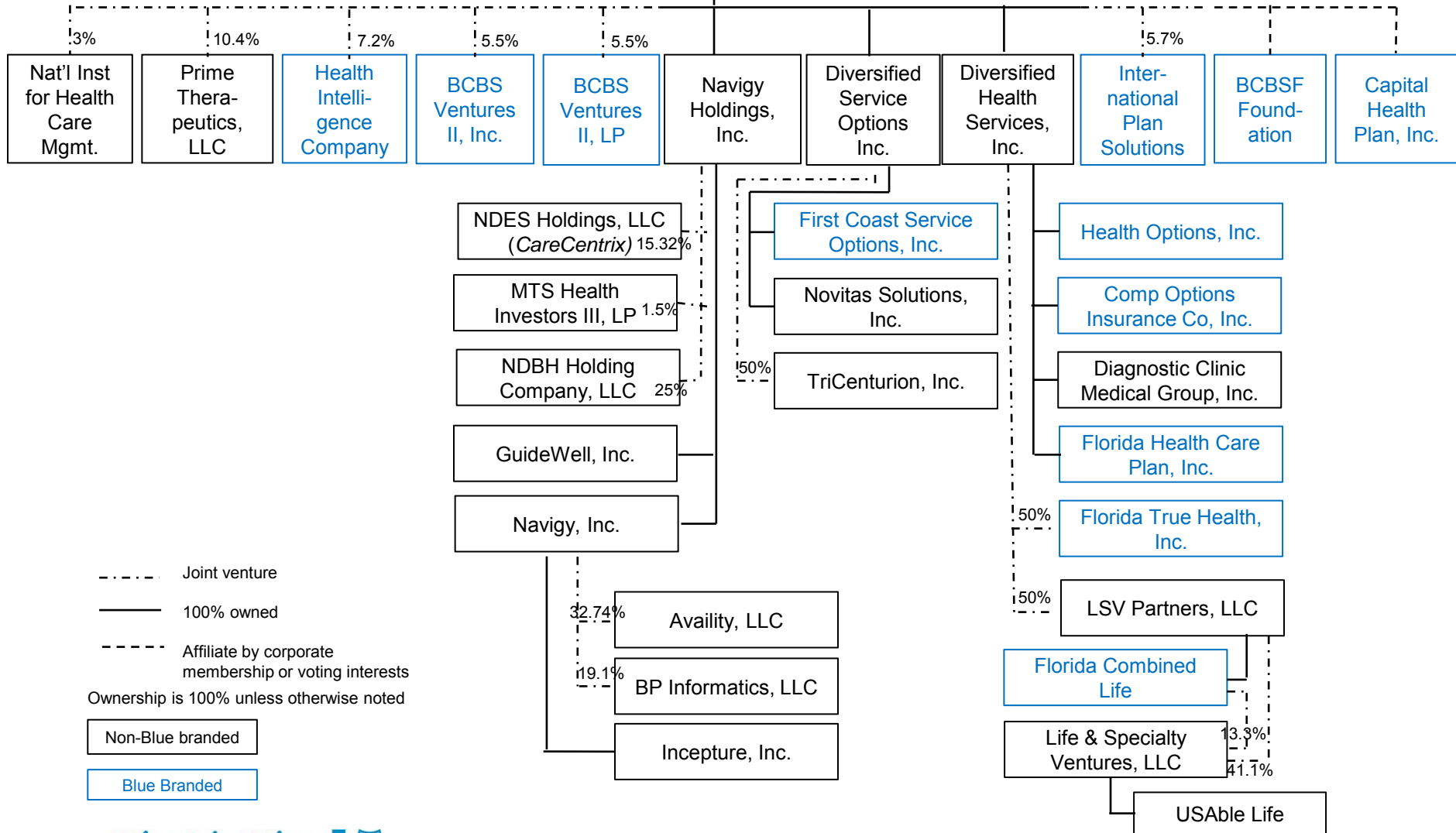


Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc. and Incorporator of NEWCO MIHC

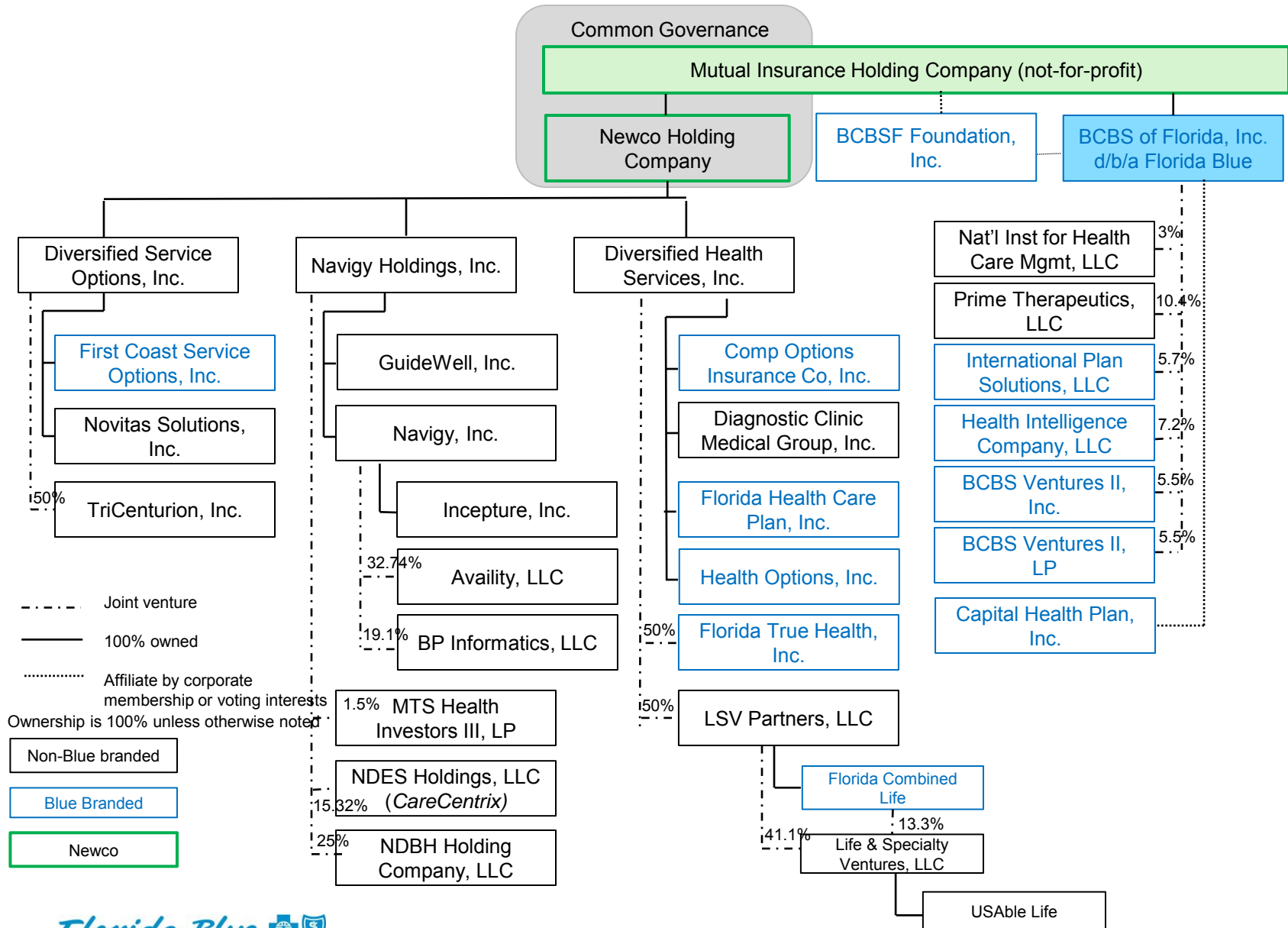
Attachment: Application for Acquisition of a FL Domestic Insurer (Form A)

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



- - - - - Joint venture
 ——— 100% owned
 Affiliate by corporate membership or voting interests
 Ownership is 100% unless otherwise noted

Non-Blue branded
 Blue Branded
 Newco



**PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.**

**UNDER PART III, CHAPTER 628, FLORIDA STATUTES
DATED AS OF MAY 28, 2013**

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PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

Under Part III, Chapter 628, Florida Statutes

This Plan of Reorganization (hereinafter, the “Plan”) has been approved and adopted by the Board of Directors of Blue Cross and Blue Shield of Florida, Inc. (“Florida Blue”), a not-for-profit mutual insurer under Chapters 617 and 628 of the Florida Statutes, at a meeting duly called and held on May 28, 2013.

This Plan provides for the reorganization, pursuant to Part III, Chapter 628, Florida Statutes, of Florida Blue from a not-for-profit mutual insurer into a stock insurance company, simultaneously with the creation of a mutual insurance holding company to be named [NEWCO MIHC]. At all times as required by applicable law, [NEWCO MIHC] will own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue. In connection with this reorganization of Florida Blue, certain of its subsidiaries will become subsidiaries of [NEWCO], a Florida corporation which shall be a subsidiary of [NEWCO MIHC]. Pursuant to Section 628.707 of the Florida Statutes, in the case of the reorganization of any mutual insurance company organized as a not-for-profit corporation under chapter 617, a mutual insurance holding company organized under Part III, Chapter 628, shall be deemed to be a not-for-profit corporation and, therefore [NEWCO MIHC] shall be deemed to be a not-for-profit corporation.

Please see Sections 2.02 and 7.02(b) for a chronology of sequence of events of the transactions that will take place in connection with the Reorganization of Florida Blue under this Plan.

**ARTICLE I:
DEFINITIONS**

As used in this Plan the following capitalized terms have the following meanings:

“Adoption Date” means May 28, 2013, the date on which this Plan was adopted by the Board.

“Association” means the Blue Cross and Blue Shield Association, a national federation of 38 independent, community-based and locally operated Blue Cross® and Blue Shield® companies, of which Florida Blue is presently a licensee.

“Board” means the Board of Directors of Florida Blue.

“Business Plan” means the proposed Plan of Operations for the three years following the Effective Date, which is submitted to the Office with this Plan.

“Commissioner” means the Commissioner of the Office of Insurance Regulation within the State of Florida, Financial Services Commission.

“DHS” means Diversified Health Services, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Newco on the Effective Date.

“DSO” means Diversified Service Options, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Newco on the Effective Date.

“Effective Date” means the Effective Date of this Plan, as determined in accordance with Section 7.02(a).

“Effective Time” has the meaning specified in Section 7.02(a).

“Eligible Members” means all Persons who, as reflected on the records of Florida Blue, were owners of in-force Policies of Florida Blue as of 5:00 p.m. EDT on July 15, 2013 or on such later date as may be adopted by the Board.

“Florida Blue” means Blue Cross and Blue Shield of Florida, Inc., doing business as “Florida Blue,” which, prior to the Effective Date, is a not-for-profit mutual insurer under Chapters 617 and 628 of the Florida Statutes, and, on the Effective Date, is a stock insurance company under Chapter 628 of the Florida Statutes, which results from the mutual insurance holding company reorganization under Part III, Chapter 628, Florida Statutes.

“Foundation” means Blue Cross and Blue Shield of Florida Foundation Inc., a Florida corporation not-for-profit, also known as “Florida Blue Foundation,” in which (a) prior to the Effective Date, Florida Blue is the sole member, and (b) on the Effective Date, Mutual Holdings and Florida Blue are the only members.

“Member” means, in accordance with the articles of incorporation and bylaws of Florida Blue, a Person who is a policyholder of a Policy issued by Florida Blue.

“Membership Interests” means, (a) with respect to Florida Blue (prior to the Reorganization), the membership interests of Members arising under the laws of the State of Florida and the articles of incorporation and bylaws of Florida Blue, including, without limitation, the right to vote for directors and on other matters and to participate in the distribution of net assets on voluntary dissolution, (b) with respect to Mutual Holdings, the membership interests of members arising under the laws of the State of Florida and the articles of incorporation and bylaws of Mutual Holdings, including, without limitation, the right to vote for directors and on other matters and to participate in the distribution of net assets on voluntary dissolution. Membership Interests do not include the contractual rights and interests arising under Policies issued by Florida Blue.

“Mutual Holdings” means [NEWCO MIHC], a mutual insurance holding company to be organized under Part III, Chapter 628, Florida Statutes, which, pursuant to Section 628.707(5) thereof, shall be deemed to be a not-for-profit corporation.

“Navigy Holdings” means Navigy Holdings, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Newco on the Effective Date.

“Newco” means [NEWCO, Inc.], a Florida corporation to be formed pursuant to this Plan as a stock company under Mutual Holdings.

“Non-Subsidiary Assets” means certain real estate, property and equipment, stocks and bonds as more particularly described in the Business Plan, as it may be amended or corrected from time to time subject to notice to the Office.

“Office” means the Office of Insurance Regulation within the State of Florida, Financial Services Commission, or such governmental officer, body or authority as may succeed the Office as the primary regulator of Florida Blue and Mutual Holdings under applicable law.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee or fiduciary, or any similar entity.

“Plan of Reorganization” or “Plan” means this Plan of Reorganization (including all Schedules and Exhibits hereto), as it may be amended or corrected from time to time in accordance with Section 8.08.

“Policies” means a written agreement or contract for or effecting insurance from Florida Blue, other than reinsurance.

“Reorganization” means the transactions which accomplish the reorganization of Florida Blue from a not-for-profit mutual insurer into a stock insurance company, simultaneously with the creation of a mutual insurance holding company structure under Florida law in accordance with this Plan of Reorganization.

“Subsidiaries” means DHS, DSO and Navigy Holdings, collectively.

ARTICLE II: EFFECT OF REORGANIZATION

2.01 *Changing the Legal Structure.* The principal effects of the Reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve “the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies” within the meaning of Section 628.709(1), Florida Statutes.

2.02 *Process of Reorganization.* As part of the Reorganization:

(a) Mutual Holdings' articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;

(b) Florida Blue's articles of incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, as set forth in Exhibit C, and the second amended and restated bylaws of Florida Blue as set forth in Exhibit D hereto shall become effective;

(c) Florida Blue shall issue shares of its common stock to Mutual Holdings in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;

(d) the Membership Interests of Members of Florida Blue shall become Membership Interests in Mutual Holdings in accordance with the articles of incorporation and bylaws of Mutual Holdings and the Members' Membership Interests in Florida Blue shall be extinguished;

(e) Mutual Holdings shall be admitted as a new member of the Foundation;

(f) Newco's articles of incorporation and bylaws in the forms attached hereto as Exhibit E and Exhibit F, respectively, shall become effective;

(g) Florida Blue shall contribute all of its shares in the Subsidiaries constituting 100 percent of the total number of issued and outstanding shares of each of them, and the Non-Subsidiary Assets to Newco, and Newco shall assume the liabilities and obligations associated therewith;

(h) Florida Blue shall distribute 100 percent of its shares of common stock of Newco to Mutual Holdings; and

(i) subsequent to the Reorganization, Florida Blue may transfer certain of its employees to Newco subject to providing notice to Office.

2.03 *Issuing Stock While Maintaining Mutuality.* This Plan requires that Mutual Holdings, at all times as required by law, own a majority of the voting shares and a majority in economic value of the capital stock of Florida Blue directly or indirectly through the majority ownership of any intermediate holding companies interposed between Mutual Holdings and Florida Blue. Subject to these limitations, the proposed articles of incorporation of Florida Blue do not prohibit the issuance of voting or non-voting shares of capital stock to third parties.

2.04 *Continuation of Existing Policies, Rights and Benefits.* The contractual terms and provisions of the existing Policies held by Members will not be changed as a result of the Reorganization. In addition, the guaranteed benefits and the rights of Members specified in their existing Policies will not be reduced or altered in any way, and the premiums required to be paid as specified in those Policies will not be increased as a result of the Reorganization. Florida Blue will remain fully obligated under all of Florida Blue's Policies. Notwithstanding the foregoing, upon the renewal of the Policies, the forms and endorsements issued to the Members as policyholders of Florida Blue may be made on new forms, in which case they will be filed with

and approved by the Office. The coverage and benefits and associated premiums for such coverage and benefits under the new policy forms and endorsements are not expected to differ materially from those provided under the Policies.

2.05 *Contractual Obligations.* Following the Reorganization, the material terms and conditions of contractual obligations of Florida Blue, other than those arising under the Policies, shall, subject to the rights of Mutual Holdings under applicable law, and to the extent such obligations are not otherwise satisfied or terminated in accordance with their terms or retained by Mutual Holdings or Florida Blue, remain in full force and effect as obligations of Florida Blue or, to the extent applicable, upon the transfer of such obligations to, and assumption of such obligations by, Newco. As of the Adoption Date, Florida Blue has no subordinated surplus notes and will not have any subordinated surplus notes as of the Effective Date.

ARTICLE III: BACKGROUND OF REORGANIZATION

3.01 *Reasons and Purposes of Reorganization.* The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdings level, while providing similar flexibility as for-profit competitor structures. It will allow for better growth and scalability of Florida Blue's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise as well as increase Florida Blue's ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue's mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue's mission, remain financially strong for its Members and substantially enables core transformation and diversification, while retaining the long-term, consistent focus of a mutual company. The Reorganization is expected to:

- (i) permit Florida Blue to realize the benefit of preserving the Members' Membership Interests at the Mutual Holdings level, including the right to elect directors of Mutual Holdings and vote on amendments to the articles of incorporation of Mutual Holdings;
- (ii) allow the declaration and payment of dividends from subsidiaries for capital deployment within the mutual insurance holding company system;
- (iii) permit the mutual insurance holding company system to make investments that may otherwise be limited under the present corporate structure;

- (iv) enhance Florida Blue's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions; and
- (v) enable access to capital and debt markets if required by future business developments.

As set forth in Section 3.03 below, the Board believes that the mutual insurance holding company structure and the enhanced ability to deploy capital it provides will better enable it to develop innovative products, to invest in technology and to achieve economies of scale that are expected to address affordability for Members and expand the range of products and services offered, while continuing the benefits of mutuality, including protecting the voting rights and ownership interests of Members.

3.02 *Alternative Transactions Considered.* Exhibit G contains an analysis of alternative transactions considered by the Board.

3.03 *Specific Benefits of Reorganization to Members.* The Board believes that Reorganization under the Plan will be beneficial for both Florida Blue and its Members for the following reasons:

- (a) *Maintaining the Benefits of Mutuality and Company Mission.* Reorganizing Florida Blue into a stock insurance company that is owned by a not-for-profit mutual insurance holding company in which Florida Blue's policyholders are members enables Florida Blue to achieve the benefits described below while continuing Florida Blue's mission to improve the health and wellness of its Members. By strengthening a not-for-profit enterprise, the Reorganization balances out the industry between insurers that have for-profit and not-for-profit missions, resulting in benefits to Florida Blue's policyholders and consumers generally.
- (b) *Enhanced Ability to Deploy Available Capital.* Under a mutual insurance holding company structure, capital in excess of statutory requirements may be declared and paid as a dividend by Florida Blue and other regulated subsidiaries and non-regulated subsidiaries within the structure, which will enable the use of such capital under appropriate regulation relative to their business purpose. In addition, the Plan of Reorganization contemplates that the Subsidiaries will no longer be subsidiaries of Florida Blue but will instead be subsidiaries of Newco.
- (c) *Greater Flexibility in Pursuing and Structuring Business Combinations.* Under a mutual insurance holding company structure, Mutual Holdings will have greater flexibility to respond to today's competitive market by creating a more level playing field with Florida Blue's current for-profit competitors. Mutual Holdings will have the ability to pursue mergers and acquisitions with stock companies and mutual insurance companies as well as non-profit health plans. On the other hand, today, Florida Blue

may only acquire a target mutual insurer by merger into a single entity. The ability to combine with a mutual insurance company in a way that preserves the identities and cultures of both companies will be less disruptive than a statutory merger to the relationships between the companies and their respective policyholders and will make Florida Blue a potentially more attractive acquirer. Further, under a mutual insurance holding company structure, Mutual Holdings will be able to use the stock of Florida Blue or another stock company directly or indirectly owned by Mutual Holdings, as currency in making acquisitions of stock companies. The ability to issue stock may allow Mutual Holdings to pursue transactions that are tax-free to prospective sellers of target businesses, which sellers might find more attractive than taxable cash transactions. As an added benefit, acquisitions made under a mutual insurance holding company structure could receive more favorable accounting treatment than acquisitions made under the present form.

- (d) *Increased Access to Capital.* Mutual Holdings, which is not an insurance company, will be a more attractive issuer in the capital and debt markets, which potentially may increase the company's financial strength, create greater opportunities for diversification and growth and allow greater flexibility to transform the health care system to deliver a broader array of quality products and services to Members.

3.04 *Risks of the Reorganization.* While the Board believes that Reorganization under the Plan pursuant to Florida law is in the best interest of both Florida Blue and its Members, the Board considered the following risks of the Reorganization, among others:

- (a) *Investments Not Subject to Limitations Placed on Insurance Companies.* After the Reorganization, Florida Blue will continue to be subject to the investment limitations of Part II, Chapter 625, Florida Statutes, which generally restricts the investments of insurance companies to those types of investments which are relatively liquid and stable, but Mutual Holdings, Newco and other subsidiaries of Mutual Holdings that are not insurance companies will not be subject to those investment limitations. The Board believes that the benefit of expanding Mutual Holdings' potential investment opportunities outweighs any theoretical risk to Members.
- (b) *No Rights to Purchase Securities Upon Conversion.* Unlike in a demutualization of a mutual insurance company such as Florida Blue, no preemptive rights to capital stock in the converted company are granted to policyholders in a mutual insurance holding company reorganization. Instead, the membership interests, including voting rights, of policyholders in a mutual insurance holding company reorganization are preserved at the mutual insurance holding company level. A demutualization is not contemplated by Florida Blue and will require the approval of Mutual Holdings' board of directors, members and the Office.

- (c) *Third Party Ownership of the Company; Limitation on New Issuances of Stock.* Members currently own all of the Membership Interests in Florida Blue. After the Reorganization, Members as a group will initially own 100 percent of Florida Blue through the 100 percent ownership of Florida Blue by Mutual Holdings. However, in the future, Florida Blue may issue its shares to other outside investors. Florida law provides that Mutual Holdings must at all times own, either directly or through an intermediate holding company, a majority of the voting shares of the capital stock of Florida Blue, so the amount of stock able to be issued by Florida Blue will be less than 50 percent of its issued and outstanding shares. The members of Mutual Holdings shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue or any intermediate holding company in connection with an offering of such stock.
- (d) *Potential Conflicts between Interests of Members and Shareholders.* Prior to the Reorganization, the Board has a duty to act in the best interests of Florida Blue and its Members. After the Reorganization, the Board of Directors of Florida Blue will have a duty to act in the best interests of Florida Blue and its shareholders, including any third parties that may acquire shares in the future. There is a potential that in certain circumstances the interests of shareholders and Members could conflict. For example, after the Reorganization, the Board of Florida Blue must carefully balance the Members' interest in receiving insurance at low cost with the shareholders' interest in receiving a return on their investment. The Board also must decide how to balance the growth of and apportion profits from Florida Blue as between shareholders (which could in the future include policyholders, directors, officers, employees and agents of the stock insurance company) and Members. However, Florida Blue believes that after the Reorganization, Members and shareholders will generally have common interests due to the not-for-profit mission of Mutual Holdings and the shareholders. Mutual Holdings, representing the Members, will remain the majority shareholder with ultimate control over Florida Blue. Florida Blue's ability to declare dividends will derive from the financial and operational success of Florida Blue and the value and competitiveness of the products and services offered through agents to Members. Only by satisfying its policyholders can Florida Blue achieve the growth and financial success which will serve the best interests of both Members and the shareholders.

ARTICLE IV: ADOPTION AND APPLICATION

4.01 *Adoption by the Board.* This Plan has been approved and adopted by the unanimous affirmative vote of the Board at a meeting held on May 28, 2013. This Plan provides for the reorganization, effective upon the Reorganization, of Florida Blue as a stock insurance company that is wholly owned by Mutual Holdings. At all times as required by applicable law, Mutual Holdings shall own, directly or indirectly, at least a majority of the voting shares and a

majority of the economic value of the capital stock of Florida Blue. This Plan also provides for Florida Blue's ownership of the Subsidiaries and Non-Subsidiary Assets to be transferred from Florida Blue to Newco as set forth in Sections 2.02 and 7.02(b).

4.02 *Submission of Plan.* Florida Blue will submit to the Office for approval by the Commissioner, in accordance with Sections 628.6013 and 628.711(3), Florida Statutes, or as otherwise required by the Office, the following:

- (a) this Plan;
- (b) the form of notice to be sent to Eligible Members informing them of their right to vote on this Plan;
- (c) the form of proxy statement to be sent to Eligible Members informing them of their right to vote by proxy on this Plan and describing this Plan;
- (d) the form of proxy to be sent to Eligible Members to solicit their vote on this Plan;
- (e) proposed articles of incorporation and bylaws of Mutual Holdings, attached hereto as Exhibit A and Exhibit B, respectively; proposed amended and restated articles of incorporation and bylaws of Florida Blue for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, attached hereto as Exhibit C and Exhibit D, respectively, and; proposed articles of incorporation and bylaws of Newco, attached hereto as Exhibit E and Exhibit F, respectively;
- (f) the Business Plan;
- (g) an audited financial statement prepared on a statutory accounting basis consistent with the Florida Insurance Code, including an actuarial opinion, for the most recent calendar year ended; and
- (h) an opinion issued by a qualified independent financial firm that as of the date of the opinion, the exchange of Membership Interests in Florida Blue for Membership Interests in Mutual Holdings pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of Florida Blue, taken as a group.

ARTICLE V: REGULATORY APPROVAL

This Plan is subject to the approval by the Office pursuant to Section 628.711(4), Florida Statutes. The approval of the Office will constitute approval of all aspects of this Plan under the Florida Insurance Code. However, the Office's approval of the Plan does not constitute an endorsement or recommendation thereof.

**ARTICLE VI:
APPROVAL BY ELIGIBLE MEMBERS**

Pursuant to Section 628.711(5)(b), Florida Statutes, this Plan shall be submitted to a vote of Eligible Members. The Board will schedule a special meeting to be held for such purpose and shall provide at least 10 days' prior written notice of such meeting to the Eligible Members. Notice to Eligible Members shall contain a copy of this Plan. The Plan shall be approved upon the affirmative vote of at least a majority of votes cast by Eligible Members either in person or by proxy, notwithstanding quorum or voting action requirements otherwise applicable to Florida Blue to the contrary. If the Plan is not approved by the requisite vote of Eligible Members, then none of the transactions contemplated by the Reorganization as described in Section 7.02 of this Plan shall occur.

**ARTICLE VII:
THE REORGANIZATION**

7.01 *Filing of Minutes and Corporate Documents.* Within 30 days after adoption of this Plan by the Eligible Members in accordance with Article VI, Florida Blue must file with the Office the minutes of the meeting at which this Plan was adopted.

7.02 *Effectiveness of Plan.*

(a) The effective date of this Plan (the "Effective Date") shall be the later of (i) the date of recording of the articles of incorporation of Mutual Holdings and (ii) January 1, 2014. This Plan shall be deemed to have become effective on the Effective Date at 12:01 a.m., Eastern Time (the "Effective Time").

(b) At the Effective Time, the steps to the Plan shall occur in the following order:

- (i) Mutual Holdings' articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;
- (ii) Florida Blue's articles of incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, as set forth in Exhibit C, and the second amended and restated bylaws of Florida Blue as set forth in Exhibit D hereto shall become effective;
- (iii) Florida Blue shall issue shares of its common stock to Mutual Holdings in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;
- (iv) the Membership Interests of Members of Florida Blue shall become Membership Interests in Mutual Holdings in accordance with the articles of incorporation and bylaws of Mutual Holdings

and the Members' Membership Interests in Florida Blue shall be extinguished;

- (v) Mutual Holdings shall be admitted as a new member of the Foundation;
- (vi) Newco's articles of incorporation and bylaws in the forms attached hereto as Exhibit E and Exhibit F, respectively, shall become effective;
- (vii) Florida Blue shall contribute all of its shares of the Subsidiaries constituting 100 percent of the total number of issued and outstanding shares of each of them, and the Non-Subsidiary Assets to Newco, and Newco shall assume the liabilities and obligations associated therewith;
- (viii) Florida Blue shall distribute 100 percent of its shares of common stock of Newco to Mutual Holdings; and
- (ix) subsequent to the Reorganization, Florida Blue may transfer certain of its employees to Newco subject to providing notice to Office.

(c) Mutual Holdings shall at all times own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue and any intermediate holding company that may be interposed between Florida Blue and Mutual Holdings.

(d) Florida Blue shall not change any material contractual term of the Policies solely as a result of the Reorganization other than those relating to the conversion of Membership Interests in Florida Blue into Membership Interests of Mutual Holdings.

7.03 Tax Considerations. The completion of this Plan is subject to Florida Blue's having received on or prior to the Effective Date a private letter ruling indication from the Internal Revenue Service or one or more opinions of its independent tax adviser substantially to the effect that:

(a) Members will not recognize gain or loss for federal income tax purposes as a result of the consummation of the transactions described in Section 7.02 of this Plan;

(b) the summary of federal income tax consequences to Members of the consummation of this Plan set forth in the proxy statement provided to Members in connection with their vote on this Plan was correct and complete in all material respects as of the date thereof and, except for any changes in law, regulations or official interpretations thereof the effect of which the Board, in its discretion, has determined (taking into account any remedial action the Board may authorize or direct) to be not adverse to the interests of the Members in any material respect, remains correct and complete as of the Effective Date;

(c) (i) Florida Blue's reorganization from a not-for-profit mutual insurer to a stock insurance company as described in Section 7.02 of this Plan will be a reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code; (ii) Florida Blue will be a "party to the reorganization" within the meaning of Section 368(b) of the Code; and (iii) the formation of Mutual Holdings as contemplated by this Plan will not be subject to tax under the Internal Revenue Code;

(d) Florida Blue's contribution of the Subsidiaries and Non-Subsidiary Assets to Newco and distribution of all of its common stock of Newco to Mutual Holdings as described in Section 7.02 of this Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code; and

(e) the Reorganization will not be treated as a material change in the operations of Florida Blue or in its structure within the meaning of section 833(c)(2)(C).

7.04 *Securities Law Considerations.* The completion of this Plan is also subject to Florida Blue having received on or prior to the Effective Date (a) a "no-action" letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, or (b) an opinion of independent legal counsel with respect to federal securities law matters.

ARTICLE VIII: MISCELLANEOUS PROVISIONS

8.01 *Continuation of Corporate Existence.* Upon the reorganization of Florida Blue under the terms of this Plan and Part III, Chapter 628, Florida Statutes, Florida Blue's corporate existence as a stock insurance company shall be a continuation of its prior corporate existence as a not-for-profit mutual insurer. Except with respect to the Non-Subsidiary Assets, the benefits of which shall accrue to Newco upon the Reorganization, all rights, franchises, licenses and interests of Florida Blue in and to every type of property, real, personal and mixed, and all choses in action shall continue unaffected and uninterrupted by the Reorganization and shall accrue to Florida Blue. This Plan shall not be construed to result in any real or constructive issuance or exchange of any insurance Policy or any other transfer of any assets, rights or obligations by Florida Blue. Except with respect to the Non-Subsidiary Assets, the obligations and liabilities of which shall be assumed by Newco upon the Reorganization, all obligations and liabilities of Florida Blue shall continue unaffected and uninterrupted by the Reorganization. No action or proceeding pending at the Effective Date to which Florida Blue is a party shall be abated or discontinued by reason of the Reorganization but may be prosecuted to final judgment by Florida Blue in the same manner as if the Reorganization had not taken place. For all purposes, Florida Blue shall be deemed to have been organized on July 1, 1980, the initial date of organization of Florida Blue.

8.02 *Boards of Directors.* From and after the Effective Date, (a) the boards of directors of Mutual Holdings, Florida Blue and Newco shall consist of the same individuals as those serving on the Board of Florida Blue immediately prior to the Effective Date until new directors have been duly elected and qualified pursuant to Mutual Holdings', Florida Blue's and Newco's respective articles of incorporation and bylaws, and (b) the board of directors of the

Subsidiaries and all other direct and indirect subsidiaries of Mutual Holdings (other than Florida Blue and Newco) shall consist of the same individuals as those serving on such boards of directors immediately prior to the Effective Date until new directors have been duly elected and qualified pursuant to their respective articles of incorporation, bylaws or other organizational documents.

8.03 *Compensation of Directors and Officers.* No director or officer of Florida Blue shall receive any fee, commission or other valuable consideration, other than his or her usual, regular salary or compensation, for aiding, promoting or assisting with the Reorganization. There are no plans to change any existing executive compensation plans or adopt any new compensation plans as a result of the Reorganization.

8.04 *Dividends Received by Mutual Holdings.* The articles of incorporation of Mutual Holdings shall provide that Mutual Holdings will not be required to pay dividends or make any other distributions to its members, except as directed or approved by the Office.

8.05 *No Preemptive Rights.* No Member of Mutual Holdings or any other Person shall have any preemptive right to acquire shares of common stock of Florida Blue, Newco, any of the Subsidiaries or any other stock company in connection with this Plan.

8.06 *Share Issuances.* Following the Effective Date, Florida Blue, Newco or any stock company directly or indirectly owned by Mutual Holdings may issue additional shares of capital stock in any number of public offerings or private placements (except, with respect to those entities that are not directly or indirectly wholly owned by Mutual Holdings, as may be limited by their organizational documents or by contracts); provided, however, that Mutual Holdings shall at all times own, directly or indirectly, a majority of the voting shares and a majority in economic value of the shares of capital stock of Florida Blue and any intermediate holding company. Following the Effective Date, the Members of Mutual Holdings shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue, Newco or any other stock company directly or indirectly owned by Mutual Holdings in connection with the offering of such stock.

8.07 *Notices.* If Florida Blue complies substantially and in good faith with the requirements of Part III, Chapter 628, Florida Statutes, or the terms of this Plan with respect to the giving of any required notice to Members, its failure in any case to give such notice to any person or persons entitled thereto shall not impair the validity of the actions and proceedings taken under such Chapter or this Plan.

8.08 *Amendment, Corrections or Withdrawal of Plan.* This Plan may be amended by a majority vote of the Board in response to the comments or recommendations of the Office, or any other state or federal agency or governmental entity, before any solicitation of proxies from Members to vote on the Plan pursuant to Article VI, or at any time with the consent of the Office, except that any material amendment after the Members' approval shall require the Members' approval. This Plan may be terminated by the Board at any time before Members vote on the Plan and, otherwise, at any time with the consent of the Office. The articles of incorporation of Florida Blue, Mutual Holdings and Newco adopted pursuant to this Plan may be further amended after the Effective Date pursuant to applicable law.

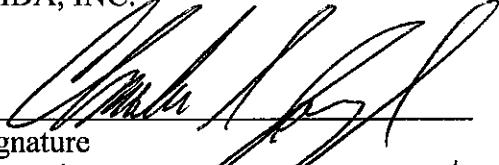
8.09 *Failure of Plan to Become Effective.* If the Plan does not become effective, Florida Blue will remain a not-for-profit mutual insurer, and none of the transactions described in Section 7.02 of this Plan shall occur, in which case the Membership Interests will remain unchanged. The expenses incurred in the process of proposing the Reorganization contemplated by the Plan shall be borne exclusively by Florida Blue.

8.10 *Governing Law.* The terms of this Plan shall be governed by and construed and enforced in accordance with the laws of the state of Florida, without regard to such state's principles of conflicts of laws or choice of law that will require the application of the laws of a jurisdiction other than that state.

Signature Page Follows.

IN WITNESS WHEREOF, Florida Blue, by authority of its Board, has caused this Plan to be duly executed this 5th day of June, 2013.

BLUE CROSS AND BLUE SHIELD OF
FLORIDA, INC.

By: 
Signature

Charles S. Joseph
Name

SVP, General Counsel + Corporate Secretary
Title

Attest:
Donna M. Carter
Signature

Donna M. Carter
Name

Assistant Corporate Secretary
Title



PROXY STATEMENT

2013 Annual Meeting of Members

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Annex A	PLAN OF REORGANIZATION
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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION INCONSISTENT WITH THIS PROXY STATEMENT IN CONNECTION WITH THE PLAN OF REORGANIZATION AND THE TRANSACTIONS CONTEMPLATED THEREBY AND ANY SUCH INFORMATION OR REPRESENTATION, IF GIVEN OR MADE, MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY FLORIDA BLUE.

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

PROXY STATEMENT

2013 ANNUAL MEETING OF MEMBERS

Blue Cross and Blue Shield of Florida, Inc. (“Florida Blue” or “the Company”) is furnishing this Proxy Statement and the enclosed proxy in connection with the solicitation of proxies by the Board of Directors of Florida Blue for use at the Annual Meeting of Members to be held on Tuesday, September 10, 2013, at [9 a.m.] local time, at the University of North Florida’s University Center, 12000 Alumni Drive, Jacksonville, Florida, and at any adjournments thereof (the “Annual Meeting”). These materials are being provided to members of Florida Blue (the “Members”) on or about [Mailing Date].

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

The items of business scheduled to be voted on at the Annual Meeting are:

- Proposal 1: to re-elect four directors, each for a three-year term (see page [13]); and
- Proposal 2: to approve a Plan of Reorganization (the “Plan”) of Florida Blue and the transactions contemplated thereby (see page [14]).

The Members will also consider other business that properly comes before the Annual Meeting.

What are the Board’s voting recommendations?

Florida Blue’s Board of Directors (the “Board”) recommends that you vote: (1) “FOR” each of the nominees to the Board; and (2) “FOR” the Plan and the transactions contemplated thereby.

What happens if additional proposals are presented at the meeting?

Florida Blue has not received, as of the date hereof, proper notice in accordance with Florida Blue’s Bylaws of any matters to be voted upon at the Annual Meeting other than those stated in this Proxy Statement and the accompanying Notice of Annual Meeting of Members. If other matters were to be properly presented and you vote by proxy, your proxy grants the individuals named as proxy holders the discretion to vote on your behalf on any additional matters properly presented for a vote at the meeting.

Who is entitled to vote?

Only persons who, on the basis of the records of Florida Blue and under the Bylaws of Florida Blue, were Members of Florida Blue as of July 15, 2013 (the record date established by the Board, the “Record Date”) are eligible to vote at the Annual Meeting.

Each Member of record on the Record Date (each, an “Eligible Member” and, collectively, the “Eligible Members”) is entitled to a number of votes equal to the monthly premium dollars attributed to such Member as determined in the month immediately preceding the Record Date. Members may vote by submitting their proxy in accordance with the voting instructions included on the proxy card enclosed with this Proxy Statement. All proxies received by

Florida Blue that are properly executed and have not been revoked will be voted in accordance with the instructions contained in the proxy cards. A proxy that is signed but not marked FOR or WITHHOLD with respect to the election of a director nominee will be voted FOR the nominee. A proxy that is signed but not marked FOR or AGAINST the Plan, or that is marked both FOR and AGAINST the Plan, will not count and will not be treated as votes cast with respect to the Plan and the transactions contemplated thereby.

What constitutes a quorum?

A quorum at the Annual Meeting will consist of all Members present and voting in person or by proxy.

How do I vote at the Annual Meeting?

There are four different ways to vote:

By Internet: You may submit a proxy over the Internet by following the instructions at www.proxyvoting.com/bcfl.

By Telephone: You may submit a proxy by calling [1-866-540-5760] and following the instructions.

By Mail: You may complete, sign and return the proxy card in the postage-paid envelope provided.

In Person: If you are a Member as of the Record Date, you may vote in person at the Annual Meeting. Submitting a proxy will not prevent a Member from attending the Annual Meeting and voting in person.

Can I change my vote after I return my proxy card or after I vote by telephone or over the Internet?

A Member of record may revoke a proxy at any time before it is voted at the Annual Meeting by (a) delivering a proxy revocation or another duly executed proxy bearing a later date to the Secretary of Florida Blue at 4800 Deerwood Campus Parkway, Jacksonville, Florida 32246 or (b) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not revoke a proxy unless the Member actually votes in person at the meeting.

What vote is required to approve each matter that comes before the meeting?

For Proposal 1, a plurality of votes cast in person or by proxy at the Annual Meeting is required to elect directors. "Plurality" means the four individuals who receive the largest number of votes will be elected as directors. Proposal 2 is approved upon the affirmative vote of at least a majority of votes cast in person or by proxy by the Members of Florida Blue, notwithstanding quorum or voting action requirements otherwise applicable to Florida Blue to the contrary.

Who will bear the costs of soliciting votes for the meeting?

The proxy card accompanying this Proxy Statement is solicited by the Board of Directors of Florida Blue. Florida Blue will pay all of the costs of soliciting proxies. In addition to solicitation by mail, officers, directors and employees of Florida Blue may solicit proxies personally, or by telephone, without receiving additional compensation. Florida Blue has retained Computershare Shareowner Services to assist in the solicitation of proxies in connection with the Annual Meeting.

SUMMARY

This summary highlights selected information from this Proxy Statement and may not contain all the information that is important to you. For more information regarding the proposals, including the reorganization, and for a more complete description of the legal terms of the Plan of Reorganization, Members should carefully read this Proxy Statement and the Annexes hereto in their entirety. See "AVAILABLE INFORMATION" in this Proxy Statement for details on how you can obtain more information about Florida Blue.

Proposal 1: Re-Election of Nominees to the Florida Blue Board of Directors

The Board has nominated each of the following four individuals to serve as a director for a term of three years:

Catherine P. Bessant

Steven T. Halverson

Barbara S. Thomas

Gonzalo F. Valdes-Fauli

If re-elected at this year's Annual Meeting, each nominee will serve until the date of the 2016 Annual Meeting or, if earlier, until his or her successor has been elected and qualified.

The Board unanimously recommends that you vote "FOR" the re-election of each of the above named nominees to the Board of Directors. See "PROPOSAL 1: RE-ELECTION OF FLORIDA BLUE DIRECTORS" in this Proxy Statement.

Proposal 2: The Reorganization

Under the Plan, Florida Blue will reorganize from a not-for-profit mutual insurer to a stock insurance company, simultaneously with the creation of a mutual insurance holding company to be named [NEWCO MIHC] ("Mutual Holdings"). The stock insurance company will continue to be called Blue Cross and Blue Shield of Florida, Inc. and to do business as "Florida Blue." The Plan also contemplates that certain of Florida Blue's subsidiaries and assets will be transferred to [NEWCO], a new stock company formed pursuant to the Plan, which will be wholly owned by Mutual Holdings after the Reorganization. At all times as required by applicable law, Mutual Holdings shall own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue. See "PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION" in this Proxy Statement.

Florida Blue insurance policies will continue to be the contractual obligations of Florida Blue from and after the reorganization contemplated by the Plan (the "Reorganization").

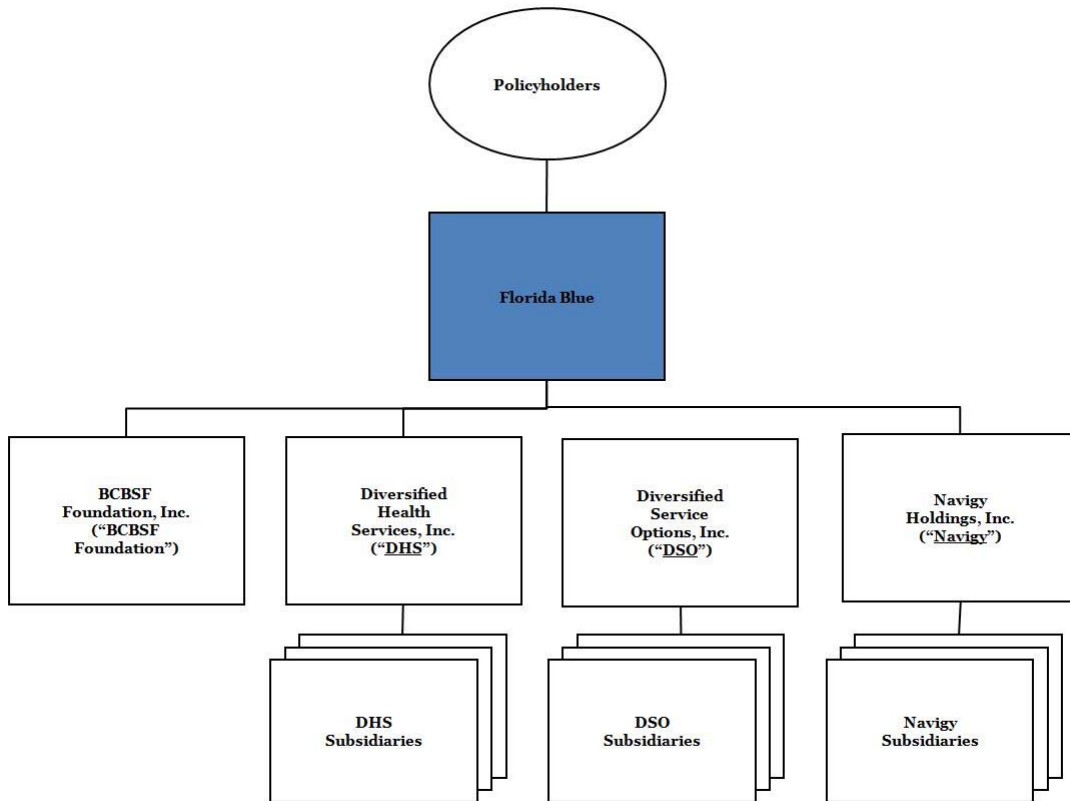
A Member of Florida Blue at the time the Plan becomes effective will become a Member of Mutual Holdings automatically and will remain a Member until such Member's policy with Florida Blue expires or otherwise is terminated. In addition, a person who purchases a Florida Blue insurance policy after the Plan becomes effective automatically will become a member of Mutual Holdings and similarly will remain a member until the expiration or other termination of such policy.

Mutual Holdings will not be authorized to issue any capital stock. [NEWCO] and Florida Blue will be able to sell stock to outside investors. The Plan requires that Mutual Holdings, at all times as required by law, own a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue either directly or indirectly through the majority ownership of any intermediate holding companies interposed between Mutual Holdings and Florida Blue. Subject to these limitations, the proposed Articles of Incorporation of Florida Blue do not prohibit the issuance of capital stock to third parties. The Plan is included in this Proxy Statement as Annex A.

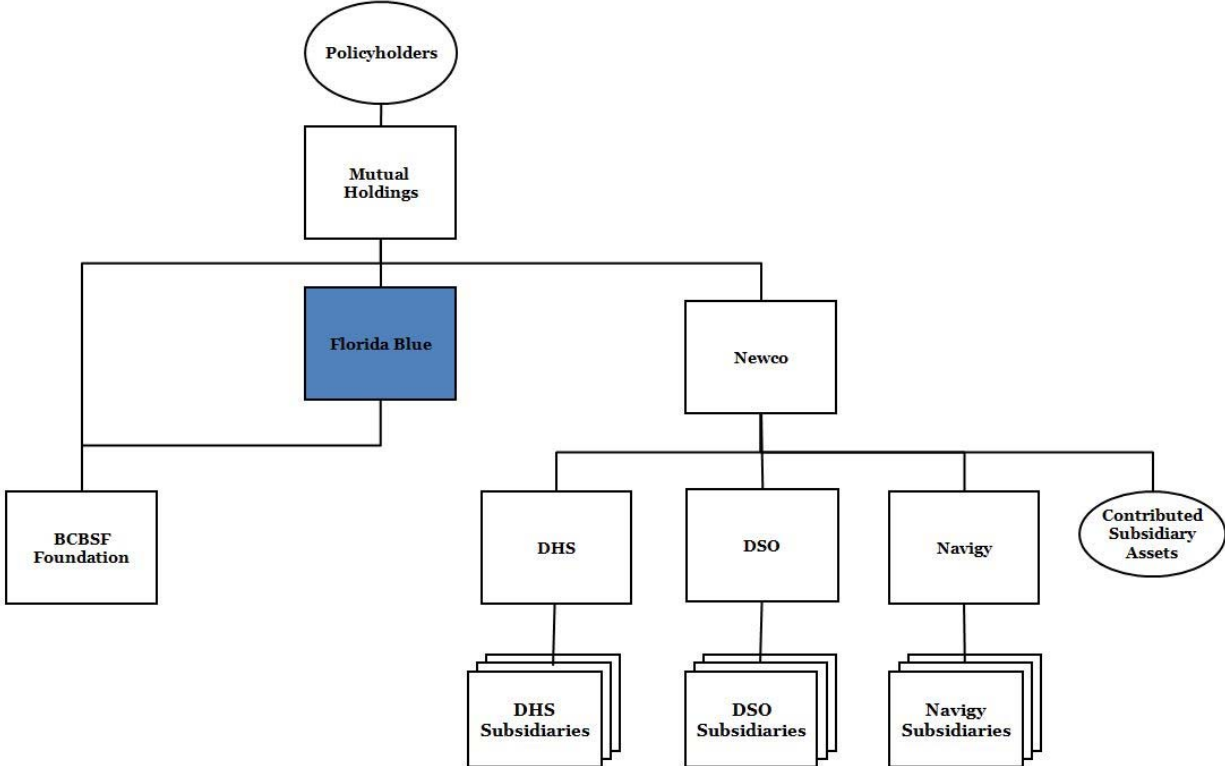
Members are encouraged to read the Plan carefully and fully as it is the legal document that governs the Reorganization. For a summary of the Plan, see “PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION” in this Proxy Statement.

The following diagrams depict the organizational structure of Florida Blue before and after the Reorganization.

Before the Reorganization



After the Reorganization



Reasons for the Reorganization

The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdings level, while providing similar flexibility as for-profit competitor structures. It will allow for better growth and scalability of Florida Blue's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise and increase Florida Blue's ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue's mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue's mission, remain financially strong for its Members and substantially enable core transformation and diversification, while retaining the long-term, consistent focus of a mutual company. See "PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Reasons for the Reorganization" for further discussion of the benefits arising out of the Reorganization.

Risks of and Alternatives to the Reorganization

Members should carefully consider the potential risks of the Reorganization. In contrast with a demutualization of Florida Blue, under the Plan, no securities or rights to purchase securities will be distributed to Members. Members will not be entitled to any shareholder distributions of Florida Blue. There are other potential risks as well, which are described elsewhere in this Proxy Statement and in the Plan, Annex A of this Proxy Statement. See "PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Disclosure of Risk Factors." The Board concluded, however, that these possible disadvantages would be outweighed by the potential benefits of the Reorganization.

In addition to considering the potential benefits and risks of the Reorganization, the Board of Directors considered alternatives to the Reorganization, including maintaining the current structure of Florida Blue, and other alternatives described in the Plan, Annex A of this Proxy Statement. The Board of Directors concluded that none of the alternatives considered was in the best interests of Florida Blue and its policyholders at this time.

Recommendation to Members

Florida Blue's Board of Directors believes that the Reorganization is fair and equitable to the Members of Florida Blue. The Board unanimously recommends that Members vote "FOR" approval of the Plan and the transactions contemplated thereby.

In its deliberations regarding the Plan, the Board of Directors considered the opinion of J.P. Morgan Securities LLC ("J.P. Morgan"). J.P. Morgan provided an opinion, dated May 28, 2013, to the Board of Directors to the effect that, as of the date of the opinion and subject to the assumptions, qualifications and limitations expressed in the opinion, the exchange of membership interests in Florida Blue for membership interests in Mutual Holdings pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of Florida Blue, taken as a group. A copy of the written opinion of J.P. Morgan is included in this Proxy Statement as Annex C. Members are encouraged to read the opinion in its entirety, including the assumptions, qualifications and limitations expressed therein. See "PROPOSAL 2: THE REORGANIZATION—BACKGROUND OF THE REORGANIZATION—Recommendation to Members" in this Proxy Statement.

Effects of the Reorganization on Member Interests

At present, Members have both membership interests in Florida Blue and contract rights under their insurance policies with Florida Blue. As a result of the Reorganization, the membership interests of Members will become membership interests in Mutual Holdings, and the Members' membership interests in Florida Blue will be extinguished. Persons who become owners of policies issued or assumed by Florida Blue after the date on which the Plan becomes effective (the "Effective Date") will automatically become members of Mutual Holdings. The membership rights of the holders of membership interests in Mutual Holdings will be the same as the membership

rights they had as holders of membership interests in Florida Blue. Upon the Reorganization, the Florida Blue insurance policies (“Policies”) will continue as the contractual obligations of Florida Blue, and the Members of Florida Blue will continue to be policyholders of Florida Blue.

Distributions to Members

Mutual Holdings will not make any distributions or payments of income, dividends or profits directly to Members, except in the event of its dissolution or liquidation, pursuant to a demutualization, or as otherwise approved by the Office of Insurance Regulation within the State of Florida (the “Office”). Further, as a not-for-profit corporation, Mutual Holdings may not pay dividends or distributions of income or profits to its members.

Contract Rights and Membership Interests Before and After the Reorganization

Policies in force with Florida Blue at the Effective Date will continue as Policies of Florida Blue. The Plan will not increase or otherwise adversely change the premiums required to be paid on Policies of Florida Blue. The following table provides a brief description of the effects of the Reorganization on the contract rights and Member rights of Members.

		Before Reorganization	After Reorganization
Contract Rights	Right to receive, as Member, Policy benefits.....	Policy benefits which consist of health insurance coverage under Florida Blue Member agreements are obligations of Florida Blue.	Policy obligations to provide health insurance continue unchanged for the Members, who will continue to be policyholders of Florida Blue.
	Voting in election of directors and on other corporate matters.....	Each Member has a number of votes in Florida Blue equal to the monthly premium dollars attributed to such Member as determined in the month immediately preceding the record date of a meeting.	Voting rights in Florida Blue become voting rights in Mutual Holdings, which, under the Plan, will always have voting control over Florida Blue. The number of votes is determined on the same basis as before the Reorganization.
Membership Interests	In the event of liquidation.....	Members of Florida Blue, as members of a mutual insurance company, share in any assets left after payment of all liabilities in the event the insurance company ceases to exist.	Under Florida law, policyholders, as members of Mutual Holdings, also share in any assets of Mutual Holdings remaining after payment of its liabilities, but include all policyholders who were members within the three years prior to the liquidation.
	In the event of reorganization to a stock	Under Florida law, Members who are	Under Florida law, Mutual Holdings may also

corporation (demutualization).....	determined to be eligible to participate in a demutualization would receive a minimum of 50% of the cash equivalent of their pro-rata share of the company's net surplus as corporate equity (if any), and Members have the preemptive right to purchase their proportionate share of capital stock in the stock company using their corporate equity (if any) in lieu of receiving a cash payment, or Members may use their corporate equity to obtain less than their proportionate share of stock and receive a cash payment for any remaining corporate equity assigned to them.	convert to a stock corporation through a demutualization. The demutualization law for a mutual insurance holding company is the same as for a mutual insurance company.
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Federal Income Tax Consequences of the Reorganization

The following is a summary of the principal federal income tax consequences under current law to Members, Florida Blue, Mutual Holdings and [NEWCO] from the Reorganization. Current law includes the Internal Revenue Code, the regulations promulgated thereunder, judicial decisions and administrative pronouncements by the Internal Revenue Service (“IRS”). This summary is for general information only. It is not intended to be a complete discussion of all tax consequences that may be relevant to a particular Member. Accordingly, each Member may wish to consult a tax advisor regarding any federal, state, local and applicable foreign tax consequences of the Reorganization to their particular circumstances, including matters not addressed in this Proxy Statement and the effects of any changes in tax laws or regulations after the date hereof.

Florida Blue expects its reorganization from a not-for-profit mutual insurer to a stock insurance company as described in Section 7.02 of the Plan will be a reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code; (ii) Florida Blue will be a “party to the reorganization” within the meaning of Section 368(b) of the Code; and (iii) the formation of Mutual Holdings and [NEWCO] as contemplated by the Plan will not be subject to tax under the Internal Revenue Code. See “PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

As part of the Reorganization, after the formation of Mutual Holdings and Florida Blue’s issuance of all of its common stock to Mutual Holdings, Florida Blue will contribute the stock of certain subsidiaries and assets to [NEWCO] and then distribute the stock of [NEWCO] to Mutual Holdings, Florida Blue’s sole shareholder. Florida Blue believes that its contribution of the subsidiaries and assets to [NEWCO] and distribution of all of its common stock of [NEWCO] as described in the Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code. See “PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

Members should consult their own tax advisors regarding any federal, state, local and applicable foreign tax consequences of the Reorganization to their particular circumstances, including matters not addressed in this Proxy Statement and the effects of any changes in tax laws or regulations after the date hereof.

The Reorganization is subject to Florida Blue having received on or before the Effective Date a private letter ruling indication from the IRS or one or more tax opinions of its independent tax adviser with regard to any of the federal income tax consequences of the Reorganization. See “PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

For more information on tax consequences, see “PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Federal Income Tax Consequences” in this Proxy Statement.

Conditions to the Effectiveness of the Plan

The consummation of the Reorganization is subject to the satisfaction of certain conditions, including approval of the Plan and the transactions contemplated thereby by the requisite vote of the Eligible Members at the Annual Meeting; receipt by Florida Blue of a private letter ruling indication from the IRS or one or more tax opinions from the Company’s independent tax adviser with regard to the federal income tax consequences of the Reorganization; receipt of a “no-action” letter from the Securities and Exchange Commission or an opinion of legal counsel regarding certain federal securities laws matters; and an absence of any material adverse change in the law or regulation affecting the Plan. Assuming that these conditions are satisfied, it is anticipated that Florida Blue will consummate the Reorganization effective January 1, 2014. See “PROPOSAL 2: THE REORGANIZATION—DESCRIPTION OF THE REORGANIZATION—Conditions to Reorganization” in this Proxy Statement.

PROPOSAL 1:
RE-ELECTION OF FLORIDA BLUE DIRECTORS

Overview

The Board has nominated each of the following four individuals to serve as a director for a term of three years:

Catherine P. Bessant

Steven T. Halverson

Barbara S. Thomas

Gonzalo F. Valdes-Fauli

If re-elected at this year's Annual Meeting of Members, each nominee will serve until the date of the 2016 annual meeting or, if earlier, until his or her successor has been elected and qualified.

Each nominee has consented to serve as a member of the Board if re-elected at the Annual Meeting of Members. Nevertheless, if any nominee becomes unable to stand for re-election (which the Board does not anticipate happening), each proxy will be voted for a substitute designated by the Board.

The Board unanimously recommends that you vote "FOR" the re-election of each of the above named nominees to the Board of Directors.

Board of Director Nominee Biographies

Catherine P. Bessant

Ms. Bessant is the global technology and operations executive at Bank of America, which serves more than 58 million clients through operations in more than 40 countries. She is also a member of the company's executive management team. She was elected to the Florida Blue Board in 2001 and is the lead director and vice chair.

Ms. Bessant is the chair of the board of directors for the Foundation for the Carolinas, chair of the Community Catalyst Fund, is a member of the advisory committee of the NASCAR Hall of Fame, past chair of the Charlotte Chamber of Commerce and also served as a co-chair of the Citizens Task Force on Charlotte Mecklenburg Schools. She chairs Bank of America's Environmental Council and oversees the company's 10-year, \$20 billion environmental initiative to address global climate change. Ms. Bessant resides in Charlotte, North Carolina.

Steven T. Halverson

Mr. Halverson is CEO of The Haskell Company, which ranks among the foremost design-build organizations in the U.S. The company provides planning, architectural, engineering, construction, program management, real estate, financing and facility management services.

Mr. Halverson has served on the Florida Blue Board since 2010 and is chair of the personnel and compensation committee and is a member of the board governance and nominating committees. Mr. Halverson also serves on the board of directors of CSX Corp. He is chair of the Florida Council of 100 and immediate past chair of the Florida Chamber of Commerce. He is treasurer of the Construction Industry Roundtable and chair of the regional advisory board of Teach for America. He is the recipient of the University of North Florida Presidential Medallion and was inducted into the Florida Council on Economic Education First Coast Business Hall of Fame in 2008. Mr. Halverson resides in Jacksonville, Florida.

Barbara S. Thomas

Ms. Thomas is a retired interim CEO of Ocean Spray Cranberries Company. She was also president of Warner-Lambert Consumer Healthcare Company and CEO of Pillsbury Canada Ltd.

Ms. Thomas has served on the Florida Blue Board since 2004 and is chair of the finance committee and is a member of the audit and compliance committee. She also serves on the board of the Bank of Nova Scotia. Ms. Thomas resides in Belleair, Florida.

Gonzalo F. Valdes-Fauli

Mr. Valdes-Fauli is chairman of Broadspan Capital, LLC, an investment banking firm specializing in financial advisory services covering Latin America, the Caribbean and the U.S. Hispanic markets. Earlier in his career, he was vice-chairman of Barclays Capital (Latin America) and CEO of Barclays Group (Latin American Division).

Mr. Valdes-Fauli has served on the Florida Blue Board since 1995 and is a member of the audit and compliance committee and the finance committee. He also serves on the board and is chair of the corporate governance committee of Gildan Activewear, Inc. and is trustee emeritus of the University of Miami. He was a former director of Knight-Ridder Inc. and former chair of the Republic Bank D.R. board of directors. Mr. Valdes-Fauli resides in Key Biscayne, Florida.

Recommendation of Board of Directors

The Board unanimously recommends that you vote “FOR” the re-election of each of the above named nominees to the Board of Directors.

PROPOSAL 2:

THE REORGANIZATION

Overview

The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdings level, while providing similar flexibility as for-profit competitor structures. It will allow for better growth and scalability of Florida Blue’s business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue’s Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise and increase Florida Blue’s ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue’s mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue’s mission, remain financially strong for its Members and substantially enable core transformation and diversification, while retaining the long-term, consistent focus of a mutual company.

Members should carefully consider the elements of the Reorganization including the risks inherent in the Plan, as well as the alternatives to the Plan, which were considered by the Board of Directors. The full details of the Plan are included as [Annex A](#).

Recommendation of Board of Directors

Florida Blue’s Board of Directors believes that the Reorganization is fair and equitable to the policyholders of Florida Blue. The Board unanimously recommends that policyholders vote “FOR” approval of the Plan and the transactions contemplated thereby.

In its deliberations regarding the Plan, the Board of Directors considered the opinion of J.P. Morgan. J.P. Morgan provided an opinion, dated May 28, 2013, to the Board of Directors to the effect that, as of the date of the opinion and subject to the assumptions, qualifications and limitations expressed in the opinion, the exchange of membership interests in Florida Blue for membership interests in Mutual Holdings pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of Florida Blue, taken as a group. A copy of the written opinion of J.P. Morgan is included in this Proxy Statement as Annex C. Members are encouraged to read the opinion in its entirety, including the assumptions, qualifications and limitations expressed therein.

DESCRIPTION OF THE REORGANIZATION

The following description of certain aspects of the Reorganization, including the principal provisions of the Plan, is qualified in its entirety by reference to the other information contained elsewhere in this Proxy Statement, including the Annexes and documents incorporated by reference in this Proxy Statement. The full text of the Plan with all Exhibits is set forth as Annex A and attached to this Proxy Statement. Eligible Members are encouraged to read the Plan in its entirety.

Any capitalized terms not otherwise defined in this Proxy Statement shall have the meanings ascribed to them in the Plan.

The Reorganization

On the Effective Date, the following events will occur:

- Mutual Holdings' Articles of Incorporation and Bylaws attached to the Plan as Exhibit A and Exhibit B thereto, respectively, shall become effective;
- Florida Blue's Second Amended and Restated Articles of Incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company of the same name, under a mutual insurance holding company system and the Second Amended and Restated Bylaws of Florida Blue shall become effective, each as set forth in Exhibits C and D to the Plan, respectively;
- Florida Blue shall issue shares of its common stock to Mutual Holdings in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;
- The membership interests of the Members of Florida Blue shall become membership interests in Mutual Holdings in accordance with the Articles of Incorporation and Bylaws of Mutual Holdings and the Members' membership interests in Florida Blue shall be extinguished;
- Mutual Holdings shall be admitted as a new member of the Blue Cross and Blue Shield of Florida Foundation Inc. (the "Foundation"), a not-for-profit established by Florida Blue in 2001 to improve the health and well-being of Floridians and their communities through strategic grant-making in five focus areas: improving access to health care, consumer health, quality and safety of patient care, quality of life and the health care system;
- [NEWCO]'s Articles of Incorporation and Bylaws in the forms attached to the Plan as Exhibit E and Exhibit F to the Plan, respectively, shall become effective;
- Florida Blue shall contribute all of its shares in Diversified Service Options, Inc., Navigy Holdings, Inc., and Diversified Health Services, Inc. (the three entities collectively, the "Subsidiaries"), constituting 100 percent of the total number of issued and outstanding shares of each of them, and certain real estate, property and equipment, stocks and bonds of Florida Blue, to [NEWCO], and [NEWCO] shall assume the liabilities and obligations associated therewith;

- Florida Blue shall distribute 100 percent of its shares of common stock of [NEWCO] to Mutual Holdings; and
- subsequent to the Reorganization, Florida Blue may transfer certain of its employees to [NEWCO] subject to providing notice to the Office.

See the diagrams provided in “SUMMARY: Before the Reorganization” and “SUMMARY: After the Reorganization” in this Proxy Statement.

The Reorganization will separate the contract rights and membership interests of policyholders so that their insurance policy contract rights will remain with Florida Blue, while their membership interests will become membership interests in Mutual Holdings. Pursuant to the Plan, each Florida Blue Member whose Policy continues in force as of the Effective Date will become a member of Mutual Holdings, and the Members’ membership interests in Florida Blue will be extinguished. Owners of Policies issued by Florida Blue after the Effective Date of the Plan will automatically become members of Mutual Holdings in accordance with the Articles of Incorporation and Bylaws of Mutual Holdings. The membership interests in Mutual Holdings will be substantially the same as those in Florida Blue prior to the Reorganization. Specifically, membership interests will include:

- the right to vote at annual and special member meetings of Mutual Holdings;
- the right to receive distributions of assets from Mutual Holdings in the event of the ultimate dissolution or liquidation of Mutual Holdings after liabilities have been satisfied; and
- the right to participate under Florida law in the event that Mutual Holdings later demutualizes. Members will remain members of Mutual Holdings as long as their Policies with Florida Blue remain in force.

Mutual Holdings will not make any distributions or payments of income, dividends or profits directly to members, except in the event of its dissolution or liquidation, pursuant to a demutualization, or as otherwise approved by the Office. Further, as a not-for-profit corporation, Mutual Holdings may not pay dividends or distributions of income or profits to its Members. After the Reorganization, Florida Blue can pay dividends to Mutual Holdings.

Reasons for the Reorganization

The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdings level, while providing similar flexibility as for-profit competitor structures. It will allow for better growth and scalability of Florida Blue’s business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue’s Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise and increase Florida Blue’s ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue’s mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue’s mission, remain financially strong for its Members and substantially enable core transformation and diversification, while retaining the long-term, consistent focus of a mutual company. The Reorganization is expected to:

- (i) permit Florida Blue to realize the benefit of preserving the Members’ Membership Interests at the Mutual Holdings level, including the right to elect directors of Mutual Holdings and vote on amendments to the Articles of Incorporation of Mutual Holdings;

- (ii) allow the declaration and payment of dividends from subsidiaries for capital deployment within the mutual insurance holding company system;
- (iii) permit the mutual insurance holding company system to make investments that may otherwise be limited under the present corporate structure;
- (iv) enhance Florida Blue's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions; and
- (v) enable access to capital and debt markets if required by future business developments.

Specifically, the Board believes that Reorganization under the Plan will be beneficial for both Florida Blue and its Members for the following reasons:

Maintaining the Benefits of Mutuality and Company Mission. Reorganizing Florida Blue into a stock insurance company that is owned by a not-for-profit mutual insurance holding company in which Florida Blue's policyholders are members enables Florida Blue to achieve the benefits described below while continuing Florida Blue's mission to improve the health and wellness of its Members. By strengthening a not-for-profit enterprise, the Reorganization balances out the industry between insurers that have for-profit and not-for-profit missions, resulting in benefits to Florida Blue's policyholders and consumers generally.

Enhanced Ability to Deploy Available Capital. Under a mutual insurance holding company structure, capital in excess of statutory requirements may be declared and paid as a dividend by Florida Blue and other regulated subsidiaries and non-regulated subsidiaries within the structure, which will enable the use of such capital under appropriate regulation relative to their business purpose. In addition, the Plan of Reorganization contemplates that the Subsidiaries will no longer be subsidiaries of Florida Blue but will instead be subsidiaries of [NEWCO].

Greater Flexibility in Pursuing and Structuring Business Combinations. Under a mutual insurance holding company structure, Mutual Holdings will have greater flexibility to respond to today's competitive market by creating a more level playing field with Florida Blue's current for-profit competitors. Mutual Holdings will have the ability to pursue mergers and acquisitions with stock companies and mutual insurance companies as well as non-profit health plans. On the other hand, today, Florida Blue may only acquire a target mutual insurer by merger into a single entity. The ability to combine with a mutual insurance company in a way that preserves the identities and cultures of both companies will be less disruptive than a statutory merger to the relationships between the companies and their respective policyholders and will make Florida Blue a potentially more attractive acquirer. Further, under a mutual insurance holding company structure, Mutual Holdings will be able to use the stock of Florida Blue, or another stock company directly or indirectly owned by Mutual Holdings, as currency in making acquisitions of stock companies. The ability to issue stock may allow Mutual Holdings to pursue transactions that are tax-free to prospective sellers of target businesses, which sellers might find more attractive than taxable cash transactions. As an added benefit, acquisitions made under a mutual insurance holding company structure could receive more favorable accounting treatment than acquisitions made under the present form.

Increased Access to Capital. Mutual Holdings, which is not an insurance company, will be a more attractive issuer in the capital and debt markets, which potentially may increase the company's financial strength, create greater opportunities for diversification and growth and allow greater flexibility to transform the health care system to deliver a broader array of quality products and services to Members.

Effective Date of the Reorganization

The Reorganization will become effective on January 1, 2014, provided that: (1) the Plan is approved by the requisite vote of the Eligible Members; and (2) the other conditions to the Reorganization are satisfied. Florida Blue anticipates that the Reorganization will be consummated on January 1, 2014, but, should more time be necessary to satisfy the conditions to the Reorganization, the Plan provides that the Reorganization may become effective at a later time. If for any reason the Reorganization is not consummated at all, Florida Blue will remain a

not-for-profit mutual insurer and none of the transactions contemplated by the Plan shall occur. See “—Conditions to Reorganization” in this Proxy Statement.

Adoption and Amendment of Articles of Incorporation and Bylaws for Purposes of Reorganization of Florida Blue as a Stock Insurance Company

Pursuant to the Plan, after certifying that the requisite vote of Eligible Members was sufficient to approve the Plan, Florida Blue will be reorganized into a stock insurance company by filing with the Florida Secretary of State the fully executed Second Amended and Restated Articles of Incorporation of Blue Cross and Blue Shield of Florida, Inc., which is attached to the Plan as Exhibit C, and is set forth in Annex A to this Proxy Statement. In addition, the Amended and Restated Bylaws of Florida Blue shall become effective in the form attached to the Plan as Exhibit D and set forth in Annex A to this Proxy Statement. Members are encouraged to read all of these documents in their entirety.

The Bylaws of Florida Blue are similar to the current Bylaws of Florida Blue, except that it will be organized as a stock insurance company whose initial shareholder will be Mutual Holdings. The Members of Florida Blue prior to the Reorganization, on the other hand, are currently made up of the policyholders of Florida Blue.

Following the Effective Date, while the Members of Mutual Holdings will have certain voting rights at the Mutual Holdings level as described on page [20] below, the Members shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue.

Comparison of Articles of Incorporation and Bylaws of Mutual Holdings with Current Bylaws of Florida Blue

Mutual Holdings will be organized as a mutual insurance holding company under Florida law. The proposed Articles of Incorporation and Bylaws of Mutual Holdings are Exhibits A and B to the Plan, respectively, and are set forth in Annex A to this Proxy Statement. Members are encouraged to read the proposed Articles of Incorporation and Bylaws of Mutual Holdings in their entirety.

The proposed Articles of Incorporation (the “Articles”) and Bylaws of Mutual Holdings are substantially the same as the current Articles and Bylaws of Florida Blue. In particular, the policyholders of Florida Blue will constitute the members of Mutual Holdings, just as the policyholders of Florida Blue currently are the members of Florida Blue and will enjoy the same voting rights with respect to Mutual Holdings as they previously had in Florida Blue. Certain provisions of the proposed Articles and Bylaws are summarized below. This summary is not complete and it does not identify all provisions that may, under given circumstances, be material for Members, and is subject in all respects to the Florida Statutes and the proposed Articles of Incorporation and Bylaws of Mutual Holdings.

Organization

Mutual Holdings is formed for the purpose of owning at least a majority of the voting shares and economic value of the capital stock of Florida Blue, either directly or indirectly, and doing all other acts permitted or not prohibited for a mutual insurance holding company. Mutual Holdings will not be engaged in the business of insurance. By contrast, Florida Blue is an insurance company formed for the purpose of providing health insurance coverage to its Members.

Board of Directors

Pursuant to its current Bylaws, Florida Blue is governed by a Board of Directors that must include no less than five individuals who serve staggered three-year terms. There are currently ten individuals serving on Florida Blue’s Board of Directors. The provisions with respect to the Board of Directors in the proposed Bylaws of Mutual Holdings are identical to the provisions in the current Bylaws of Florida Blue. The initial Directors of Mutual Holdings shall consist of the same ten individuals who serve as the Directors of Florida Blue on the Effective Date.

Corporate Officers

The Bylaws of Mutual Holdings authorize the election or appointment by the Board of Directors of corporate officers, including a Chairman, Vice Chairman, CEO, President, Treasurer and Secretary. The current provisions with respect to officers in the proposed Bylaws of Mutual Holdings are identical to those in the current Bylaws of Florida Blue.

Member Meetings

Both the Bylaws of Mutual Holdings and the current Bylaws of Florida Blue provide for annual member meetings and special member meetings.

Amendment of Bylaws

The current Bylaws of Florida Blue provide that amendments of the Bylaws may be made by the Board of Directors of Florida Blue at any meeting of the Board of Directors, or by the Members at any regular or special meeting of the Members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes. With respect to amendments, the proposed Bylaws of Mutual Holdings are identical to the current Bylaws of Florida Blue.

Comparison of Articles of Incorporation and Bylaws of [NEWCO] with Current Bylaws of Florida Blue

[NEWCO] will be organized as a stock corporation under Florida law. The proposed Articles of Incorporation and Bylaws of [NEWCO] are Exhibits E and F to the Plan, respectively, and are set forth in Annex A to this Proxy Statement. Members are encouraged to read the proposed Articles of Incorporation and Bylaws of [NEWCO] in their entirety.

The proposed Articles of Incorporation and Bylaws of [NEWCO] are similar in most respects to the current Bylaws of Florida Blue. However, the proposed Articles of Incorporation and Bylaws of [NEWCO] do differ in some ways from the current Bylaws of Florida Blue. Principal differences are summarized below. This summary is not complete and it does not identify all the differences that may, under given circumstances, be material for Members and is subject in all respects to the Florida Statutes and the proposed Articles of Incorporation and Bylaws of [NEWCO]

Organization

[NEWCO] is being formed as a stock corporation in order to hold certain subsidiaries and assets transferred from Florida Blue under the Plan. After the Effective Date, [NEWCO] will be a wholly owned subsidiary of Mutual Holdings. As such, Florida Blue policyholders will indirectly control [NEWCO] through the right to elect the Board of Directors of Mutual Holdings, which then has the right to elect the Directors of [NEWCO]. [NEWCO] will not be engaged in the business of an insurance company, although it will own, through its wholly owned subsidiary Diversified Health Services, Inc., some entities that are insurance companies. By contrast, Florida Blue was formed as a mutual insurer for the purpose of providing health insurance coverage to participating Members.

Membership; Ability to Issue Stock

Today, as a not-for-profit mutual insurer, Florida Blue is not authorized by law to issue shares of stock. Its Members are the policyholders of Florida Blue. Members are entitled to a number of votes equal to the monthly premium dollars attributed to such Member as determined in the month immediately preceding the record date of a meeting. By contrast, [NEWCO] will be authorized by its Articles of Incorporation to issue stock. Upon consummation of the Reorganization, 100 percent of the issued and outstanding shares of common stock of [NEWCO] will be issued to Mutual Holdings. Each share of common stock of [NEWCO] will confer one vote per share for purposes of the election of directors and other matters submitted for the approval of shareholders.

Following the Effective Date, [NEWCO] may issue additional shares of capital stock to third parties. Following the Effective Date, while the Members will have certain voting rights at the Mutual Holdings level as described in “—Post-Reorganization Member Voting Rights” below, the Members of Mutual Holdings shall have no right to vote upon the issuance of additional shares of capital stock of [NEWCO].

Election of the Board of Directors and Voting Generally

Under the proposed Bylaws of [NEWCO], each share of common stock of [NEWCO] will confer one vote for the election of directors and all other matters subject to a vote of shareholders. Accordingly, the number of shares of common stock held by a shareholder of [NEWCO] will determine the relative voting power of that shareholder. By contrast, under Florida Blue’s present Bylaws, each Member is entitled to a number of votes equal to the monthly premium dollars attributed to such Member as determined in the month immediately preceding the record date of a meeting. It should be noted that, even though a shareholder of [NEWCO] can acquire more voting power by acquiring more shares, under the Plan, Mutual Holdings will initially own all shares of [NEWCO]. There are currently no plans to issue additional shares of [NEWCO] common stock to outside investors, although [NEWCO] is not prohibited from doing so either by statute or by its organizational documents or the Plan.

Quorum at Meetings of Members/Shareholders

Under Florida Blue’s present Bylaws, a quorum at all meetings of Members consists of all Members present and voting in person or by proxy. Under the proposed Articles of Incorporation of [NEWCO], holders of a majority of the outstanding shares of [NEWCO] entitled to vote will constitute a quorum. Because, under the Plan, Mutual Holdings will initially own all of the voting shares of [NEWCO], Mutual Holdings acting alone will be able to satisfy the quorum requirement or prevent a quorum from being present at any meeting of shareholders of [NEWCO].

Amendment of Bylaws

The current Bylaws of Florida Blue provide that amendments of the Bylaws may be made by the board of directors of Florida Blue at any meeting of the Board of Directors, or by the Members at any regular or special meeting of the Members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes. The proposed Bylaws of [NEWCO] may be amended by the board of directors or by the affirmative vote of a majority of the shareholders voting at a meeting of shareholders at which a quorum is present, in person or by proxy.

Post-Reorganization Member Voting Rights

The members of Mutual Holdings generally will have the right to vote only on the election of Mutual Holdings’ directors, amendment of its Articles of Incorporation and certain types of extraordinary transactions. These voting rights do not differ from the Members’ current voting rights with respect to Florida Blue. It is impractical to attempt to catalogue all of the various types of hypothetical transactions upon which the members of Mutual Holdings would have the right to vote in the future, and each transaction would have to be evaluated to determine whether the Members are or should have the right to vote. Currently, Florida law would provide the members of Mutual Holdings with the right to vote on matters that include, but are not limited to, the following:

- Sale of assets of Mutual Holdings not in the ordinary course of business. *See* § 607.1202, Florida Statutes.
- Voluntary dissolution and winding up of Mutual Holdings *See* § 607.1402, Florida Statutes.
- Mergers and acquisitions involving Mutual Holdings or Florida Blue with other entities. *See* § 628.715, Florida Statutes.
- Amendment of the Articles of Incorporation of Mutual Holdings (but not of Florida Blue or [NEWCO]). *See* § 628.719, Florida Statutes.

- Conversion of Mutual Holdings to a stock holding company. *See* § 628.733, Florida Statutes.

Indemnification

The proposed Bylaws of Florida Blue, Mutual Holdings and [NEWCO] provide the same indemnification coverage as the current Bylaws of Florida Blue. These Bylaws generally provide for the indemnification of any person who is threatened with or made a party to any proceeding brought to impose upon him or her a liability or penalty for an act alleged to have been committed by him or her in his or her capacity as a director of the company or an officer employee or agent of the company to the extent the company has agreed to grant such indemnity or by reason of the fact that he or she is or was serving at the request of the company as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise and as to whom the company has agreed to grant such indemnity, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. A proceeding includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal. Unless indemnification is ordered by the court before which the proceeding is held, the determination of whether the standards of conduct giving rise to indemnity have been met shall be made by the applicable corporation in accordance with relevant Florida statutory provisions.

Litigation Concerning Mutual Insurance Holding Company Reorganizations

Several mutual insurance companies that have proposed to reorganize to a mutual insurance holding company structure have been sued by groups of policyholders alleging that this structure is unfair to policyholders. These lawsuits have centered around the fairness of the plan due to failure to pay consideration to policyholders and, in some cases, the level of disclosure provided to policyholders regarding alternatives and potential disadvantages to the proposed structure. Most of those lawsuits have not prevented the reorganization of those mutual insurance companies to a mutual insurance holding company structure.

Effects of Reorganization

Business of Florida Blue

The Reorganization of Florida Blue as a stock insurance company under a mutual insurance holding company structure is not expected to result in material changes to its insurance operations, except as otherwise identified in the Plan and this Proxy Statement.

The Reorganization will not alter Members' relationships with their agents.

After the Reorganization, Mutual Holdings and Florida Blue will be subject to the regulation of the Office of Insurance Regulation under applicable Florida law. See “—REGULATION OF FLORIDA BLUE AND MUTUAL HOLDINGS” in this Proxy Statement.

Existing Policies

The contractual terms and provisions of the Policies held by Members will not be changed as a result of the Reorganization. In addition, the guaranteed benefits and the rights of Members specified in their existing Policies will not be reduced or altered in any way, and the premiums required to be paid as specified in those Policies will not be increased as a result of the Reorganization. Florida Blue will remain fully obligated under all of Florida Blue's Policies.

Membership Interests

Prior to the Reorganization, Members have both contract rights under their Policies and membership interests in Florida Blue. The principal contractual right of Members under the Policies is the right to receive the benefits specified in their Policies in accordance with the terms and provisions thereof. The principal membership

rights of Members include the right to vote on certain matters involving Florida Blue and the right to receive distributions from Florida Blue in the event of the ultimate dissolution, liquidation or demutualization of Florida Blue.

As a result of the proposed Reorganization, on the Effective Date, the membership interests and the contract rights of policyholders will be separated. Contract rights will remain with Florida Blue. Members' membership interests in Florida Blue, however, automatically will become membership interests in Mutual Holdings, and membership interests in Florida Blue will be extinguished. Members owning Policies in force at the Effective Date will have their membership interests in Florida Blue replaced by membership interests in Mutual Holdings and will remain members of Mutual Holdings for as long as their Policies with Florida Blue remain in force. Each person who becomes a policyholder of Florida Blue after the Effective Date of the Plan will automatically become a member of Mutual Holdings and will have membership interests in Mutual Holdings as long as the person's Policy with Florida Blue remains in force. Separate certificates evidencing the membership interests in Mutual Holdings will not be issued.

A member of Mutual Holdings will not be able to transfer his, her or its membership interest in Mutual Holdings. A membership interest in Mutual Holdings will terminate automatically upon the lapse or termination of the Member's Florida Blue Policy. No member of Mutual Holdings will be personally liable, as a member, for the debts, liabilities or obligations of Mutual Holdings or subject to assessments of any kind related thereto.

The Reorganization would not preclude a subsequent demutualization of Mutual Holdings at some future date if the board of directors of Mutual Holdings determined that a demutualization is appropriate and Members and the Office approved such a transaction. In the event that Mutual Holdings is converted to a shareholder-owned company, policyholder membership interests would be extinguished and the members who are determined to be eligible to participate in a demutualization would receive a minimum of 50% of the cash equivalent of their pro rata share of the company's net assets as corporate equity (if any), and members have the preemptive right to purchase their proportionate share of capital stock in the stock company using their corporate equity (if any) in lieu of receiving a cash payment, or members may use their corporate equity to obtain less than their proportionate share of stock and receive a cash payment of any remaining corporate equity assigned to them. Florida Blue's Board of Directors, which shall constitute the initial Board of Directors of Mutual Holdings, does not have any current plans to demutualize Mutual Holdings.

Directors and Executive Officers

If Florida Blue's directors remain unchanged between the date of this Proxy Statement and the Effective Date, the Board of Directors of Florida Blue upon the Reorganization, and their respective terms of office ending in the year set forth below, will consist of Patrick J. Geraghty – 2014; Robert M. Beall, II – 2015; Catherine P. Bessant – 2016; Steven T. Halverson – 2016; Leerie T. Jenkins, Jr. – 2014; Tracy A. Leinbach – 2015; John B. Ramil – 2014; Frank Scruggs – 2015; Barbara S. Thomas – 2016; and Gonzalo F. Valdes-Fauli – 2016.

Upon the Reorganization, the Board of Directors of Mutual Holdings and [NEWCO], and their respective terms of office, will be identical to Florida Blue's Board of Directors as of the Effective Date. Mutual Holdings will also have Committees of the Board of Directors that are identical to Florida Blue's current Committees of the Board of Directors: the Executive Committee, the Board Governance and Nomination Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee.

For information regarding the current directors of Florida Blue, see "BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.—Directors" in this Proxy Statement.

Director Compensation

The Reorganization will not result in changes in the compensation paid to Florida Blue directors.

Corporate Governance

Florida Blue, as a not-for-profit mutual insurer, is not authorized to issue capital stock and, therefore, has no shareholders. Florida Blue's Board of Directors currently is elected by the Members of Florida Blue. After the Reorganization, Florida Blue will be authorized to issue capital stock. In addition, as required by Florida law, Mutual Holdings must at all times control Florida Blue through the direct or indirect ownership of at least a majority of the voting shares and economic value of the capital stock of Florida Blue. Florida Blue may issue stock in an amount less than 50 percent of the issued and outstanding stock of the Company to outside investors. However, Mutual Holdings must at all times own at least a majority of the voting shares and a majority of the economic value of Florida Blue, therefore, Mutual Holdings will be able, ultimately, to control the outcome of any matters presented to the Members of Florida Blue.

Mutual Holdings will not be authorized to issue capital stock and will not have any shareholders. After the Reorganization, Mutual Holdings will be under the direction of its Board of Directors and all voting rights will be held by policyholders who become the members of Mutual Holdings. Such members will be entitled to vote on all matters requiring action by the members, including the election of Directors. At the Effective Date, the owners of Policies issued by Florida Blue will be the exclusive members of Mutual Holdings and, thereafter, owners of such Policies issued from time to time by Florida Blue will also automatically become members of Mutual Holdings. Owners of such Policies will remain members as long as Policies that are owned by them as policyholders of Florida Blue remain in force. See "PROPOSAL 2: THE REORGANIZATION—Effects of Reorganization—*Membership Interests*" in this Proxy Statement.

Federal Income Tax Consequences

Introduction

The following is a summary of the most significant federal income tax consequences under current law to Members, Florida Blue, [NEWCO] and Mutual Holdings from the Reorganization. It is not intended to be a complete discussion of all tax consequences that may be relevant to a particular Member. For example, this summary does not address any federal estate tax or any state or local tax considerations. Accordingly, each policyholder may wish to consult a tax advisor to determine the federal, state, local and any applicable foreign tax consequences of the Reorganization to their particular circumstances, including matters not addressed in this Proxy Statement and the effects of any changes in tax laws or regulations after the date hereof.

Consequences to Florida Blue, Mutual Holdings and [NEWCO]

In the Reorganization, Florida Blue will form a Florida-domiciled mutual insurance holding company, Mutual Holdings, the policyholders' membership interests in Florida Blue will become membership interests in Mutual Holdings, and Florida Blue will become a stock insurance company. Florida Blue's reorganization from a mutual insurer to a stock insurance company will qualify as a tax-free reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code (the "Code"). Florida Blue will be a "party to a reorganization" within the meaning of Section 368(b) of the Code.

As part of the Reorganization, Florida Blue will contribute the stock of the Subsidiaries and certain assets to [NEWCO] and then distribute the stock of [NEWCO] to Mutual Holdings, Florida Blue's sole shareholder. Florida Blue believes that its contribution of the Subsidiaries and assets to [NEWCO] and distribution of all of its common stock of [NEWCO] as described in the Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code.

Consequences to Members

Members will not be subject to U.S. federal income tax as a result of the termination of their membership interests in Florida Blue or their receipt of membership interests in Mutual Holdings. The holding period that a policyholder will have in its Mutual Holdings membership interest will include the period the policyholder held his

or her membership interest in Florida Blue (provided that the Florida Blue membership interest was held on the Effective Date as an asset for which capital gain or loss could be recognized).

Conditions to Reorganization

The Reorganization is subject to the satisfaction of each of the conditions set forth below:

Member Approval

As required by the Plan, and in compliance with Florida law, the Plan and the transactions contemplated thereby must be approved by the affirmative vote of at least a majority of Eligible Members voting in person or by proxy at the Annual Meeting. Notwithstanding Member approval of the Plan, the consummation of the Reorganization may be subject to certain conditions established by the Office.

Regulatory Approval

The Florida Statutes and the Plan require that the Plan be approved by the Office. Florida Blue filed the Plan and related documents with the Office. The Office ordered a public hearing on Florida Blue's proposed Reorganization, including the terms of the Plan, at which Florida Blue Members, persons claiming to be adversely affected by the Plan and any others wishing to comment on the Plan were provided an opportunity to appear and be heard. The public hearing was conducted on [], 2013, in [Miami, Florida]. A copy of the transcript of the public hearing is available for review at the following Internet address: [].

The Florida Statutes provide that the Office may not approve a plan of reorganization unless it finds that it is fair and equitable to the Members. Following the public hearing, the Office issued a consent order approving the Plan (the "Consent Order"), a copy of which is attached to this Proxy Statement as Annex D.

Federal Income Tax Matters

It is a condition to the consummation of the Reorganization that Florida Blue receive from the IRS a private letter ruling indication or one or more opinions of its independent tax adviser affirming the tax consequences described above as of the Effective Date.

Securities Laws Matters

It is a condition to the effectiveness of the Plan that Florida Blue receive on or prior to the Effective Date a no-action letter from the Securities and Exchange Commission or an opinion of legal counsel regarding certain federal securities laws matters.

Amendment or Withdrawal of Plan

The Plan permits Florida Blue to amend the Plan by a majority vote of the Board in response to the comments or recommendations of the Office or any other state or federal agency or governmental entity before any solicitation of proxies from Members to vote on the Plan or at any time with the consent of the Office, except that any material amendment after the Members' approval shall require the Members' approval. The Plan may be terminated by the Board at any time before Members vote on the Plan and, otherwise, at any time with the consent of the Office.

In the event that the Office determines the Plan cannot be consummated as submitted or any material change occurs in the law, statutes, or regulations or other requirements imposed by the Office or another a regulatory or legislative body, which may have a material adverse effect on the intent of the Plan, then the Board's authorization of the Plan will be withdrawn and the approval of the Board must be sought in order to consummate the Reorganization.

The Articles of Incorporation and Bylaws of Florida Blue, Mutual Holdings and [NEWCO] adopted pursuant to the Plan may be further amended after the Effective Date pursuant to their terms and in compliance with applicable law.

Disclosure of Risk Factors

The Board strongly encourages you to carefully review the risk factors identified in Section 3.04 of the Plan, “Risks of the Reorganization.” In addition to the risks of the Reorganization described in the Plan, you should also be aware of the following:

- The ability of Mutual Holdings to engage in any meaningful business may depend in part upon the receipt of sufficient funds from Florida Blue in the form of shareholder distributions. Such payments are regulated under state insurance laws.
- Mutual Holdings and/or its subsidiaries other than Florida Blue may take advantage of business opportunities and engage in enterprises which would otherwise be unavailable to Florida Blue. There can be no assurance that any such business opportunity will be profitable.
- Independent rating organizations periodically review the ratings assigned to stock and mutual insurance companies. It is always possible that a rating organization could take adverse action regarding Florida Blue’s ratings, and such adverse action could affect Florida Blue’s ability to obtain credit and to attract new business. Today, Florida Blue maintains the strongest financial ratings granted to health insurers and will make every commercially reasonable effort to maintain those ratings in the future.
- Following the Effective Date, while the Members will have voting rights at the Mutual Holdings level as described on page [20], they generally shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue, in connection with a public or private offering of such stock.
- Prior to the Reorganization, the investments of Florida Blue are subject to the limitations of Part II, Chapter 625, Florida Statutes, which generally restricts the investments of insurance companies to those types of investments which are relatively liquid and stable. A primary purpose of those investment limitations is to ensure that insurance companies are readily able to access their invested funds to pay claims and expenses as necessary. After the Reorganization, Florida Blue will continue to be subject to the investment limitations of Part II, Chapter 625, Florida Statutes, but Mutual Holdings, [NEWCO] and other subsidiaries of Mutual Holdings that are not insurance companies will not be subject to those investment limitations. The Board believes that the benefit of expanding Mutual Holdings’ potential investment opportunities outweighs any theoretical risk to Members.
- Members who vote against the Reorganization will not receive any special or additional rights as compared to Members who vote for the Reorganization.

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

General

Founded in 1944, the Florida Hospital Service Corporation, the forerunner of Blue Cross of Florida, began operations in Jacksonville with a staff of four. In 1946, the Florida Medical Services Corporation was formed, eventually becoming Blue Shield of Florida. The two companies consolidated in 1980 to form Blue Cross and Blue Shield of Florida, Inc., which started doing business as Florida Blue in April 2012. Florida Blue remains the oldest and largest health plan insurer in the state of Florida as it transitions into a health solutions company.

Today, Florida Blue is one of Florida's largest employers with approximately 9,500 of its nearly 11,000 employees located in the state. Florida Blue and its family of subsidiaries serve more than 15.5 million people in 16 states. In its primary health business, Florida Blue serves more than 4 million Members, which represents a 30 percent share of the overall Florida health insurance market.

In 2012, Florida Blue achieved its 24th consecutive year of positive financial performance. The company reported financial results for 2012 with total revenue of \$9.1 billion and consolidated net income of \$217 million.

Products

Florida Blue offers a broad choice of affordable, health-related products and services through the parent company, its family of subsidiaries and joint ventures. This flexible portfolio of health care products includes Preferred Provider Organization (PPO) products such as BlueOptions Group and PPO Group, Health Maintenance Organization (HMO) products such as Health Options, Inc. and Florida Health Care Plan, Medicare Advantage, Medicare Supplement, Individual BlueOptions, a federal employees health benefit program (FEHBP), National Blue Card Program products, commercial Medicare and Medicaid, life and disability, dental, long-term care, workers' compensation, specialty benefits management, data analytics & warehousing, health & wellness solutions and strategic provider models. In 2012, Florida Blue applied to enter the Medicaid managed care service market in Florida through a joint venture called Florida True Health.

Marketing and Distribution

Florida Blue distributes its products through contracted insurance agencies in Florida as well as through direct to consumer channels. Florida Blue is committed to the independent agency system and believes that cultivating a loyal base of independent agents is important for its present and future success.

Investments

Management's investment objective is to generate the highest net return possible for a specified risk level. An across-sectional team of senior leaders determines the specified risk level based on an assessment of the Company's financial condition, assumptions for future operating-environment, and capital-market expectations.

Legal Proceedings

Like other U.S. insurers, Florida Blue is a respondent in a number of legal proceedings. Florida Blue is a defendant in actions arising out of its business and is, from time to time, involved in various governmental and administrative proceedings. Florida Blue does not believe that any liability that may result from these actions is likely to have a material adverse effect on its business, financial position or results of operations.

Directors

The name and biographical information of each of the current directors of Florida Blue are set forth below.

Patrick J. Geraghty. Mr. Geraghty is chairman of the Board and CEO. Prior to joining Florida Blue in 2011, Mr. Geraghty was president and CEO of Blue Cross and Blue Shield of Minnesota (BCBSMN) where he also served on its board of trustees and the BCBSMN Foundation board.

Mr. Geraghty also serves as a board member for a diverse group of organizations including the National Institute of Health Care Management and Prime Therapeutics. He is a member of the Florida Council 100 and has a long-standing affiliation with the United Way Tocqueville Society. He chaired the Minnesota chapter of the CEOs Against Cancer and was selected the National CEO of the Year for 2011 by the American Cancer Society.

Robert M. Beall, II. Mr. Beall is chairman of Beall's, Inc. The corporation, through its subsidiaries, operates more than 560 retail stores from California to Florida. He has served on the Florida Blue Board since 1994 and serves on the board governance and nominating committee, and the personnel and compensation committee.

Mr. Beall also serves on the boards of directors of NextEra Energy and SunTrust Banks, Inc. He is a past president of the Florida Chamber of Commerce, a founding member of the Retail Executive Advisory Board of the University of Florida and serves on the executive committee of the National Retail Federation. He was inducted into the Tampa Bay Business Hall of Fame in 1993 and is a recipient of the University of Florida Distinguished Alumnus Award.

Catherine P. Bessant. Ms. Bessant is the global technology and operations executive at Bank of America, which serves more than 58 million clients through operations in more than 40 countries. She is also a member of the company's executive management team. She was elected to the Florida Blue Board in 2001 and is the lead director and vice chair.

Ms. Bessant is the chair of the board of directors for the Foundation for the Carolinas, chair of the Community Catalyst Fund, is a member of the advisory committee of the NASCAR Hall of Fame, past chair of the Charlotte Chamber of Commerce and also served as a co-chair of the Citizens Task Force on Charlotte Mecklenburg Schools. She chairs Bank of America's Environmental Council and oversees the company's 10-year, \$20 billion environmental initiative to address global climate change. Ms. Bessant resides in Charlotte, North Carolina.

Steven T. Halverson. Mr. Halverson is CEO of The Haskell Company, which ranks among the foremost design-build organizations in the U.S. The company provides planning, architectural, engineering, construction, program management, real estate, financing and facility management services.

Mr. Halverson has served on the Florida Blue Board since 2010 and is chair of the personnel and compensation committee and is a member of the board governance and nominating committees. Mr. Halverson also serves on the board of directors of CSX Corp. He is chair of the Florida Council of 100 and immediate past chair of the Florida Chamber of Commerce. He is treasurer of the Construction Industry Roundtable and chair of the regional advisory board of Teach for America. He is the recipient of the University of North Florida Presidential Medallion and was inducted into the Florida Council on Economic Education First Coast Business Hall of Fame in 2008. Mr. Halverson resides in Jacksonville, Florida.

Leerie T. Jenkins, Jr. Mr. Jenkins is the chairman and CEO of Reynolds, Smith & Hills, Inc., a privately held architectural, engineering, planning and environmental services corporation. The company is one of the leading facilities and infrastructure consulting firms in the United States.

He has served on the Florida Blue board since 2006 and is a member of the audit and compliance committee and the finance committee.

Mr. Jenkins also serves on the boards of the Federal Reserve Bank of Atlanta's Jacksonville Branch, the Florida Chamber of Commerce and the Florida Council of 100. He is on the board of trustees and executive committee of the Gator Bowl Association and honorary member of Leadership Jacksonville. He is the recipient of numerous awards including the 2009 Distinguished Alumni Medal from the University of Georgia's College of Environment and Design.

Tracy A. Leinbach. Ms. Leinbach is a retired executive vice president and chief financial officer of Ryder System, Inc., a leading global logistics, transportation and supply chain management solutions company headquartered in Miami, Florida. At Ryder, she was responsible for the corporation's financial management functions including strategic planning, accounting, corporate finance, treasury, bank relations, tax, investor relations, information technology, safety/security, pension fund management and strategic sourcing. In previous roles with Ryder, she led business operations and sales in the U.S. and Europe.

She has served on the Florida Blue Board since 2004 and serves on the board governance and nominating committee and the personnel and compensation committee.

Ms. Leinbach also serves on the boards of Hasbro, Inc., Forward Air Corporation and the Sandhills Children's Center. In addition, she is trustee emeritus of the College of William and Mary Foundation and on the strategic planning committee of First Health of the Carolinas.

John B. Ramil. Mr. Ramil is president and CEO of TECO Energy, Inc., a leading energy company located in Tampa, Florida. TECO operates Tampa Electric, a regulated utility serving more than 670,000 customers; Peoples Gas System, Florida's largest natural gas distributor serving more than 336,000 customers; TECO Coal, a coal mining company with operations in Kentucky and Virginia; and TECO Guatemala, which owns two power plants. Mr. Ramil has served on the Board since 2006 and is the chair of the audit and compliance committee and is a member of the finance committee.

In addition to serving on the Florida Blue Board, Mr. Ramil serves on the boards of TECO Energy Inc., Edison Electric Institute, the Greater Tampa Chamber of Commerce, University of South Florida, and the Tampa Bay Performing Arts Center. He is past chair for Inroads-Tampa Bay (minority student intern program), Greater Tampa Chamber of Commerce, the American Heart Association-Tampa Bay Heart Walk, Southeastern Electric Exchange and Florida Electric Power Coordinating Group. Mr. Ramil is the recipient of numerous honors including the H.L. Culbreath Profiles in Leadership Award and the University of Tampa Ethics Award.

Frank Scruggs. Mr. Scruggs is a partner in the Florida business law firm Berger Singerman. He practices in the areas of employment law and commercial litigation.

Mr. Scruggs served as Florida's Secretary of Labor and Employment Security and as Assistant General Counsel to Governor Bob Graham. He is a Trustee Emeritus of the University of Miami, Senior member of the Orange Bowl Committee and member of the Executive Committee of the Broward Workshop. Mr. Scruggs also serves on the board of directors of SunTrust Banks, Inc.

He has served on the Florida Blue Board since 1995 and is chair of the board governance and nominating committee as well as a member of the personnel and compensation committee.

Mr. Scruggs earned a Juris Doctor degree from Harvard Law School, a Master's degree from Princeton University, and a Bachelor's Degree from Cornell University. He also is a graduate of the Advanced Management Program of the Wharton School, University of Pennsylvania.

Barbara S. Thomas. Ms. Thomas is a retired interim CEO of Ocean Spray Cranberries Company. She was also president of Warner-Lambert Consumer Healthcare Company and CEO of Pillsbury Canada Ltd.

Ms. Thomas has served on the Florida Blue Board since 2004 and is chair of the finance committee and is a member of the audit and compliance committee. She also serves on the board of the Bank of Nova Scotia. Ms. Thomas resides in Belleair, Florida.

Gonzalo F. Valdes-Fauli. Mr. Valdes-Fauli is chairman of Broadspan Capital, LLC, an investment banking firm specializing in financial advisory services covering Latin America, the Caribbean and the U.S. Hispanic markets. Earlier in his career, he was vice-chairman of Barclays Capital (Latin America) and CEO of Barclays Group (Latin American Division).

Mr. Valdes-Fauli has served on the Florida Blue Board since 1995 and is a member on the audit and compliance committee and the finance committee. He also serves on the board and is chair of the corporate governance committee of Gildan Activewear, Inc. and is trustee emeritus of the University of Miami. He was a former director of Knight-Ridder Inc. and former chair of the Republic Bank D.R. board of directors. Mr. Valdes-Fauli resides in Key Biscayne, Florida.

REGULATION OF FLORIDA BLUE AND MUTUAL HOLDINGS

Today, Florida Blue is subject to regulation and supervision in Florida by the Florida Office of Insurance Regulation in a wide variety of matters. These include licensing and examination, price setting, trade practices, policy forms, the nature and amount of its investments, claims practices, participation in shared markets and guaranty funds, reserve adequacy, insurer solvency, transactions with affiliates, the amount of dividends that Florida Blue may pay, and underwriting standards. Florida Blue's business as an insurer will continue after the Reorganization and, as a result, it will continue to be subject to the same regulation and supervision by the Office.

However, Mutual Holdings will not be an insurer or have the authority to engage in the business of insurance and, as a result, will not be subject to regulations identical to Florida Blue. The Office will have some oversight over material transactions involving Mutual Holdings, as described below.

Amendments of Organizational Documents

Pursuant to applicable law and the Articles of Incorporation of Mutual Holdings, Mutual Holdings may amend its Articles of Incorporation by vote of a majority of those members present or represented by proxy at a lawful meeting of its members present. Upon adoption of an amendment, Mutual Holdings shall deliver to the Office a certificate setting forth the amendment and the date and manner of adoption thereof. The Office shall promptly examine the certificate of amendment and, if the Office finds that the certificate and the amendment comply with law, the Office shall endorse its approval upon the amendment for submission by Mutual Holdings to the Department of State.

Mutual Holdings must file with the Office a certified copy of its bylaws and every modification or addition thereto. The Florida Statutes provide that the Office shall promptly disapprove any bylaw provision deemed by it to be unlawful, unreasonable, inadequate, unfair or detrimental to the proper interests or protection of Mutual Holdings' members.

These procedures and requirements are no different than those procedures and requirements that Florida Blue is currently subject to as a mutual insurer.

Approval of Certain Material Transactions

Pursuant to the Florida Statutes, Mutual Holdings must obtain the approval of the Office in order to merge or consolidate with another mutual insurance holding company or in order for Mutual Holdings to, either directly or indirectly, acquire a stock or mutual insurance company by merger. The Office shall give its approval unless it finds that a plan of merger or agreement is inequitable to the policyholders of a domestic insurer involved in the merger or the members of any domestic mutual insurance holding company involved in the merger or would substantially reduce the security of an service to be rendered to policyholders of a domestic insurer in Florida.

Mutual Holdings may not convert to a stock holding company, i.e., demutualize, without the approval of the Office and the Office may not approve any plan to demutualize unless it is subject to approval by members and the corporate equity of each member is determinable in accordance with statutory requirements. Such regulation by the Office does not differ from its current regulation of Florida Blue as a mutual insurer.

Approval of Dividends

Pursuant to the Florida Statutes, Florida Blue as a domestic stock insurance company will not be permitted to pay any dividend or distribute cash or other property to Mutual Holdings, its sole shareholder, except out of that part of its available and accumulated surplus funds which is derived from realized net operating profits on its business and net realized capital gains. Dividend payments or distributions by Florida Blue to Mutual Holdings, without prior written approval of the Office can be made by one of two alternatives. Under the first alternative, dividend payments or distributions shall not exceed the larger of: (a) The lesser of 10 percent of surplus or net income, not including realized capital gains; (b) Ten percent of surplus, with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains; or (c) The lesser of 10 percent of surplus or net gain before capital gains plus a 2-year carry forward with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains.

Under the second alternative, Florida Blue may pay a dividend or make a distribution to Mutual Holdings without the prior written approval of the Office when: (a) The dividend is equal to or less than the greater of ten percent of the insurer's surplus derived from realized net operating profits on its business and net realized capital gains or the insurer's entire net operating profits and realized net capital gains derived during the immediately preceding calendar year; and (b) The insurer will have surplus equal to or exceeding 115 percent of the minimum required statutory surplus after the dividend or distribution is made; and (c) The insurer has filed notice with the

Office at least 10 business days prior to the dividend payment or distribution, or such shorter period of time as approved by the Office on a case-by-case basis (such notice shall not create a right in the office to approve or disapprove a dividend otherwise properly payable under this provision); and (d) the notice includes a certification by an officer of the insurer attesting that after payment of the dividend or distribution the insurer will have at least 115 percent of required statutory surplus.

Under Florida law, Mutual Holdings will not be obligated to make any direct payment of dividends or any other distributions or payments of income, dividends or profits directly to Members, except in the event of the ultimate dissolution or liquidation of Mutual Holdings or as otherwise approved by the Office. Further, as a not-for-profit corporation, Mutual Holdings may not pay dividends or distributions of net income to its Members.

AVAILABLE INFORMATION

Florida Blue is organized in Florida and is currently subject to Florida laws and regulations applicable to health and disability mutual insurers. In accordance with those laws and regulations, Florida Blue files financial reports and other public information with the Florida Office of Insurance Regulation. The publicly available financial reports and other information regarding Florida Blue can be inspected at the offices of the Florida Office of Insurance Regulation at 200 East Gaines Street, Tallahassee, Florida 32399, during normal business hours.

SELECTED HISTORICAL FINANCIAL DATA

Blue Cross and Blue Shield of Florida, Inc. and Subsidiaries Consolidated Five-Year Historical Data

The SELECTED HISTORICAL FINANCIAL DATA table sets forth summary consolidated financial information for Florida Blue and its subsidiaries. The summary financial information as of and for the years ended December 31, 2012, 2011, 2010, 2009 and 2008 have been derived from Florida Blue's Annual Audited Consolidated Financial Statements (the "Consolidated Statements") prepared in accordance with U.S. Generally Accepted Accounting Principles. This summary of consolidated financial information should be read in conjunction with Florida Blue's Consolidated Financial Statements for the years ended December 31, 2012 and December 31, 2011, and notes thereto, included in this Proxy Statement as Annex B.

Selected Historical Financial Data For the Years Ending December 31, 2008 through 2012

Balance Sheet	2008	2009	2010	2011	2012
Invested Assets	\$ 3,461	\$ 3,766	\$ 4,156	\$ 4,270	\$ 4,425
Other Assets	\$ 2,529	\$ 2,484	\$ 2,553	\$ 2,801	\$ 2,785
Total Assets	<u>\$ 5,990</u>	<u>\$ 6,250</u>	<u>\$ 6,709</u>	<u>\$ 7,071</u>	<u>\$ 7,210</u>
Current Liabilities	\$ 3,359	\$ 3,234	\$ 3,254	\$ 3,505	\$ 3,307
Non-Current Liabilities	\$ 150	\$ 150	\$ 150	\$ 90	\$ 150
Total Liabilities	\$ 3,509	\$ 3,384	\$ 3,404	\$ 3,595	\$ 3,457
Surplus	\$ 2,481	\$ 2,866	\$ 3,305	\$ 3,476	\$ 3,753
Total Liabilities and Equity	<u>\$ 5,990</u>	<u>\$ 6,250</u>	<u>\$ 6,709</u>	<u>\$ 7,071</u>	<u>\$ 7,210</u>

Income Statement	2008	2009	2010	2011	2012
Revenue	\$ 8,390	\$ 8,290	\$ 8,037	\$ 8,061	\$ 8,885
Medical	\$ 6,645	\$ 6,686	\$ 6,071	\$ 6,237	\$ 6,959
Gross Margin	\$ 1,745	\$ 1,604	\$ 1,966	\$ 1,824	\$ 1,926
Administrative Expense	\$ 1,669	\$ 1,543	\$ 1,522	\$ 1,724	\$ 1,813
Operating Income	\$ 76	\$ 61	\$ 444	\$ 100	\$ 113
Investment Income	\$ 133	\$ 144	\$ 181	\$ 200	\$ 197
Income Tax	\$ 72	\$ 53	\$ 206	\$ 81	\$ 93
Net Income	<u>\$ 137</u>	<u>\$ 152</u>	<u>\$ 419</u>	<u>\$ 219</u>	<u>\$ 217</u>

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Consolidated Statements included in this Proxy Statement as Annex B are prepared in accordance with GAAP.

The Annual Audited Statutory-Basis Financial Statements (the "Statutory Statements") for the years ended December 31, 2012, 2011 and 2010, and the Quarterly Audited Statutory-Basis Financial Statement (the "Quarterly Statutory Statement") for the quarter ended [June 30], 2013, as filed with the Florida Office of Insurance Regulation are prepared in accordance with accounting principles and practices prescribed or permitted by the Office and the NAIC Accounting Practices and Procedures Manual ("SAP") and are incorporated by reference in this Proxy Statement. Any subsequent Quarterly Statutory Statement filed by Florida Blue with the Florida Office of Insurance Regulation prior to the Special Meeting is also incorporated by reference in this Proxy Statement. Copies of these documents can be inspected during normal business hours at Florida Blue's offices at 4800 Deerwood Campus Parkway, Jacksonville, Florida 32246.

Statements contained in this Proxy Statement or in any document incorporated in this Proxy Statement by reference as to the contents of any contract or other document referred to herein or therein are not necessarily complete. In each instance where such statements are made, such statements are qualified in all respects by reference to the entire contract or other such document.

**PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.**

Dated as of May 28, 2013

**PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.**

**UNDER PART III, CHAPTER 628, FLORIDA STATUTES
DATED AS OF MAY 28, 2013**

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PLAN OF REORGANIZATION
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

Under Part III, Chapter 628, Florida Statutes

This Plan of Reorganization (hereinafter, the “Plan”) has been approved and adopted by the Board of Directors of Blue Cross and Blue Shield of Florida, Inc. (“Florida Blue”), a not-for-profit mutual insurer under Chapters 617 and 628 of the Florida Statutes, at a meeting duly called and held on May 28, 2013.

This Plan provides for the reorganization, pursuant to Part III, Chapter 628, Florida Statutes, of Florida Blue from a not-for-profit mutual insurer into a stock insurance company, simultaneously with the creation of a mutual insurance holding company to be named [NEWCO MIHC]. At all times as required by applicable law, [NEWCO MIHC] will own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue. In connection with this reorganization of Florida Blue, certain of its subsidiaries will become subsidiaries of [NEWCO], a Florida corporation which shall be a subsidiary of [NEWCO MIHC]. Pursuant to Section 628.707 of the Florida Statutes, in the case of the reorganization of any mutual insurance company organized as a not-for-profit corporation under chapter 617, a mutual insurance holding company organized under Part III, Chapter 628, shall be deemed to be a not-for-profit corporation and, therefore [NEWCO MIHC] shall be deemed to be a not-for-profit corporation.

Please see Sections 2.02 and 7.02(b) for a chronology of sequence of events of the transactions that will take place in connection with the Reorganization of Florida Blue under this Plan.

**ARTICLE I:
DEFINITIONS**

As used in this Plan the following capitalized terms have the following meanings:

“Adoption Date” means May 28, 2013, the date on which this Plan was adopted by the Board.

“Association” means the Blue Cross and Blue Shield Association, a national federation of 38 independent, community-based and locally operated Blue Cross® and Blue Shield® companies, of which Florida Blue is presently a licensee.

“Board” means the Board of Directors of Florida Blue.

“Business Plan” means the proposed Plan of Operations for the three years following the Effective Date, which is submitted to the Office with this Plan.

“Commissioner” means the Commissioner of the Office of Insurance Regulation within the State of Florida, Financial Services Commission.

“DHS” means Diversified Health Services, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Newco on the Effective Date.

“DSO” means Diversified Service Options, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Newco on the Effective Date.

“Effective Date” means the Effective Date of this Plan, as determined in accordance with Section 7.02(a).

“Effective Time” has the meaning specified in Section 7.02(a).

“Eligible Members” means all Persons who, as reflected on the records of Florida Blue, were owners of in-force Policies of Florida Blue as of 5:00 p.m. EDT on July 15, 2013 or on such later date as may be adopted by the Board.

“Florida Blue” means Blue Cross and Blue Shield of Florida, Inc., doing business as “Florida Blue,” which, prior to the Effective Date, is a not-for-profit mutual insurer under Chapters 617 and 628 of the Florida Statutes, and, on the Effective Date, is a stock insurance company under Chapter 628 of the Florida Statutes, which results from the mutual insurance holding company reorganization under Part III, Chapter 628, Florida Statutes.

“Foundation” means Blue Cross and Blue Shield of Florida Foundation Inc., a Florida corporation not-for-profit, also known as “Florida Blue Foundation,” in which (a) prior to the Effective Date, Florida Blue is the sole member, and (b) on the Effective Date, Mutual Holdings and Florida Blue are the only members.

“Member” means, in accordance with the articles of incorporation and bylaws of Florida Blue, a Person who is a policyholder of a Policy issued by Florida Blue.

“Membership Interests” means, (a) with respect to Florida Blue (prior to the Reorganization), the membership interests of Members arising under the laws of the State of Florida and the articles of incorporation and bylaws of Florida Blue, including, without limitation, the right to vote for directors and on other matters and to participate in the distribution of net assets on voluntary dissolution, (b) with respect to Mutual Holdings, the membership interests of members arising under the laws of the State of Florida and the articles of incorporation and bylaws of Mutual Holdings, including, without limitation, the right to vote for directors and on other matters and to participate in the distribution of net assets on voluntary dissolution. Membership Interests do not include the contractual rights and interests arising under Policies issued by Florida Blue.

“Mutual Holdings” means [NEWCO MIHC], a mutual insurance holding company to be organized under Part III, Chapter 628, Florida Statutes, which, pursuant to Section 628.707(5) thereof, shall be deemed to be a not-for-profit corporation.

“Navigy Holdings” means Navigy Holdings, Inc., a Florida corporation, all of the common stock of which is owned by (a) Florida Blue prior to the Effective Date and (b) Newco on the Effective Date.

“Newco” means [NEWCO, Inc.], a Florida corporation to be formed pursuant to this Plan as a stock company under Mutual Holdings.

“Non-Subsidiary Assets” means certain real estate, property and equipment, stocks and bonds as more particularly described in the Business Plan, as it may be amended or corrected from time to time subject to notice to the Office.

“Office” means the Office of Insurance Regulation within the State of Florida, Financial Services Commission, or such governmental officer, body or authority as may succeed the Office as the primary regulator of Florida Blue and Mutual Holdings under applicable law.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee or fiduciary, or any similar entity.

“Plan of Reorganization” or “Plan” means this Plan of Reorganization (including all Schedules and Exhibits hereto), as it may be amended or corrected from time to time in accordance with Section 8.08.

“Policies” means a written agreement or contract for or effecting insurance from Florida Blue, other than reinsurance.

“Reorganization” means the transactions which accomplish the reorganization of Florida Blue from a not-for-profit mutual insurer into a stock insurance company, simultaneously with the creation of a mutual insurance holding company structure under Florida law in accordance with this Plan of Reorganization.

“Subsidiaries” means DHS, DSO and Navigy Holdings, collectively.

ARTICLE II: EFFECT OF REORGANIZATION

2.01 *Changing the Legal Structure.* The principal effects of the Reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve “the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies” within the meaning of Section 628.709(1), Florida Statutes.

2.02 *Process of Reorganization.* As part of the Reorganization:

(a) Mutual Holdings' articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;

(b) Florida Blue's articles of incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, as set forth in Exhibit C, and the second amended and restated bylaws of Florida Blue as set forth in Exhibit D hereto shall become effective;

(c) Florida Blue shall issue shares of its common stock to Mutual Holdings in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;

(d) the Membership Interests of Members of Florida Blue shall become Membership Interests in Mutual Holdings in accordance with the articles of incorporation and bylaws of Mutual Holdings and the Members' Membership Interests in Florida Blue shall be extinguished;

(e) Mutual Holdings shall be admitted as a new member of the Foundation;

(f) Newco's articles of incorporation and bylaws in the forms attached hereto as Exhibit E and Exhibit F, respectively, shall become effective;

(g) Florida Blue shall contribute all of its shares in the Subsidiaries constituting 100 percent of the total number of issued and outstanding shares of each of them, and the Non-Subsidiary Assets to Newco, and Newco shall assume the liabilities and obligations associated therewith;

(h) Florida Blue shall distribute 100 percent of its shares of common stock of Newco to Mutual Holdings; and

(i) subsequent to the Reorganization, Florida Blue may transfer certain of its employees to Newco subject to providing notice to Office.

2.03 *Issuing Stock While Maintaining Mutuality.* This Plan requires that Mutual Holdings, at all times as required by law, own a majority of the voting shares and a majority in economic value of the capital stock of Florida Blue directly or indirectly through the majority ownership of any intermediate holding companies interposed between Mutual Holdings and Florida Blue. Subject to these limitations, the proposed articles of incorporation of Florida Blue do not prohibit the issuance of voting or non-voting shares of capital stock to third parties.

2.04 *Continuation of Existing Policies, Rights and Benefits.* The contractual terms and provisions of the existing Policies held by Members will not be changed as a result of the Reorganization. In addition, the guaranteed benefits and the rights of Members specified in their existing Policies will not be reduced or altered in any way, and the premiums required to be paid as specified in those Policies will not be increased as a result of the Reorganization. Florida Blue will remain fully obligated under all of Florida Blue's Policies. Notwithstanding the foregoing, upon the renewal of the Policies, the forms and endorsements issued to the Members as policyholders of Florida Blue may be made on new forms, in which case they will be filed with

and approved by the Office. The coverage and benefits and associated premiums for such coverage and benefits under the new policy forms and endorsements are not expected to differ materially from those provided under the Policies.

2.05 *Contractual Obligations.* Following the Reorganization, the material terms and conditions of contractual obligations of Florida Blue, other than those arising under the Policies, shall, subject to the rights of Mutual Holdings under applicable law, and to the extent such obligations are not otherwise satisfied or terminated in accordance with their terms or retained by Mutual Holdings or Florida Blue, remain in full force and effect as obligations of Florida Blue or, to the extent applicable, upon the transfer of such obligations to, and assumption of such obligations by, Newco. As of the Adoption Date, Florida Blue has no subordinated surplus notes and will not have any subordinated surplus notes as of the Effective Date.

ARTICLE III: BACKGROUND OF REORGANIZATION

3.01 *Reasons and Purposes of Reorganization.* The Board believes that the mutual insurance holding company structure under Florida law provides benefits to Florida Blue and its Members. This mutual insurance holding company structure preserves a not-for-profit status, at the Mutual Holdings level, while providing similar flexibility as for-profit competitor structures. It will allow for better growth and scalability of Florida Blue's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help Florida Blue achieve its mission to improve the health and wellness of its Members and communities. The mutual insurance holding company structure will preserve the ownership interest held by Florida Blue's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise as well as increase Florida Blue's ability to operate more effectively with affiliates, subsidiaries and other companies in support of Florida Blue's mission. The Board believes that a mutual insurance holding company structure will provide the organizational and financial flexibility needed to advance Florida Blue's mission, remain financially strong for its Members and substantially enables core transformation and diversification, while retaining the long-term, consistent focus of a mutual company. The Reorganization is expected to:

- (i) permit Florida Blue to realize the benefit of preserving the Members' Membership Interests at the Mutual Holdings level, including the right to elect directors of Mutual Holdings and vote on amendments to the articles of incorporation of Mutual Holdings;
- (ii) allow the declaration and payment of dividends from subsidiaries for capital deployment within the mutual insurance holding company system;
- (iii) permit the mutual insurance holding company system to make investments that may otherwise be limited under the present corporate structure;

- (iv) enhance Florida Blue's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions; and
- (v) enable access to capital and debt markets if required by future business developments.

As set forth in Section 3.03 below, the Board believes that the mutual insurance holding company structure and the enhanced ability to deploy capital it provides will better enable it to develop innovative products, to invest in technology and to achieve economies of scale that are expected to address affordability for Members and expand the range of products and services offered, while continuing the benefits of mutuality, including protecting the voting rights and ownership interests of Members.

3.02 *Alternative Transactions Considered.* Exhibit G contains an analysis of alternative transactions considered by the Board.

3.03 *Specific Benefits of Reorganization to Members.* The Board believes that Reorganization under the Plan will be beneficial for both Florida Blue and its Members for the following reasons:

- (a) *Maintaining the Benefits of Mutuality and Company Mission.* Reorganizing Florida Blue into a stock insurance company that is owned by a not-for-profit mutual insurance holding company in which Florida Blue's policyholders are members enables Florida Blue to achieve the benefits described below while continuing Florida Blue's mission to improve the health and wellness of its Members. By strengthening a not-for-profit enterprise, the Reorganization balances out the industry between insurers that have for-profit and not-for-profit missions, resulting in benefits to Florida Blue's policyholders and consumers generally.
- (b) *Enhanced Ability to Deploy Available Capital.* Under a mutual insurance holding company structure, capital in excess of statutory requirements may be declared and paid as a dividend by Florida Blue and other regulated subsidiaries and non-regulated subsidiaries within the structure, which will enable the use of such capital under appropriate regulation relative to their business purpose. In addition, the Plan of Reorganization contemplates that the Subsidiaries will no longer be subsidiaries of Florida Blue but will instead be subsidiaries of Newco.
- (c) *Greater Flexibility in Pursuing and Structuring Business Combinations.* Under a mutual insurance holding company structure, Mutual Holdings will have greater flexibility to respond to today's competitive market by creating a more level playing field with Florida Blue's current for-profit competitors. Mutual Holdings will have the ability to pursue mergers and acquisitions with stock companies and mutual insurance companies as well as non-profit health plans. On the other hand, today, Florida Blue

may only acquire a target mutual insurer by merger into a single entity. The ability to combine with a mutual insurance company in a way that preserves the identities and cultures of both companies will be less disruptive than a statutory merger to the relationships between the companies and their respective policyholders and will make Florida Blue a potentially more attractive acquirer. Further, under a mutual insurance holding company structure, Mutual Holdings will be able to use the stock of Florida Blue or another stock company directly or indirectly owned by Mutual Holdings, as currency in making acquisitions of stock companies. The ability to issue stock may allow Mutual Holdings to pursue transactions that are tax-free to prospective sellers of target businesses, which sellers might find more attractive than taxable cash transactions. As an added benefit, acquisitions made under a mutual insurance holding company structure could receive more favorable accounting treatment than acquisitions made under the present form.

- (d) *Increased Access to Capital.* Mutual Holdings, which is not an insurance company, will be a more attractive issuer in the capital and debt markets, which potentially may increase the company's financial strength, create greater opportunities for diversification and growth and allow greater flexibility to transform the health care system to deliver a broader array of quality products and services to Members.

3.04 *Risks of the Reorganization.* While the Board believes that Reorganization under the Plan pursuant to Florida law is in the best interest of both Florida Blue and its Members, the Board considered the following risks of the Reorganization, among others:

- (a) *Investments Not Subject to Limitations Placed on Insurance Companies.* After the Reorganization, Florida Blue will continue to be subject to the investment limitations of Part II, Chapter 625, Florida Statutes, which generally restricts the investments of insurance companies to those types of investments which are relatively liquid and stable, but Mutual Holdings, Newco and other subsidiaries of Mutual Holdings that are not insurance companies will not be subject to those investment limitations. The Board believes that the benefit of expanding Mutual Holdings' potential investment opportunities outweighs any theoretical risk to Members.
- (b) *No Rights to Purchase Securities Upon Conversion.* Unlike in a demutualization of a mutual insurance company such as Florida Blue, no preemptive rights to capital stock in the converted company are granted to policyholders in a mutual insurance holding company reorganization. Instead, the membership interests, including voting rights, of policyholders in a mutual insurance holding company reorganization are preserved at the mutual insurance holding company level. A demutualization is not contemplated by Florida Blue and will require the approval of Mutual Holdings' board of directors, members and the Office.

- (c) *Third Party Ownership of the Company; Limitation on New Issuances of Stock.* Members currently own all of the Membership Interests in Florida Blue. After the Reorganization, Members as a group will initially own 100 percent of Florida Blue through the 100 percent ownership of Florida Blue by Mutual Holdings. However, in the future, Florida Blue may issue its shares to other outside investors. Florida law provides that Mutual Holdings must at all times own, either directly or through an intermediate holding company, a majority of the voting shares of the capital stock of Florida Blue, so the amount of stock able to be issued by Florida Blue will be less than 50 percent of its issued and outstanding shares. The members of Mutual Holdings shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue or any intermediate holding company in connection with an offering of such stock.
- (d) *Potential Conflicts between Interests of Members and Shareholders.* Prior to the Reorganization, the Board has a duty to act in the best interests of Florida Blue and its Members. After the Reorganization, the Board of Directors of Florida Blue will have a duty to act in the best interests of Florida Blue and its shareholders, including any third parties that may acquire shares in the future. There is a potential that in certain circumstances the interests of shareholders and Members could conflict. For example, after the Reorganization, the Board of Florida Blue must carefully balance the Members' interest in receiving insurance at low cost with the shareholders' interest in receiving a return on their investment. The Board also must decide how to balance the growth of and apportion profits from Florida Blue as between shareholders (which could in the future include policyholders, directors, officers, employees and agents of the stock insurance company) and Members. However, Florida Blue believes that after the Reorganization, Members and shareholders will generally have common interests due to the not-for-profit mission of Mutual Holdings and the shareholders. Mutual Holdings, representing the Members, will remain the majority shareholder with ultimate control over Florida Blue. Florida Blue's ability to declare dividends will derive from the financial and operational success of Florida Blue and the value and competitiveness of the products and services offered through agents to Members. Only by satisfying its policyholders can Florida Blue achieve the growth and financial success which will serve the best interests of both Members and the shareholders.

ARTICLE IV: ADOPTION AND APPLICATION

4.01 *Adoption by the Board.* This Plan has been approved and adopted by the unanimous affirmative vote of the Board at a meeting held on May 28, 2013. This Plan provides for the reorganization, effective upon the Reorganization, of Florida Blue as a stock insurance company that is wholly owned by Mutual Holdings. At all times as required by applicable law, Mutual Holdings shall own, directly or indirectly, at least a majority of the voting shares and a

majority of the economic value of the capital stock of Florida Blue. This Plan also provides for Florida Blue's ownership of the Subsidiaries and Non-Subsidiary Assets to be transferred from Florida Blue to Newco as set forth in Sections 2.02 and 7.02(b).

4.02 *Submission of Plan.* Florida Blue will submit to the Office for approval by the Commissioner, in accordance with Sections 628.6013 and 628.711(3), Florida Statutes, or as otherwise required by the Office, the following:

- (a) this Plan;
- (b) the form of notice to be sent to Eligible Members informing them of their right to vote on this Plan;
- (c) the form of proxy statement to be sent to Eligible Members informing them of their right to vote by proxy on this Plan and describing this Plan;
- (d) the form of proxy to be sent to Eligible Members to solicit their vote on this Plan;
- (e) proposed articles of incorporation and bylaws of Mutual Holdings, attached hereto as Exhibit A and Exhibit B, respectively; proposed amended and restated articles of incorporation and bylaws of Florida Blue for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, attached hereto as Exhibit C and Exhibit D, respectively, and; proposed articles of incorporation and bylaws of Newco, attached hereto as Exhibit E and Exhibit F, respectively;
- (f) the Business Plan;
- (g) an audited financial statement prepared on a statutory accounting basis consistent with the Florida Insurance Code, including an actuarial opinion, for the most recent calendar year ended; and
- (h) an opinion issued by a qualified independent financial firm that as of the date of the opinion, the exchange of Membership Interests in Florida Blue for Membership Interests in Mutual Holdings pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of Florida Blue, taken as a group.

ARTICLE V: REGULATORY APPROVAL

This Plan is subject to the approval by the Office pursuant to Section 628.711(4), Florida Statutes. The approval of the Office will constitute approval of all aspects of this Plan under the Florida Insurance Code. However, the Office's approval of the Plan does not constitute an endorsement or recommendation thereof.

**ARTICLE VI:
APPROVAL BY ELIGIBLE MEMBERS**

Pursuant to Section 628.711(5)(b), Florida Statutes, this Plan shall be submitted to a vote of Eligible Members. The Board will schedule a special meeting to be held for such purpose and shall provide at least 10 days' prior written notice of such meeting to the Eligible Members. Notice to Eligible Members shall contain a copy of this Plan. The Plan shall be approved upon the affirmative vote of at least a majority of votes cast by Eligible Members either in person or by proxy, notwithstanding quorum or voting action requirements otherwise applicable to Florida Blue to the contrary. If the Plan is not approved by the requisite vote of Eligible Members, then none of the transactions contemplated by the Reorganization as described in Section 7.02 of this Plan shall occur.

**ARTICLE VII:
THE REORGANIZATION**

7.01 *Filing of Minutes and Corporate Documents.* Within 30 days after adoption of this Plan by the Eligible Members in accordance with Article VI, Florida Blue must file with the Office the minutes of the meeting at which this Plan was adopted.

7.02 *Effectiveness of Plan.*

(a) The effective date of this Plan (the "Effective Date") shall be the later of (i) the date of recording of the articles of incorporation of Mutual Holdings and (ii) January 1, 2014. This Plan shall be deemed to have become effective on the Effective Date at 12:01 a.m., Eastern Time (the "Effective Time").

(b) At the Effective Time, the steps to the Plan shall occur in the following order:

- (i) Mutual Holdings' articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;
- (ii) Florida Blue's articles of incorporation shall be amended and restated for purposes of reorganizing as a stock insurance company under a mutual insurance holding company system, as set forth in Exhibit C, and the second amended and restated bylaws of Florida Blue as set forth in Exhibit D hereto shall become effective;
- (iii) Florida Blue shall issue shares of its common stock to Mutual Holdings in an amount constituting 100 percent of the total number of issued and outstanding shares of common stock of Florida Blue;
- (iv) the Membership Interests of Members of Florida Blue shall become Membership Interests in Mutual Holdings in accordance with the articles of incorporation and bylaws of Mutual Holdings

and the Members' Membership Interests in Florida Blue shall be extinguished;

- (v) Mutual Holdings shall be admitted as a new member of the Foundation;
- (vi) Newco's articles of incorporation and bylaws in the forms attached hereto as Exhibit E and Exhibit F, respectively, shall become effective;
- (vii) Florida Blue shall contribute all of its shares of the Subsidiaries constituting 100 percent of the total number of issued and outstanding shares of each of them, and the Non-Subsidiary Assets to Newco, and Newco shall assume the liabilities and obligations associated therewith;
- (viii) Florida Blue shall distribute 100 percent of its shares of common stock of Newco to Mutual Holdings; and
- (ix) subsequent to the Reorganization, Florida Blue may transfer certain of its employees to Newco subject to providing notice to Office.

(c) Mutual Holdings shall at all times own, directly or indirectly, at least a majority of the voting shares and a majority of the economic value of the capital stock of Florida Blue and any intermediate holding company that may be interposed between Florida Blue and Mutual Holdings.

(d) Florida Blue shall not change any material contractual term of the Policies solely as a result of the Reorganization other than those relating to the conversion of Membership Interests in Florida Blue into Membership Interests of Mutual Holdings.

7.03 Tax Considerations. The completion of this Plan is subject to Florida Blue's having received on or prior to the Effective Date a private letter ruling indication from the Internal Revenue Service or one or more opinions of its independent tax adviser substantially to the effect that:

(a) Members will not recognize gain or loss for federal income tax purposes as a result of the consummation of the transactions described in Section 7.02 of this Plan;

(b) the summary of federal income tax consequences to Members of the consummation of this Plan set forth in the proxy statement provided to Members in connection with their vote on this Plan was correct and complete in all material respects as of the date thereof and, except for any changes in law, regulations or official interpretations thereof the effect of which the Board, in its discretion, has determined (taking into account any remedial action the Board may authorize or direct) to be not adverse to the interests of the Members in any material respect, remains correct and complete as of the Effective Date;

(c) (i) Florida Blue's reorganization from a not-for-profit mutual insurer to a stock insurance company as described in Section 7.02 of this Plan will be a reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code; (ii) Florida Blue will be a "party to the reorganization" within the meaning of Section 368(b) of the Code; and (iii) the formation of Mutual Holdings as contemplated by this Plan will not be subject to tax under the Internal Revenue Code;

(d) Florida Blue's contribution of the Subsidiaries and Non-Subsidiary Assets to Newco and distribution of all of its common stock of Newco to Mutual Holdings as described in Section 7.02 of this Plan will be a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code; and

(e) the Reorganization will not be treated as a material change in the operations of Florida Blue or in its structure within the meaning of section 833(c)(2)(C).

7.04 *Securities Law Considerations.* The completion of this Plan is also subject to Florida Blue having received on or prior to the Effective Date (a) a "no-action" letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, or (b) an opinion of independent legal counsel with respect to federal securities law matters.

ARTICLE VIII: MISCELLANEOUS PROVISIONS

8.01 *Continuation of Corporate Existence.* Upon the reorganization of Florida Blue under the terms of this Plan and Part III, Chapter 628, Florida Statutes, Florida Blue's corporate existence as a stock insurance company shall be a continuation of its prior corporate existence as a not-for-profit mutual insurer. Except with respect to the Non-Subsidiary Assets, the benefits of which shall accrue to Newco upon the Reorganization, all rights, franchises, licenses and interests of Florida Blue in and to every type of property, real, personal and mixed, and all choses in action shall continue unaffected and uninterrupted by the Reorganization and shall accrue to Florida Blue. This Plan shall not be construed to result in any real or constructive issuance or exchange of any insurance Policy or any other transfer of any assets, rights or obligations by Florida Blue. Except with respect to the Non-Subsidiary Assets, the obligations and liabilities of which shall be assumed by Newco upon the Reorganization, all obligations and liabilities of Florida Blue shall continue unaffected and uninterrupted by the Reorganization. No action or proceeding pending at the Effective Date to which Florida Blue is a party shall be abated or discontinued by reason of the Reorganization but may be prosecuted to final judgment by Florida Blue in the same manner as if the Reorganization had not taken place. For all purposes, Florida Blue shall be deemed to have been organized on July 1, 1980, the initial date of organization of Florida Blue.

8.02 *Boards of Directors.* From and after the Effective Date, (a) the boards of directors of Mutual Holdings, Florida Blue and Newco shall consist of the same individuals as those serving on the Board of Florida Blue immediately prior to the Effective Date until new directors have been duly elected and qualified pursuant to Mutual Holdings', Florida Blue's and Newco's respective articles of incorporation and bylaws, and (b) the board of directors of the

Subsidiaries and all other direct and indirect subsidiaries of Mutual Holdings (other than Florida Blue and Newco) shall consist of the same individuals as those serving on such boards of directors immediately prior to the Effective Date until new directors have been duly elected and qualified pursuant to their respective articles of incorporation, bylaws or other organizational documents.

8.03 *Compensation of Directors and Officers.* No director or officer of Florida Blue shall receive any fee, commission or other valuable consideration, other than his or her usual, regular salary or compensation, for aiding, promoting or assisting with the Reorganization. There are no plans to change any existing executive compensation plans or adopt any new compensation plans as a result of the Reorganization.

8.04 *Dividends Received by Mutual Holdings.* The articles of incorporation of Mutual Holdings shall provide that Mutual Holdings will not be required to pay dividends or make any other distributions to its members, except as directed or approved by the Office.

8.05 *No Preemptive Rights.* No Member of Mutual Holdings or any other Person shall have any preemptive right to acquire shares of common stock of Florida Blue, Newco, any of the Subsidiaries or any other stock company in connection with this Plan.

8.06 *Share Issuances.* Following the Effective Date, Florida Blue, Newco or any stock company directly or indirectly owned by Mutual Holdings may issue additional shares of capital stock in any number of public offerings or private placements (except, with respect to those entities that are not directly or indirectly wholly owned by Mutual Holdings, as may be limited by their organizational documents or by contracts); provided, however, that Mutual Holdings shall at all times own, directly or indirectly, a majority of the voting shares and a majority in economic value of the shares of capital stock of Florida Blue and any intermediate holding company. Following the Effective Date, the Members of Mutual Holdings shall have no right to vote upon the issuance of additional shares of capital stock of Florida Blue, Newco or any other stock company directly or indirectly owned by Mutual Holdings in connection with the offering of such stock.

8.07 *Notices.* If Florida Blue complies substantially and in good faith with the requirements of Part III, Chapter 628, Florida Statutes, or the terms of this Plan with respect to the giving of any required notice to Members, its failure in any case to give such notice to any person or persons entitled thereto shall not impair the validity of the actions and proceedings taken under such Chapter or this Plan.

8.08 *Amendment, Corrections or Withdrawal of Plan.* This Plan may be amended by a majority vote of the Board in response to the comments or recommendations of the Office, or any other state or federal agency or governmental entity, before any solicitation of proxies from Members to vote on the Plan pursuant to Article VI, or at any time with the consent of the Office, except that any material amendment after the Members' approval shall require the Members' approval. This Plan may be terminated by the Board at any time before Members vote on the Plan and, otherwise, at any time with the consent of the Office. The articles of incorporation of Florida Blue, Mutual Holdings and Newco adopted pursuant to this Plan may be further amended after the Effective Date pursuant to applicable law.

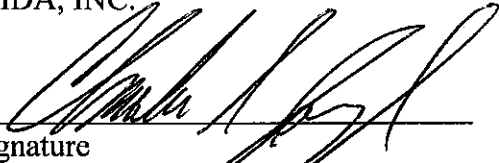
8.09 *Failure of Plan to Become Effective.* If the Plan does not become effective, Florida Blue will remain a not-for-profit mutual insurer, and none of the transactions described in Section 7.02 of this Plan shall occur, in which case the Membership Interests will remain unchanged. The expenses incurred in the process of proposing the Reorganization contemplated by the Plan shall be borne exclusively by Florida Blue.

8.10 *Governing Law.* The terms of this Plan shall be governed by and construed and enforced in accordance with the laws of the state of Florida, without regard to such state's principles of conflicts of laws or choice of law that will require the application of the laws of a jurisdiction other than that state.

Signature Page Follows.

IN WITNESS WHEREOF, Florida Blue, by authority of its Board, has caused this Plan to be duly executed this 5th day of June, 2013.

BLUE CROSS AND BLUE SHIELD OF
FLORIDA, INC.

By: 
Signature

Charles S. Joseph
Name

SVP, General Counsel + Corporate Secretary
Title

Attest:
Donna M. Carter
Signature

Donna M. Carter
Name

Assistant Corporate Secretary
Title

Exhibit A

ARTICLES OF INCORPORATION

OF

[NEWCO MIHC]

In compliance with Chapter 628, Florida Statutes, the undersigned incorporator to these Articles of Incorporation hereby forms a domestic mutual insurance holding company under the laws of the State of Florida.

ARTICLE I
ORGANIZATION

The Corporation is a domestic mutual insurance holding company organized under Chapter 628, Florida Statutes, resulting from the reorganization of Blue Cross and Blue Shield of Florida, Inc., a not for profit mutual insurer, pursuant to Chapter 628, Florida Statutes, and therefore the Corporation is deemed to be a not for profit corporation.

ARTICLE II
NAME

The name of the Corporation shall be [NEWCO MIHC] (the “Corporation”).

ARTICLE III
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32236

ARTICLE IV
NATURE OF BUSINESS

The Corporation is being formed to hold at all times, either directly or indirectly through one or more intermediate holding companies as permitted by law, a majority of the voting shares of the capital stock of Blue Cross and Blue Shield of Florida, Inc., which was originally organized as a not for profit mutual insurer in the state of Florida and was reorganized into stock insurer in the state of Florida. In addition, the Corporation may engage in any lawful business incidental thereto, and any other business permitted by law.

ARTICLE V
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE VI
TERM OF EXISTENCE

The Corporation shall exist perpetually.

ARTICLE VII
MEMBERS

Membership in the Corporation shall be determined by policies set forth in the Corporation's Bylaws in accordance with law. No member may transfer membership or any rights arising therefrom.

ARTICLE VIII
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
4800 Deerwood Campus Parkway
Jacksonville, Florida 32236

ARTICLE IX
DIRECTORS

The Directors of the Corporation shall be elected by the members as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE X
DIVIDENDS

The Corporation will not be required to pay dividends or make any other distributions to its members, except as directed or approved by the Office of Insurance Regulation or such governmental officer, body or authority as may succeed it as the primary regulator of the Corporation under applicable law.

ARTICLE XI
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XII
MEMBER ACTION WITHOUT MEETING

To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice, and without a vote if the action is taken by the members entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all members entitled to vote on such action were present and voted.

ARTICLE XIII
AMENDMENTS

The Articles of Incorporation may be amended by vote of a majority of those members present in person or represented by proxy at a lawful meeting of the members, if notice given members included due notice of the proposal to amend.

ARTICLE XIV
INCORPORATOR

The names and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

Exhibit B

**BYLAWS
OF
[NEWCO MIHC]**

ARTICLE I - NAME, LOCATION

Section 1. Name. The name of the Corporation shall be [NEWCO MIHC].

Section 2. Location. The principal office of the Corporation shall be located at such place within Florida as the Board of Directors determines from time to time. The Corporation may have and maintain other offices within or outside of the State of Florida.

ARTICLE II - MEMBERSHIP

Section 1. General. Each policyholder of an insurance policy issued by Blue Cross and Blue Shield of Florida, Inc. shall be a member of the Corporation with all rights and obligations of membership. The term “insurance policy,” whenever it is used in these Bylaws, means a written agreement or contract for or effecting insurance, other than reinsurance.

A person immediately and automatically shall (i) become a member of the Corporation at such time as such person becomes such a policyholder and (ii) cease to be a member of the Corporation at such time as such person ceases to be such a policyholder.

Membership, or any rights appertaining thereto or derived therefrom, shall not be transferable in any manner whatsoever. Membership, or any rights appertaining thereto or derived therefrom, shall not be separated from the insurance policy, nor subject to attachment, execution or levy, nor subject to a lien, mortgage, security interest nor in any manner used as collateral or otherwise hypothecated.

ARTICLE III - MEETINGS OF MEMBERS

Section 1. Annual Meeting. An annual meeting of members shall be held each and every calendar year in the State of Florida for the purpose of electing directors and transacting such other business as may properly come before the meeting. The meeting shall be held at such place, date, and time as may be designated by the Chief Executive Officer (“CEO”) with the approval of the Board of Directors of the Corporation.

Section 2. Special Meetings. A special meeting of members for any purpose may only be called by the Secretary of the Corporation at the request of the Board of Directors or the CEO. Such request shall state the purpose or purposes and no other business outside the scope of the stated purpose or purposes shall be transacted. The time and place of each special meeting of members shall be determined by or under the authority of the Board of Directors, provided that if no such determination shall be made prior to the mailing of the notice for such meeting, the time and place for such meeting shall be determined by the CEO with the approval of the Board of Directors of the Corporation.

Section 3. Notice of Meetings. Written notice of the annual meeting and every special meeting of the members, stating the place, date, time, and the purpose or purposes of such meeting shall be given to the members entitled to vote at such meeting not less than ten (10), nor more than sixty (60), days before the date of the meeting. All such notices shall be in writing and may be communicated and shall be effective as provided in Section 617.0141 of Florida Statutes, or any successor statute.

Any member may waive notice of any meeting by signing a written waiver of notice either before or after the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of members need be specified in the waiver of notice of any meeting. The attendance of a member at any meeting shall constitute waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4. Members' Nominations and Proposals. A member may nominate a person for election as a director only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) the name and address of the person to be nominated; (iii) a statement in support of the member's recommendation, including a description of the candidate's qualifications; (iv) a disclosure of any actual or potential conflicts of interest that the candidate may have with the interests of the Corporation; and (v) the candidate's written, signed consent to serve if elected, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

A member may submit a proposal for the consideration and vote of members at a meeting only if: (A) such member shall have delivered to the Secretary of the Corporation written notice setting forth: (i) the name and address of the member; (ii) a full description of the proposal; and (iii) a disclosure of any material interest of the member in the proposal, and (B) such notice is delivered not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Board of Directors may, in its discretion, establish an alternate timeline for receipt of such notice.

Section 5. Board's Nominations and Proposals. The Board of Directors may nominate persons for election by members to a director position and may submit proposals for the consideration and vote of members at any time prior to the meeting of members at which the election shall be held or the proposal shall be considered and voted upon.

Section 6. Quorum. Except as otherwise provided by applicable law, the members entitled to vote and present, either in person or represented by proxy, at any annual or special meeting of members shall constitute a quorum for the transaction of business at such meeting, provided that any notice of the meeting required by these Bylaws shall have been given.

Section 7. Voting Rights. Each member shall have the right at each meeting of the members to vote a number of votes equal to the monthly premium dollars attributed to such member as determined in the month immediately preceding the record date of a meeting.

Section 8. Vote Required. A majority of the member votes cast at any member meeting with a quorum shall be necessary and sufficient to approve any given matter, except that: (A) if the given matter is one upon which, by express provisions of applicable law or of the Articles of Incorporation, a different vote is required, such express provision shall govern and control the decision of such questions; and (B) directors shall be elected by a plurality vote.

Section 9. Proxies. Each member entitled to vote at a meeting of members or to otherwise express consent or dissent to corporate action may authorize another person or persons to act for such member by a written proxy, which may be an electronic proxy, filed in accordance with the procedure established for the meeting or taking of other action.

Any copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission created pursuant to this Section 9 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication, or other reproduction shall be a complete reproduction of the entire original writing or transmission. An electronic proxy (which may be transmitted via telephone, e-mail, the Internet, or such other electronic means as the Secretary of the Corporation may determine from time to time) shall be deemed executed if the Secretary of the Corporation receives an appropriate electronic transmission from the member or the member's attorney-in-fact that reasonably establishes the member or the member's attorney-in-fact as the sender of such transmission.

Section 10. Governing Rules. The Chairman of the Board ("Chairman") shall preside at all meetings of the members. In the absence of the Chairman, the Lead Director, if any, and if none then the Vice Chairman of the Board ("Vice Chairman") or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of members shall have the power to determine: (A) whether and to what extent proxies presented at the meeting shall be recognized as valid; (B) the procedure for taking and counting votes at such meeting; (C) the procedures for the conduct of such meeting; (D) the propriety of any proposal brought before the meeting; and (E) the resolution of any questions which may be raised at such meeting.

Section 11. Action by Members Without a Meeting. To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice, and without a vote if the action is taken by the members entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all members entitled to vote on such action were present and voted. Only members of record on the record date shall be entitled to consent to corporate action in writing without a meeting.

Without qualification, any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a

record date for the purpose of determining the members entitled to take such action, which request shall be in accordance with Section 2 of Article XI of these Bylaws.

In the event of the delivery, in the manner required by this Section 11 and applicable law, to the Corporation of the requisite written consent or consents to take corporate action, the Corporation shall engage independent inspectors of elections for the purpose of promptly performing a ministerial review of the validity of the consents. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be authorized and effective until such date as the independent inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with this Section 11 and applicable law represent at least the minimum number of votes that would be necessary to take the corporate action. The action by written consent and without a meeting will be deemed authorized and will take effect as of the date and time of the certification of the written consents and will not relate back to the date the written consents were delivered to the Corporation. In the event that the action by written consent and without a meeting elects a director or directors to the Board of Directors, such newly elected director or directors shall take office and have the authority of a director conferred upon them as of the date and time of certification, and not the date of delivery to the Corporation, of the written consents. In the event that the action by written consent and without a meeting replaces a director or directors on the Board of Directors, the authority of such replaced director or directors shall continue until the date and time of the certification of the written consents. Nothing contained in this Section 11 shall in any way be construed to suggest or imply that the Board of Directors or any member shall not be entitled to contest the validity of any consent or update or supplement thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Notwithstanding anything in these Bylaws to the contrary, no action may be taken by the members by written consent except in accordance with this Section 11. If the Board of Directors shall determine that any request to fix a record date or to take member action by written consent was not properly made in accordance with this Section 11 and Section 2 of Article XI, or the member or members seeking to take such action do not otherwise comply with this Section 11, Section 2 of Article XI or applicable law, then the Board of Directors shall not be required to fix a record date and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the members by statute, the Articles of Incorporation, or these Bylaws.

Section 2. Qualifications. Only natural persons who are at least eighteen (18) years of age shall be qualified to become directors of the Corporation. A director of the

Corporation shall, at all times, meet the statutory and regulatory qualifications for a director of a not-for-profit mutual insurer in the State of Florida and such other qualifications as may be contained in the Corporate Governance Guidelines established by the Board or as otherwise determined by the Board. A person need not be a member to become or remain a director. A majority of the Board must be comprised of citizens of the United States.

Section 3. Number of Directors. The number of directors of the Corporation shall be, from time to time, fixed by the Board of Directors, but shall not be less than five (5) directors, and collectively such directors shall be known as the Board of Directors. The CEO and the President, if not directors, shall be *ex officio* members of the Board with all rights of directors except the right to vote and they shall not be counted for the purposes of determining a quorum.

Section 4. Election and Term. The directors shall be elected at the annual meeting of the members. The Board of Directors shall be divided into three classes as nearly equal in size as possible, with the term of office of one such class expiring each year. The term of office for directors shall be three years unless a longer or shorter term is determined necessary. Directors shall hold office until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals.

Section 5. Removal. Any director may be removed with or without cause by a majority of all votes of the membership at any annual meeting or special meeting of the members called for that purpose.

Any director may be removed with cause at any regular or special meeting of the directors called for that purpose by a majority vote of the then serving directors, if the director was elected or appointed by the directors. Any director may be removed without cause at any regular meeting or special meeting of the directors called for that purpose by a two-thirds vote of the then serving directors, if the director was elected or appointed by the directors. The director or directors sought to be removed shall not be counted in computing the two-thirds vote requirement nor shall said director or directors be entitled to vote on removal.

Section 6. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, or the Chairman of the Board, or the Corporation. Such resignation shall take effect when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 7. Vacancies. Except as otherwise provided by law, a vacancy in the Board shall be deemed to exist in the event of the death, retirement, disqualification, resignation or removal of a director, or increase in the number of directors, however caused. In the case of any such vacancy, other than a vacancy resulting from the removal of a director effected at a meeting, the remaining directors, though less than a quorum, by vote of a majority thereof, may elect a successor to fill the vacancy. Any vacancy created by the removal of a director at a meeting shall be filled by the members or directors eligible to vote for the removal. The term of any director elected or appointed to fill a vacancy expires at the next annual meeting at which directors are elected except that any director appointed by the Board to fill a vacancy resulting

from an increase in the number of directors shall serve only for a term of office continuing until the next election of directors by members.

Section 8. Compensation. No director who is an employee of the Corporation or any of its subsidiaries or affiliates shall receive any stated salary or fee for service as director. A director who is not an employee may receive such reasonable compensation for service as a director as fixed by the Board of Directors. Members of any Board Committee may receive such reasonable compensation for their duties as committee members as fixed by the Board of Directors. All directors and members of the Board and all Board Committees and Advisory Committees shall be reimbursed for their expenses incurred to attend meetings.

Section 9. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

ARTICLE V - MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An annual meeting of the Board of Directors shall be held, without further notice than this Bylaw provision, following, and at the same place as, the annual meeting of the members of the Corporation.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the CEO, or the President and shall be called by any of them at the request, in writing, of at least two (2) of the directors. Such meetings of the directors may be held at any place within or outside the State of Florida as designated in the notice of any such meeting. Written notice of special meetings of the Board of Directors, but not the annual meeting or regular meetings of the Board, shall be communicated at least three (3) business days before the date of such meeting. Any director may waive any notice required to be given to such director by law, under the Articles of Incorporation, or under these Bylaws, and any attendance at any meeting shall be deemed a waiver of notice thereof, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of business because the meeting is not lawfully called.

Section 4. Quorum. Except as otherwise provided in these Bylaws or by applicable law, directors holding a majority of the positions on the Board of Directors shall constitute a quorum for transacting business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is obtained.

Section 5. Order of Business. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman, the Lead Director, if any, or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of the Board shall have the power to determine: (A) the procedure for counting votes at such meeting; (B) procedures for the conduct of such meeting; and (C) the resolution of any questions which may be raised at such meeting.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws or by applicable law, the affirmative vote of at least a majority of the directors present at any meeting at which a quorum shall be present shall be necessary and sufficient to take or approve any action within the Board's power, and any action so taken or approved by such a majority shall be deemed to have been taken or approved by the Board of Directors. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless the director votes against the action or abstains from voting on the action, which shall be recorded in the meeting minutes.

Section 7. Meetings by Telephone Conference or Other Means of Communication. Members of the Board of Directors or any Board Committee may participate in any meeting of the Board of Directors or such Board Committee by any means of communication by which all persons participating in the meeting may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 8. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any Board Committee may be taken without a meeting if all members of the Board or Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee. In the event one or more positions on the Board or any Board Committee shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board or such Committee at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board or such Committee. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9. Conflicts of Interest. The Board shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

Section 10. Emergency Bylaws. In the event of any catastrophe or other emergency condition, as a result of which a quorum of the Board of Directors, the Executive Committee or any other standing committee of the Board cannot readily be convened for action, then the director or directors in attendance at a meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one (1) or more of themselves or other directors to membership on any standing or temporary committees of the Board as they shall deem necessary and appropriate.

ARTICLE VI - BOARD COMMITTEES

Section 1. Executive Committee. There shall be an Executive Committee consisting of the Chairman of the Board of Directors, the Vice Chairman, and the Chairman of each of the Board Governance and Nominating Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee. The Executive Committee shall have full power to manage the affairs and business of the Corporation in the event of any catastrophe or other emergency conditions as a result of which a quorum of the Board of Directors cannot readily be convened for action.

Section 2. Other Committees. There shall be a Board Governance and Nominating Committee, a Personnel and Compensation Committee, an Audit and Compliance Committee and a Finance Committee consisting of at least three (3) members each appointed by the Board of Directors, on recommendation of the Board Governance and Nominating Committee.

Other committees of the Board of Directors consisting of at least two (2) directors of the Corporation may be created from time to time by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, in accordance with these Bylaws, the committee's charter and applicable law.

The Chairman of each committee of the Board of Directors shall be appointed by the Board of Directors on recommendation of the Board Governance and Nominating Committee.

Section 3. Terms; Procedures. Unless otherwise determined by the Board of Directors, the term of office of each committee member shall expire at the next annual meeting of the Board of Directors following the appointment of such committee member if not otherwise terminated prior thereto or until such member's successor is appointed and qualified or until such member's earlier death, retirement, disqualification, resignation or removal.

Committees shall report regularly to the Board of Directors with respect to committee activities. Any such committee shall be referred to as a "Board Committee." Except as may be otherwise prescribed by the Board of Directors, all Board Committees shall develop and operate under a written charter approved by the Board of Directors.

ARTICLE VII - ADVISORY COMMITTEES

Section 1. General. The Board of Directors or the CEO may establish Advisory Committees with such membership, duties, and purposes (including advising and consulting with the Board of Directors or the Corporation's management), and governance procedures, as the Board of Directors or the CEO, as appropriate, shall designate from time to time. Such committees are referred to in these Bylaws as "Advisory Committees." No Advisory Committee shall have or may exercise any of the powers or authority of the Board of Directors or any of the officers of the Corporation in the management of the business and affairs of the Corporation.

ARTICLE VIII - OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board of Directors may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board of Directors may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board of Directors. One person may simultaneously hold any two or more offices.

Section 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board of Directors pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board of Directors.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed

upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board of Directors shall be subject to the approval of the Board of Directors.

Section 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board of Directors from time to time.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

Section 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

Section 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board of Directors or by amendment to these Bylaws.

Section 8. Secretary. The Secretary shall, subject to the supervision of the Board of Directors and the CEO: keep the minutes of the meetings of members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each member which shall be furnished to the Secretary by such member; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any

resolution adopted by the Corporation's members, Board of Directors or Board Committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

Section 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

Section 10. Treasurer. The Treasurer shall, subject to the supervision of the Board of Directors and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board of Directors.

Section 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board of Directors, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

Section 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

Section 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. Indemnification. The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii)

is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 1 of this Article IX, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 1(A) or 1(B) of this Article IX has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article IX have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article IX, except for Proceedings to enforce rights provided in this Article IX, the Corporation shall not be obligated under this Article IX to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board of Directors.

Section 2. Successful Defense of Proceedings. To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1 of this Article IX, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Section 3. Insurance. The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or the applicable provisions of Florida law.

Section 4. Advancement of Expenses. The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 1 of this Article IX to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another Corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 1 of this Article IX upon such terms or conditions that the Board of Directors deems appropriate.

Section 5. Continuation of Indemnification and Advancement of Expenses. Indemnification and advancement of expenses as provided in this Article IX shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article IX to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 6. Indemnification Contracts. The indemnification and advancement of expenses provided by this Article IX shall not be deemed exclusive of any other

rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of members or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a member.

Section 7. Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article IX that shall not have been invalidated and as permitted by applicable law.

Section 8. Certain Definitions. For purposes of this Article IX, the term: (A) "corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) "director" includes director emeritus; (C) "expenses" includes counsel fees, including those for appeal; (D) "liability" includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) "Proceeding" includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) "agent" includes a volunteer; (G) "serving at the request of the corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) "not opposed to the best interest of the Corporation" describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850 of Florida Business Corporation Act, Section 617.0831 of the Florida Not For Profit Corporation Act and Section 628.703 under Part III, Chapter 628, Florida Statutes.

ARTICLE X - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

Section 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

Section 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Record Owner of Policies. The Corporation may (but shall not be required to) treat the person in whose name insurance policies stand on the books of the Corporation as the only person having the right to vote with respect to such insurance policies and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such insurance policies on the part of any other person, whether or not it shall have express or other notice thereof. The Corporation may rely on the last known address of a person, as such address stands on the books of the Corporation, in providing any notice required hereunder or as otherwise required under these bylaws or any law or regulation.

Section 2. Record Dates. (A) Except as provided in clause (B) of this Section 2, for the purpose of (i) determining members entitled to notice of or to vote at any meeting of members or to take action by written consent without a meeting of members, or (ii) determining the number of votes to which each member is entitled at any meeting of members or to take action by written consent without a meeting of members, or (iii) in order to make a determination of members for any other proper purpose, the Board of Directors may fix in advance a date as the record date for any such determination of members or votes, such date in any case to be not less than ten (10) days, nor more than sixty (60) days, immediately preceding such meeting or action requiring a determination of members or votes.

If no record date is fixed for the determination of members entitled to notice of or to vote at any meeting of members or the number of votes to which each member is entitled at any meeting of members, the close of business on the day immediately preceding the date on which notice of the meeting is given (or in the case of an annual meeting of members for which no record date is fixed, the date which is ten (10) days immediately preceding such meeting) shall be the record date for such determination of members or votes. When a determination of members entitled to notice of or to vote at any meeting of members and the numbers of votes to

which each such member is entitled has been made as provided in this Section 2, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

(B) Any member of record seeking to have the members authorize or take any action by written consent shall first request in writing that the Board of Directors fix a record date for the purpose of determining the members entitled to take such action, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal office of the Corporation. Within ten (10) days after receipt of a request in proper form and otherwise in compliance with this Section 2 and Section 11 of Article III of these Bylaws from any such member, the Board of Directors may adopt a resolution fixing a record date for the purpose of determining the members entitled to take such action, which date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no resolution fixing a record date has been adopted by the Board of Directors within such ten (10) day period after the date on which such a request is received, (i) the record date for determining members entitled to consent to such action, when no prior action of the Board of Directors is required by applicable law, shall be the first date after the expiration of such ten (10) day time period, on which a valid signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with this Section 2 and Section 11 of Article III of these Bylaws and applicable law, and (ii) the record date for determining members entitled to consent to such action, when prior action by the Board of Directors is required by applicable law, shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

To be in proper form for purposes of this clause (B) of this Section 2, a request by a member for the Board of Directors to fix a record date shall set forth the name and address of the member and the following information: (A) if the action or actions proposed to be taken by written consent relate to a proposal other than the election of directors, a full description of the proposal and disclosure of any material interest of the member in the proposal; and (B) if directors are proposed to be elected by written consent, the information that would be required by Section 4(A)(i)-(v) of Article III of these Bylaws if the member were nominating a person for election as a director at a meeting of members.

Section 3. Voting Securities Issued by Another Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE XII - AMENDMENTS

Section 1. **Amendments.** Unless otherwise provided by law, these Bylaws may be amended, altered, or repealed and new Bylaws may be adopted by the Board of Directors of the Corporation at any meeting of the Board of Directors, or by the members at any regular or special meeting of the members of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes.

Exhibit C

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

I am the President of Blue Cross and Blue Shield of Florida, Inc., a Florida corporation under Chapters 617 and 628, Florida Statutes, and I do hereby certify that:

1. The name of the Corporation is Blue Cross and Blue Shield of Florida, Inc.; and
2. In compliance with Chapter 628, Florida Statutes, a majority of those members of Blue Cross and Blue Shield of Florida, Inc. present in person or represented by proxy at a lawful meeting of the members held on [September 10, 2013], affirmatively voted to adopt these Amended and Restated Articles of Incorporation and the number of votes cast was sufficient for approval.

Therefore, the Corporation hereby amends and restates its Articles of Incorporation to read as follows:

ARTICLE I
ORGANIZATION

The Corporation is a company organized under the Florida Business Corporations Act pursuant to a reorganization in accordance with Chapter 628, Florida Statutes.

ARTICLE II
NAME

The name of the Corporation shall be Blue Cross and Blue Shield of Florida, Inc. (the "Corporation").

ARTICLE III
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE IV
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE V
PURPOSE

The general purpose of the Corporation shall be to establish, maintain and operate an insurance company in the State of Florida to promote the betterment of public health through the availability of health insurance, and to engage in programs to contain health care costs and provide for the mutual protection and benefit of those persons who hold insurance policies issued by the Corporation or have a beneficial interest in such policies, by providing and operating an effective and progressive prepayment and financing mechanism for health care services consistent with the needs of the community through developing and implementing innovative methods to deal with the economic and delivery opportunities and problems of health care and to serve in the capacity as an administrator of federal, state and local government financed health care programs, and to assist, in an underwriting capacity and otherwise, mutual and non-profit corporations incorporated in and doing business in other states, territories and possessions of the United States in their providing of hospital, medical and other health care services and in their activities as administrators of federal, state and local government and privately financed health care programs.

The Corporation shall be authorized to engage in the transaction of any form of disability insurance or health insurance business and any other type of insurance which may be written by a health or disability insurer, including, without limitation, any type of program which may be transacted by a care service plan corporation, and to engage in any activities, reasonably and necessarily incidental to such insurance business and any other activity permitted by law.

It is hereby provided that said purposes are not intended to limit or restrict in any manner the powers or purposes of the Corporation to any extent permitted by law, nor shall the expression of one thing be deemed to exclude another although it be of like nature.

The Corporation is subject to and shall be entitled to the exemptions and provisions of the Laws of Florida, Chapter 628 "Stock and Mutual Insurers; Holding Companies."

ARTICLE VI
STOCK

The aggregate number of shares which the corporation shall have authority to issue shall be 1,000,000 shares of common stock at no par value each.

ARTICLE VII
SHAREHOLDERS

A majority of the shares of Common Stock of the Corporation shall be owned at all times, either directly or indirectly through one or more intermediate holding companies, by [NEWCO MIHC]. The Corporation shall not be authorized to issue additional shares except to mutual and/or not-for-profit entities (or entities owned or controlled by such entities).

ARTICLE VIII
TERM OF EXISTENCE

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE IX
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
200 E. Gaines St.
Tallahassee, FL 32399

ARTICLE X
DIRECTORS

The Corporation shall never have less than five (5) directors. The number of directors that shall constitute the Board of Directors of the Corporation shall be set forth from time to time in the Bylaws. The Directors of the Corporation shall be elected by the shareholders as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE XI
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XII
SHAREHOLDER ACTION WITHOUT A MEETING

Any action required or permitted by Florida law to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted.

ARTICLE XIII
AMENDMENTS

The power to amend the Articles of Incorporation shall be reserved exclusively to the shareholders.

ARTICLE XIV
INCORPORATOR

The name and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

Exhibit D

SECOND AMENDED AND RESTATED BYLAWS
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

ARTICLE I - NAME, LOCATION

Section 1. **Name.** The name of the Corporation shall be Blue Cross and Blue Shield of Florida, Inc.

Section 2. **Location.** The principal office of the Corporation shall be located at such place within Florida as the Board of Directors determines from time to time. The term “Board” whenever it is used in these Bylaws means the Corporation’s Board of Directors. The Corporation may have and maintain other offices within or outside of the State of Florida.

ARTICLE II – SHAREHOLDERS

Section 1. **General.** [NEWCO MIHC] shall be the initial shareholder of the Corporation.

ARTICLE III - MEETINGS OF SHAREHOLDERS

Section 1. **Annual Meeting.** An annual meeting of members shall be held each and every calendar year in the State of Florida for the purpose of electing directors and transacting such other business as may properly come before the meeting. The meeting shall be held at such place, date, and time as may be designated by the Chief Executive Officer (“CEO”) with the approval of the Board of Directors of the Corporation.

Section 2. **Special Meetings.** A special meeting of shareholders for any purpose may only be called by the Secretary of the Corporation at the request of the Board of Directors or the CEO. Such request shall state the purpose or purposes and no other business outside the scope of the stated purpose or purposes shall be transacted. The time and place of each special meeting of shareholders shall be determined by or under the authority of the Board of Directors, provided that if no such determination shall be made prior to the mailing of the notice for such meeting, the time and place for such meeting shall be determined by the CEO with the approval of the Board of Directors of the Corporation.

Section 3. **Notice of Meetings.** Notice of the annual meeting and special meetings of the shareholders shall be given no fewer than ten (10) days nor more than sixty (60) days prior thereto. In the case of a special meeting, the notice shall contain the purpose for which it is called.

Section 4. **Quorum.** Except as otherwise provided by applicable law, the shareholders entitled to vote and present, either in person or represented by proxy, at any annual or special meeting of shareholders shall constitute a quorum for the transaction of business at

such meeting, provided that any notice of the meeting required by these Bylaws shall have been given.

Section 5. Voting Rights. Each shareholder shall have the right at each meeting of the shareholders to one vote per share on each matter presented for shareholder approval.

Section 6. Vote Required. A majority of the shareholder votes cast at any shareholder meeting with a quorum shall be necessary and sufficient to approve any given matter, except that: (A) if the given matter is one upon which, by express provisions of applicable law or of the Articles of Incorporation, a different vote is required, such express provision shall govern and control the decision of such questions; and (B) directors shall be elected by a plurality vote.

Section 7. Proxies. Each shareholder entitled to vote at a meeting of shareholders or to otherwise express consent or dissent to corporate action may authorize another person or persons to act for such shareholder by a written proxy, which may be an electronic proxy, filed in accordance with the procedure established for the meeting or taking of other action.

Section 8. Action by Shareholders Without a Meeting. To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the shareholders entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all shareholders entitled to vote on such action were present and voted. Only shareholders of record on the record date shall be entitled to consent to corporate action in writing without a meeting.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the shareholders by statute, the Articles of Incorporation, or these Bylaws.

Section 2. Qualifications. Only natural persons who are at least eighteen (18) years of age shall be qualified to become directors of the Corporation. A director of the corporation shall, at all times, meet the statutory and regulatory qualifications for a director of a stock insurer in the State of Florida and such other qualifications as may be contained in the Corporate Governance Guidelines established by the Board or as otherwise determined by the Board. A person need not be a shareholder to become or remain a director. A majority of the Board must be comprised of citizens of the United States.

Section 3. Number of Directors. The number of directors of the Corporation shall be, from time to time, fixed by the Board of Directors, but shall not be less than five (5) directors, and collectively such directors shall be known as the Board of Directors. The CEO and the President, if not directors, shall be ex officio members of the Board with all rights of

directors except the right to vote and they shall not be counted for the purposes of determining a quorum.

Section 4. Election and Term. The directors shall be elected at the annual meeting of the shareholders. The Board of Directors shall be divided into three classes as nearly equal in size as possible, with the term of office of one such class expiring each year. The term of office for directors shall be three years unless a longer or shorter term is determined necessary. Directors shall hold office until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals.

Section 5. Removal. Any director may be removed with or without cause by a majority of all votes of the shareholders, if the director was elected or appointed by the shareholders at any annual meeting or special meeting of the shareholders called for that purpose.

Any director may be removed with cause at any regular or special meeting of the directors called for that purpose by a majority vote of the then serving directors, if the director was elected or appointed by the directors. Any director may be removed without cause at any regular meeting or special meeting of the directors called for that purpose by a two-thirds vote of the then serving directors, if the director was elected or appointed by the directors. The director or directors sought to be removed shall not be counted in computing the two-thirds vote requirement nor shall said director or directors be entitled to vote on removal.

Section 6. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, or the Chairman of the Board, or the Corporation. Such resignation shall take effect when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 7. Vacancies. Except as otherwise provided by law, a vacancy in the Board shall be deemed to exist in the event of the death, retirement, disqualification, resignation or removal of a director, or increase in the number of directors, however caused. In the case of any such vacancy, other than a vacancy resulting from the removal of a director effected at a meeting, the remaining directors, though less than a quorum, by vote of a majority thereof, may elect a successor to fill the vacancy. Any vacancy created by the removal of a director at a meeting shall be filled by the shareholders or directors eligible to vote for the removal. The term of any director elected or appointed to fill a vacancy expires at the next annual meeting at which directors are elected except that any director appointed by the Board to fill a vacancy resulting from an increase in the number of directors shall serve only for a term of office continuing until the next election of directors by shareholders.

Section 8. Compensation. No director who is an employee of the Corporation or any of its subsidiaries or affiliates shall receive any stated salary or fee for service as director. A director who is not an employee may receive such reasonable compensation for service as a director as fixed by the Board of Directors. Members of any Board Committee may receive such reasonable compensation for their duties as committee members as fixed by the Board of

Directors. All directors and members of the Board and all Board Committees and Advisory Committees shall be reimbursed for their expenses incurred to attend meetings.

Section 9. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

ARTICLE V - MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An annual meeting of the Board of Directors shall be held, without further notice than this Bylaw provision, following, and at the same place as, the annual meeting of the shareholders of the Corporation.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the directors may be called by the chairperson of the Board of Directors, president, secretary, or by the written request of at least one-third of the members of the Board of Directors on at least five (5) days' notice to each director.

Section 4. Quorum. Except as otherwise provided in these Bylaws or by applicable law, directors holding a majority of the positions on the Board of Directors shall constitute a quorum for transacting business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is obtained.

Section 5. Order of Business. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman, the Lead Director, if any, or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of the Board shall have the power to determine: (A) the procedure for counting votes at such meeting; (B) procedures for the conduct of such meeting; and (C) the resolution of any questions which may be raised at such meeting.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws or by applicable law, the affirmative vote of at least a majority of the directors present at any meeting at which a quorum shall be present shall be necessary and sufficient to take or approve any action within the Board's power, and any action so taken or approved by such a majority shall be deemed to have been taken or approved by the Board of Directors. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless the director votes against the action or abstains from voting on the action, which shall be recorded in the meeting minutes.

Section 7. Meetings by Telephone Conference or Other Means of Communication. Members of the Board of Directors or any Board Committee may participate in any meeting of the Board of Directors or such Board Committee by any means of communication by which all persons participating in the meeting may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 8. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any Board Committee may be taken without a meeting if all members of the Board or Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee. In the event one or more positions on the Board or any Board Committee shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board or such Committee at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board or such Committee. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9. Conflicts of Interest. The Board shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

Section 10. Emergency Bylaws. In the event of any emergency, as a result of which a quorum of the Board of Directors, the Executive Committee or any other standing committee of

the Board cannot readily be convened for action, then the director or directors in attendance at a meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one (1) or more of themselves or other directors to membership on any standing or temporary committees of the Board as they shall deem necessary and appropriate.

ARTICLE VI - BOARD COMMITTEES

Section 1. Executive Committee. There shall be an Executive Committee consisting of the Chairman of the Board of Directors, the Vice Chairman, and the Chairman of each of the Board Governance and Nominating Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee. The Executive Committee shall have full power to manage the affairs and business of the Corporation in the event of any emergency, as a result of which a quorum of the Board of Directors cannot readily be convened for action.

Section 2. Other Committees. There shall be a Board Governance and Nominating Committee, a Personnel and Compensation Committee, an Audit and Compliance Committee and a Finance Committee consisting of at least three (3) members each appointed by the Board of Directors, on recommendation of the Board Governance and Nominating Committee.

Other committees of the Board of Directors consisting of at least two (2) directors of the Corporation may be created from time to time by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board establishing such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, in accordance with these Bylaws, the committee's charter and applicable law.

The Chairman of each committee of the Board of Directors shall be appointed by the Board on recommendation of the Board Governance and Nominating Committee.

Section 3. Terms; Procedures. Unless otherwise determined by the Board of Directors, the term of office of each committee member shall expire at the next annual meeting of the Board of Directors following the appointment of such committee member if not otherwise terminated prior thereto or until such member's successor is appointed and qualified or until such member's earlier death, retirement, disqualification, resignation or removal.

Committees shall report regularly to the Board of Directors with respect to committee activities. Any such committee shall be referred to as a "Board Committee." Except as may be otherwise prescribed by the Board of Directors, all Board Committees shall develop and operate under a written charter approved by the Board of Directors.

ARTICLE VII - ADVISORY COMMITTEES

Section 1. General. The Board of Directors or the CEO may establish Advisory Committees with such membership, duties, and purposes (including advising and consulting with the Board of Directors or the Corporation's management), and governance procedures, as the Board or the CEO, as appropriate, shall designate from time to time. Such committees are referred to in these Bylaws as "Advisory Committees." No Advisory Committee shall have or

may exercise any of the powers or authority of the Board of Directors or any of the officers of the Corporation in the management of the business and affairs of the Corporation.

ARTICLE VIII - OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board. One person may simultaneously hold any two or more offices.

Section 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board shall be subject to the approval of the Board.

Section 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board from time to time.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of

Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

Section 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

Section 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board or by amendment to these Bylaws.

Section 8. Secretary. The Secretary shall, subject to the supervision of the Board and the CEO: keep the minutes of the meetings of shareholders and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each shareholder which shall be furnished to the Secretary by such shareholder; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any resolution adopted by the Corporation's shareholders, Board of Directors or Board Committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

Section 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

Section 10. Treasurer. The Treasurer shall, subject to the supervision of the Board and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board.

Section 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

Section 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever, in the judgment of the Board, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

Section 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. Indemnification. The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and

in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 1 of this Article IX, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 1(A) or 1(B) of this Article IX has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article IX have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article IX, except for Proceedings to enforce rights provided in this Article IX, the Corporation shall not be obligated under this Article IX to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board.

Section 2. Successful Defense of Proceedings. To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1 of this Article IX, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Section 3. Insurance. The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or the applicable provisions of Florida law.

Section 4. Advancement of Expenses. The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 1 of this Article IX to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so

advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 1 of this Article IX upon such terms or conditions that the Board of Directors deems appropriate.

Section 5. Continuation of Indemnification and Advancement of Expenses. Indemnification and advancement of expenses as provided in this Article IX shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 6. Indemnification Contracts. The indemnification and advancement of expenses provided by this Article IX shall not be deemed exclusive of any other rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a shareholder.

Section 7. Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the

Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and as permitted by applicable law.

Section 8. Certain Definitions. For purposes of this Article IX, the term: (A) “corporation” includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) “director” includes director emeritus; (C) “expenses” includes counsel fees, including those for appeal; (D) “liability” includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) “Proceeding” includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) “agent” includes a volunteer; (G) “serving at the request of the corporation” includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) “not opposed to the best interest of the Corporation” describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850 of Florida Business Corporation Act.

ARTICLE X - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

Section 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

Section 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Voting Securities Issued by Another Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE XII - AMENDMENTS

Section 1. Amendments. Unless otherwise provided by law, these Bylaws may be amended, altered, or repealed and new Bylaws may be adopted by the Board of Directors of the Corporation at any meeting of the Board of Directors, or by the shareholders at any regular or special meeting of the shareholders of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes.

Exhibit E

ARTICLES OF INCORPORATION

OF

[NEWCO]

ARTICLE I
ORGANIZATION

The Corporation is a company organized under the Florida Business Corporations Act pursuant to a reorganization in accordance with Chapter 628, Florida Statutes.

ARTICLE II
NAME

The name of the Corporation shall be [NEWCO] (the “Corporation”).

ARTICLE III
EFFECTIVE DATE

The effective date of these Articles of Incorporation shall be January 1, 2014 or, if later, the date of filing.

ARTICLE IV
PRINCIPAL OFFICE

The principal place of business and mailing address of the Corporation within Duval County, Florida, shall be as follows:

4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE V
PURPOSE

The purpose for which the corporation is organized is to engage in any lawful act or activity for which a corporation may be organized under the Florida General Corporation Act.

ARTICLE VI
STOCK

The aggregate number of shares which the corporation shall have authority to issue shall be 1,000,000 shares of common stock at no par value each.

ARTICLE VII
TERM OF EXISTENCE

The Corporation shall exist perpetually unless sooner dissolved according to law.

ARTICLE VIII
INITIAL REGISTERED AGENT AND OFFICE

The initial registered agent and office of the Corporation shall be as follows:

Chief Financial Officer
4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

ARTICLE IX
DIRECTORS

The Directors of the Corporation shall be elected by the shareholders as provided in the Bylaws and shall hold their offices for such period as the Bylaws shall establish, or until their successors are duly elected and qualified.

ARTICLE X
INDEMNIFICATION

The Board of Directors is hereby specifically authorized to make provisions for indemnification of directors, officers, employees and agents to the full extent permitted by law.

ARTICLE XI
SHAREHOLDER ACTION WITHOUT A MEETING

Any action required or permitted by Florida law to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted.

ARTICLE XII
AMENDMENTS

The power to amend the Articles of Incorporation shall be reserved exclusively to the shareholders.

ARTICLE XIII
INCORPORATOR

The name and addresses of the incorporator is:

<u>Name</u>	<u>Address</u>
Patrick J. Geraghty	Blue Cross and Blue Shield of Florida, Inc. 4800 Deerwood Campus Parkway Jacksonville, FL 32246

IN WITNESS WHEREOF, the incorporator has hereunto set his hands and seals this
_____ day of _____, 20____.

Patrick J. Geraghty

ACCEPTANCE OF APPOINTMENT BY REGISTERED AGENT

Having been named as registered agent to accept service of process for the above stated corporation at the place designated in this certificate, I am familiar with and accept the appointment as registered agent and agree to act in this capacity.

Chris Doerr
Chief Financial Officer

Exhibit F

BYLAWS

OF

[NEWCO]

ARTICLE I

Corporation Meetings

SECTION 1. Annual Meeting. The annual meeting of the shareholders shall be held at the principal office of the Corporation in Jacksonville, Florida or at such other place within or without the State of Florida as may be designated by the chairperson of the Board of Directors, by the chief executive officer, by a majority of the directors or by shareholders owning fifty percent or more of the voting power of the Corporation in the notice of such meeting.

SECTION 2. Special Meetings. Special meetings of the shareholders may be called by the chairperson of the Board of Directors, the president, the secretary, the written request of one-third of the members of the Board of Directors or by written demand to the secretary by the holders of at least 10% of all votes entitled to be cast on any issue.

SECTION 3. Notice. Notice of the annual meeting and special meetings of the shareholders shall be given no fewer than ten (10) days nor more than sixty (60) days prior thereto. In the case of a special meeting, the notice shall contain the purpose for which it is called.

SECTION 4. Voting and Proxies. Each shareholder shall be entitled to one vote per share at all meetings of the shareholders. Representation by written proxy shall be allowed. Proxies for a specific meeting shall only be valid for that meeting and any adjournment thereof.

SECTION 5. Action Without Meeting. Any action required or permitted to be taken by the shareholders of the Corporation at a duly called annual or special meeting of the shareholders of the Corporation may be taken by unanimous written consent in lieu of a meeting.

SECTION 6. Action by Telephonic Communications. Shareholders of record of the Corporation may participate in any meeting of shareholders by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in any meeting pursuant to this provision shall constitute presence in person at such meeting.

SECTION 7. Quorum. Holders of a majority of the outstanding shares entitled to vote shall constitute a quorum at any meeting of the shareholders and a majority of those voting may decide any issue unless otherwise required by law, the amended and restated articles of incorporation of the Corporation or these bylaws.

ARTICLE II

Board of Directors

SECTION 1. Election - Term of Office. The number of directors may be increased or decreased from time to time in accordance with the same procedure as is required for amending these Bylaws, but shall never be less than five. The directors shall serve staggered three-year terms such that a proportionate number of directors' terms expires at each annual meeting of the shareholders. At each annual meeting of shareholders, the successor or successors of the directors whose term expires at that meeting shall be elected by a majority of the votes cast by shareholders present in person or represented by proxy at such meeting and entitled to vote on the election of directors, and shall hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election. The directors elected to each class shall hold office until their successors are duly elected and qualified or until their earlier death, disqualification, resignation, or removal. The current Board of Directors and the years that their respective terms of office expire are as follows:

<u>Name</u>	<u>Expiration of Term</u>
Patrick J. Geraghty	2014
Robert M. Beall, II	2015
Leerie T. Jenkins, Jr.	2014
Catherine P. Bessant	2016
Barbara S. Thomas	2016
Steven T. Halverson	2016
Tracy A. Leinbach	2015
John B. Ramil	2014
Frank P. Scruggs, Jr.	2015
Gonzalo F. Valdes-Fauli	2016

SECTION 2. Vacancies. Vacancies either in the total number of directors or in the unexpired terms of members of the Board of Directors or in any elected office caused for any reason between annual meetings may be filled by the directors.

SECTION 3. Duties. The directors shall manage the business of the Corporation and shall exercise all the powers as may be exercised by the Corporation. They shall, by resolution, fix the compensation of the directors. The directors shall have the authority to remove any director for cause. The directors may elect committees and shall specify the purpose of such committees and prescribe their powers and duties not inconsistent with the law or these Bylaws. A majority of the members of a committee so elected shall constitute a quorum at any meeting of said committee. The directors shall designate a chief executive officer who shall be either the president or the chairperson of the Board of Directors. The directors shall elect the president

who need not be of and from their number. If they elect a chairperson of the Board of Directors, same shall likewise be elected of and from their number. The directors shall also elect the other officers as are called for in these Bylaws and they may elect such additional officers as are by them deemed necessary.

SECTION 4. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

SECTION 5. Regular Meetings. A meeting of the directors shall be held following the annual meeting of the shareholders of the Corporation.

SECTION 6. Special Meetings. Special meetings of the directors may be called by the chairperson of the Board of Directors, president, secretary, or by the written request of at least one-third of the members of the Board of Directors on at least five (5) days' notice to each director.

SECTION 7. Governing Rules. The Chairman of the Board ("Chairman") shall preside at all meetings of the members. In the absence of the Chairman, the Lead Director, if any, and if none then the Vice Chairman of the Board ("Vice Chairman") or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of members shall have the power to determine: (A) whether and to what extent proxies presented at the meeting shall be recognized as valid; (B) the procedure for taking and counting votes at such meeting; (C) the procedures for the conduct of such meeting; (D) the propriety of any proposal brought before the meeting; and (E) the resolution of any questions which may be raised at such meeting.

SECTION 8. Action Without Meeting. Any action required or permitted to be taken by the directors of the Corporation at a duly called meeting of the directors of the Corporation may be taken by unanimous written consent in lieu of a meeting.

SECTION 9. Action by Telephonic Communications. Members of the Board of Directors of the Corporation may participate in any meeting of directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in any meeting pursuant to this provision shall constitute presence in person at such meeting.

SECTION 10. Quorum. A majority of the members of the Board of Directors duly elected shall constitute a quorum at any meeting of the directors.

SECTION 11. Waiver of Notice. When all directors are present at any meeting of the Board of Directors and same may not have been properly called or notified, or when all members are not present but a quorum as required by these Bylaws is present, and all absent members shall sign a written consent thereto, the action taken at such meeting shall be valid as if properly called and noticed.

SECTION 12. Emergency Powers. If, as the result of a catastrophe or other emergency conditions a meeting of the Board of Directors, with the number required to be present by other provisions of these Bylaws cannot feasibly be convened, then the number required for a quorum shall be the minimum number required by the statute in effect at the time of the meeting and this provision shall supersede the quorum requirement otherwise stated in these Bylaws. Notwithstanding any other provisions of these Bylaws, the directors may, at any time, adopt a resolution in accordance with authority now or hereafter vested in it under which, to the extent and upon the terms stated therein, corporate powers may be exercised during the existence of emergency conditions.

ARTICLE III

Officers

SECTION 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board of Directors may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board of Directors may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board of Directors. One person may simultaneously hold any two or more offices.

SECTION 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board of Directors pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board of Directors.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed

upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board of Directors shall be subject to the approval of the Board of Directors.

SECTION 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

SECTION 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

SECTION 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board of Directors or by amendment to these Bylaws.

SECTION 8. Secretary. The Secretary shall, subject to the supervision of the Board of Directors and the CEO: keep the minutes of the meetings of members and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each member which shall be furnished to the Secretary by such member; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any

resolution adopted by the Corporation's members, Board of Directors or Board committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

SECTION 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

SECTION 10. Treasurer. The Treasurer shall, subject to the supervision of the Board of Directors and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board of Directors.

SECTION 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board of Directors, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

SECTION 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever, in the judgment of the Board of Directors, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

SECTION 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IV

Certificates Of Stock

The interest of each stockholder of the Corporation shall be evidenced by certificates or shares of stock certifying the number of shares represented thereby and in such form not inconsistent with the articles of incorporation as the Board of Directors may from time to time prescribe. The certificate of stock shall be signed by the president or a vice president and by the treasurer or an assistant treasurer and sealed with the seal of the Corporation. Such signatures may be facsimiles if the certificate is signed by a transfer agent of the Corporation other than a director, officer or employee of the Corporation. In case any officer who has signed or whose

facsimile signature has been placed on such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he/she were such officer at the time of its issue.

ARTICLE V

Certain Transactions; Indemnification

SECTION 1. Transactions between Directors and Officers and the Corporation.

The Board of Directors shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board of Directors had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

The Board of Directors shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

SECTION 2. Indemnification of Officers, Directors, Employees and Agents.

The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation

has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 2 of this Article V, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 2(A) or 2(B) of this Article V has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 2 of this Article V have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article V, except for Proceedings to enforce rights provided in this Article V, the Corporation shall not be obligated under this Article V to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board.

To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 2 of this Article V, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article V or the applicable provisions of Florida law.

The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 2 of this Article V to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 2 of this Article V upon such terms or conditions that the Board of Directors deems appropriate.

Indemnification and advancement of expenses as provided in this Article V shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

The indemnification and advancement of expenses provided by this Article V shall not be deemed exclusive of any other rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had

reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a shareholder.

If this Article V or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and as permitted by applicable law.

For purposes of this Article V, the term: (A) "Corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) "director" includes director emeritus; (C) "expenses" includes counsel fees, including those for appeal; (D) "liability" includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) "Proceeding" includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) "agent" includes a volunteer; (G) "serving at the request of the Corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) "not opposed to the best interest of the Corporation" describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Chapter 607, the Florida Business Corporation Act, Chapter 617, the Florida Not For Profit Corporation Act and Chapter 628, Florida Statutes.

ARTICLE VI

Contracts, Checks and Deposits

SECTION 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

SECTION 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

SECTION 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE VII

Voting Securities Issued by Another Corporation

Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE VIII

Subordination to Law

Every part of each section of these Bylaws shall be construed, whenever possible, as being consistent with applicable laws, and only such part as is clearly inconsistent, and to the extent that it is clearly inconsistent, shall be inoperative; and such part to the extent not clearly inconsistent and all other parts of the section and all other sections shall remain operative.

ARTICLE IX

Contributions

The Board of Directors may, subject to the restrictions imposed by law and to such rules as it may adopt, make or authorize contributions by the Corporation in such forms and in such amounts as it deems to be reasonable for public welfare or for charitable, scientific or educational purposes.

ARTICLE X

Amendments

These Bylaws may be amended by the Board of Directors or by the affirmative vote of a majority of the shareholders voting at a meeting of shareholders at which a quorum is present, in person or by proxy.

Exhibit G

EXHIBIT G

ANALYSIS OF ALTERNATIVE TRANSACTIONS

The Board believes a mutual insurer structure protects the independence and is to the benefit of, Florida Blue and its policyholders. A mutual insurance holding company structure provides this same protection while adding flexibility that will enable Florida Blue to advance its mission, remain financially strong for its members and substantially enable core transformation and diversification. Other alternative transactions are not considered viable. They involve either unacceptable public policy risk, risk to Florida Blue's independence, risk of financial claims by third persons, or a combination of these risks. Such alternative transactions and significant related risks are set forth below:

1. Maintaining Current Structure as a Florida Nonprofit, Mutual Insurance Company:
 - Highly regulated structure resulting from nonprofit, mutual insurance company parent impedes diversification, investment and acquisitions
 - Surplus cannot be distributed as dividends to affiliates
 - Inability to access equity markets to support growth and diversification through acquisitions, service and market expansion, and technology investment
2. Demutualization and Conversion of Florida Blue into a Stock Insurance Company
 - Would require legislation to authorize the conversion to a stock company
 - The potential conflict between the general obligations arising under the not for profit corporation act and the specific obligations of a mutual insurance company operating for the mutual benefit of its members
 - Would require an IPO or, more likely, acquisition of Florida Blue by a public company to replace distributed surplus, which would put Florida Blue's independence at risk
3. The Double Redomestication Approach to Conversion
 - Found to be impractical
 - Would require the acquiescence of regulators in two states
 - The potential conflict between the general obligations arising under the not for profit corporation act and the specific obligations of a mutual insurance company operating for the mutual benefit of its members

4. Spin-Off and IPO

- Would require transfer of substantial assets of Florida Blue to a subsidiary to create sufficient market value, a transaction that would likely be treated as a partial or full demutualization of Florida Blue under Florida statutes
- The potential conflict between the general obligations arising under the not for profit corporation act and the specific obligations of a mutual insurance company operating for the mutual benefit of its members
- Would present securities law conflict of interest issues

5. Legislative Approaches to Specifically Authorize a Reorganization of Florida Blue

- Would present unacceptable public policy risk of uncertain outcome that could threaten the independence of Florida Blue

6. Conversion to a Not-For-Profit Insurance Company and Reorganization into a Mutual Insurance Holding Company System

- Existing insurance statutes regarding Certificates of Authority are not harmonized with the statute authorizing the conversion of a mutual insurer into a not-for-profit insurance company, simultaneously with the creation of a mutual insurance holding company structure

Blue Cross and Blue Shield of Florida, Inc.
Consolidated Financial Statements
Years ended December 31, 2012 and 2011
with Report of Independent Auditors

**Blue Cross and Blue Shield
of Florida, Inc. d/b/a Florida
Blue and Subsidiaries**

**Consolidated Financial Statements
December 31, 2012 and 2011**

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
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Report of Independent Certified Public Accountants

To the Board of Directors of
Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue:

We have audited the accompanying consolidated financial statements of Blue Cross Blue Shield of Florida, Inc. d/b/a Florida Blue and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and December 31, 2011, and the related consolidated statements of comprehensive income, of policyholders' equity, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Certified Public Accountant's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blue Cross Blue Shield of Florida, Inc. d/b/a Florida Blue and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Company changed its method of accounting for deferred acquisition costs upon the retrospective adoption of Accounting Standards Update 2010-26, an amendment to Accounting Standards Codification (ASC) Topic 944, *Financial Services - Insurance* in 2011.

As discussed in Note 1 to the consolidated financial statements, in 2012 the Company changed its method of accounting for pension benefits, as permitted by ASC 715, *Compensation – Retirement Benefits*. All periods have been retroactively revised for this accounting change.

PricewaterhouseCoopers LLP

March 12, 2013

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Consolidated Balance Sheets
December 31, 2012 and 2011**

(in millions of dollars)

	2012	2011
Assets		
Cash and investments		
Fixed maturities, available for sale	\$ 3,238	\$ 3,140
Equity securities, available for sale	872	777
Securities lending collateral portfolio	25	88
Cash and cash equivalents	290	265
Total cash and investments	<u>4,425</u>	<u>4,270</u>
Receivables		
Premiums and other, net	599	583
Reimbursable contracts	149	117
Federal Employees Health Benefits Program	563	605
Total receivables	<u>1,311</u>	<u>1,305</u>
Property, equipment and computer software, net	350	343
Goodwill and other intangible assets	185	125
Prepaid and other assets	271	359
Investments in joint ventures and affiliates	249	223
Deferred income taxes	239	273
Deferred acquisition costs	180	173
Total assets	<u>\$ 7,210</u>	<u>\$ 7,071</u>
Liabilities		
Liabilities for policyholders' benefits		
Claims outstanding	\$ 544	\$ 495
Reimbursable contracts	149	117
Policy reserves	906	872
Total liabilities for policyholders' benefits	<u>1,599</u>	<u>1,484</u>
Unearned premiums		
Premiums	187	249
Federal Employees Health Benefits Program	563	605
Accrued payroll and related benefits	459	474
Bank overdrafts	110	160
Accounts payable and accrued expenses	364	445
Securities lending obligation	25	88
Line of credit	150	90
Total liabilities	<u>3,457</u>	<u>3,595</u>
Commitments and contingencies		
Policyholders' equity		
Capital and retained earnings	3,590	3,373
Accumulated other comprehensive income	163	103
Total policyholders' equity	<u>3,753</u>	<u>3,476</u>
Total liabilities and policyholders' equity	<u>\$ 7,210</u>	<u>\$ 7,071</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2012 and 2011

<i>(in millions of dollars)</i>	2012	2011
Premiums earned	\$ 8,213	\$ 7,536
Management services revenue	<u>672</u>	<u>525</u>
Net premiums and fees earned	8,885	8,061
Investment and other income	<u>198</u>	<u>211</u>
Total revenue	<u>9,083</u>	<u>8,272</u>
Claims and medical expenses	6,959	6,237
General and administrative expenses	1,813	1,724
Interest expense	<u>1</u>	<u>11</u>
Total expenses	<u>8,773</u>	<u>7,972</u>
Income before income taxes	<u>310</u>	<u>300</u>
Provision for income taxes		
Current	96	77
Deferred	<u>(3)</u>	<u>4</u>
Total provision for income taxes	<u>93</u>	<u>81</u>
Net income	<u>217</u>	<u>219</u>
Other comprehensive income (loss)		
Net change in unrealized investment gains and losses (net of deferred income taxes of \$34 and \$5)	49	9
Change in postretirement liability (net of deferred income taxes of \$5 and \$11)	<u>11</u>	<u>(20)</u>
Other comprehensive income (loss)	<u>60</u>	<u>(11)</u>
Comprehensive income	<u>\$ 277</u>	<u>\$ 208</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries**
Consolidated Statements of Policyholders' Equity
Years Ended December 31, 2012 and 2011

<i>(in millions of dollars)</i>	Accumulated Other Comprehensive Income (Loss)	Capital and Retained Earnings	Total Policyholders' Equity
Balances at December 31, 2010, as previously reported	\$ 6	\$ 3,262	\$ 3,268
Change in methodology for reporting actuarial gains and losses for defined benefit pension plans	108	(108)	-
Balances at December 31, 2010, as recast	114	3,154	3,268
Comprehensive income			
Net income	-	219	219
Net change in unrealized investment gains and losses (net of deferred income taxes of \$5)	9	-	9
Change in postretirement liability (net of deferred income taxes of \$11)	(20)	-	(20)
Comprehensive (loss) income	(11)	219	208
Balances at December 31, 2011, as recast	103	3,373	3,476
Comprehensive income			
Net income	-	217	217
Net change in unrealized investment gains and losses (net of deferred income taxes of \$34)	49	-	49
Change in postretirement liability (net of deferred income taxes of \$5)	11	-	11
Comprehensive income	60	217	277
Balances at December 31, 2012	\$ 163	\$ 3,590	\$ 3,753

The accompanying notes are an integral part of these consolidated financial statements.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011**

<i>(in millions of dollars)</i>	2012	2011
Cash flows from operating activities		
Net income	\$ 217	\$ 219
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	88	101
Net gain on investments	(30)	(29)
Net gain on sale of affiliate	-	(1)
Contribution of equity securities to charitable organizations	1	-
Deferred income taxes	(3)	4
Change in allowance for doubtful accounts	(3)	(18)
Income in equity from joint ventures and affiliates, net	(3)	(3)
Impairment of assets	8	-
Change in certain assets and liabilities		
Premiums and other receivables	10	(47)
Prepaid and other assets	90	(18)
Deferred acquisition costs	(38)	(56)
Claims outstanding	49	(41)
Policy reserves	34	43
Unearned premiums	(62)	62
Accrued payroll and related benefits	(4)	62
Accounts payable and accrued expenses	(118)	(28)
Net cash provided by operating activities	<u>236</u>	<u>250</u>
Cash flows from investing activities		
Proceeds from sales of fixed maturities	1,431	1,741
Proceeds from maturities of fixed maturities	3	2
Proceeds from sales of equity securities	176	95
Proceeds from the sale of affiliate	-	1
Cost of fixed maturities purchased	(1,500)	(1,746)
Cost of equity securities purchased	(196)	(308)
Investments in affiliates	(29)	(71)
Acquisition of businesses, net of cash and cash equivalents of \$4 and \$0	(54)	-
Purchases of property, equipment and computer software	(53)	(39)
Change in securities lending collateral portfolio	63	57
Net cash used in investing activities	<u>(159)</u>	<u>(268)</u>
Cash flows from financing activities		
Change in bank overdrafts	(49)	48
Proceeds from line of credit	740	90
Repayments of line of credit	(680)	-
Change in securities lending obligation	(63)	(57)
Repayment of surplus note	-	(150)
Net cash used in financing activities	<u>(52)</u>	<u>(69)</u>
Net change in cash and cash equivalents	25	(87)
Cash and cash equivalents		
Beginning of year	<u>265</u>	<u>352</u>
End of year	<u>\$ 290</u>	<u>\$ 265</u>
Supplemental disclosures		
Interest paid	\$ 1	\$ 12
Taxes paid	101	102
Significant noncash transactions		
Contribution of equity securities to charitable organizations	\$ 1	\$ -
Deferred gain on investment in affiliate	-	19

The accompanying notes are an integral part of these consolidated financial statements.

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1. Summary of Organization and Significant Accounting Policies

Organization

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue (the "Plan"), a not-for-profit mutual insurance company, offers a wide range of health insurance products including traditional and preferred provider health insurance products and health maintenance organization ("HMO") products (through its wholly owned subsidiaries, Health Options, Inc. ("HOI") and Florida Health Care Plan, Inc. ("FHCP"), and its controlled affiliate, Capital Health Plan, Inc. ("CHP")). The Plan's wholly owned subsidiaries also include the following: Comp Options Insurance Company, Inc. d/b/a OptaComp ("OptaComp"); First Coast Service Options, Inc. ("FCSO"); Novitas Solutions, Inc. ("Novitas"); Navigy, Inc.; Incepture, Inc.; GuideWell, Inc.; and Diagnostic Clinic Medical Group ("DCMG"). The Blue Cross and Blue Shield of Florida Foundation, Inc. is also a controlled affiliate of the Plan. The Plan's wholly owned subsidiaries also include the following holding companies: Diversified Health Services, Inc. ("DHS"), the holding company for certain health businesses; Diversified Service Options, Inc. ("DSO"), the holding company for certain government operations; and Navigy Holdings, Inc., the holding company for various diversified businesses. The consolidated financial statements include the accounts of the aforementioned entities (collectively, the "Company"). The Plan also has equity investments in numerous joint ventures including the following: Availity, LLC ("Availity"); Prime Therapeutics, LLC ("Prime"); Life and Specialty Ventures Partners, LLC ("LSVP"); TriCenturion, Inc.; BP Informatics, LLC; Blue International Plan Solutions, LLC; NDES Holdings, LLC ("NDES"); NDBH Holding Company, LLC ("New Directions"); Florida True Health, Inc. ("FTH") and Blue Cross Blue Shield Ventures II, Inc. In August 2011, C2C Solutions, Inc. was sold for \$1 million generating a \$1 million gain on the sale. In September 2011, Novitas Health, LLC was dissolved.

In January 2012, DSO acquired Highmark Medicare Services ("HMS"). HMS administers Medicare contracts in various states. HMS changed its name to Novitas subsequent to the closing of the acquisition. In December 2012, DHS acquired DCMG, a multi-specialty physician practice based in Largo, Florida. See Note 13 for additional information on these acquisitions.

In December 2011, DHS and Amerihealth Mercy Health Plan ("AMHP"), an unrelated partnership, formed FTH. FTH was formed to establish a new HMO licensed in Florida to provide managed care services to Medicaid members in Florida. DHS owns 50% of FTH and the Company records the operations of FTH using the equity method of accounting. During 2012, DHS and AMHP have each contributed \$28 million to FTH. DHS and AMHP have committed to fund FTH adequately to comply with the requirements of the State of Florida Office of Insurance Regulation ("OIR"), the Blue Cross and Blue Shield Association ("Association") and any Medicaid managed care contracts with the Agency for Health Care Administration.

The Plan is an independent licensee of the Association. The Association owns the Blue Cross and Blue Shield service marks and establishes national policies and sets certain operating and financial guidelines for the independent Blue Cross and Blue Shield Plans. The Association is not an affiliate or guarantor of the Plan.

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Basis of Presentation, Principles of Consolidation, and Investments in Joint Ventures and Affiliates

The consolidated financial statements include the accounts of the Company. All significant intercompany transactions have been eliminated. Investments in joint ventures and affiliates in which less than a majority interest is held and where the Company has the ability to exercise significant influence over the operating and financial policies of the investee are accounted for using the equity method of accounting.

In 2012, the Company made a change to its accounting methodology for recognizing actuarial gains and losses for qualified and non-qualified pension benefit plans and recast the 2011 financial statements to reflect the change. See Note 6 for additional information regarding the recast amounts.

Certain amounts in the 2011 consolidated financial statements have been reclassified to correspond to the 2012 presentation.

The Company evaluated events and transactions that occurred after December 31, 2012, but prior to the issuance of these consolidated financial statements on March 12, 2013, and in the opinion of management, the accompanying consolidated financial statements reflect all material items.

Use of Estimates

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In preparing the consolidated financial statements, the Company is required to make estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Investments

Fixed maturities and equity securities are classified as available for sale and carried at fair value. Changes in fair value are generally recorded, net of tax, as a component of other comprehensive income. However, GAAP requires that the book value of investments be written down to fair value, with losses charged to earnings if the decline is determined to be other-than-temporary. The Company evaluates investment securities on a quarterly basis, using both quantitative and qualitative factors, to determine when a decline in value is other-than-temporary. Such factors considered include the length of time and the extent to which a security's fair value has been less than its cost, financial condition and near term prospects of the issuer, and forecasted economic, market or industry trends. For fixed income securities, impairment is considered to be other-than-temporary if the Company has the intent to sell the security prior to recovery, if it is more likely than not the Company will be required to sell the security prior to recovery, or if the Company does not believe the value of the security will recover. Equity securities are deemed to be other-than-temporarily impaired based on the severity of the unrealized loss and the length of time the security has been in an unrealized loss position. For fixed income securities, the other-than-temporarily impaired amount is separated into the amount related to a credit loss, which is reflected as a charge to realized investment gains (losses) included in investment and other income, and the amount related to all other factors, which is recognized in other comprehensive income. The credit loss component is calculated using the Company's best estimate of the present value of cash flows expected to be collected from the fixed income security. Subsequent to recognition of a credit related impairment loss, the difference between the new cost basis and the cash flows expected to be collected is accreted as interest income. With respect to securities where the decline in value is

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determined to be temporary and the security's value is not written down, a subsequent decision may be made to sell that security and realize a loss. If a security's decline in fair value is not expected to be fully recovered prior to the expected time of sale, the Company would record an other-than-temporary impairment in the period in which the decision to sell is made.

As defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement* ("ASC 820"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). Market data and assumptions that are believed to be used by market participants in pricing the asset or liability including assumptions about risk and the risks inherent in the inputs to the valuations technique are utilized. These inputs may be readily observable, market corroborated or generally unobservable.

Inputs used to measure fair value are prioritized by the fair value hierarchy established by ASC 820. Highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 Pricing inputs are based on quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Unadjusted quoted prices from national exchanges are the primary pricing source. Common stock, including mutual funds and exchange traded funds ("ETFs") invested in common stocks, and United States of America ("U.S.") treasury and agency notes are generally included in this category.
- Level 2 Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Corporate debt securities, tax-exempt securities, mortgage backed securities issued by agencies sponsored by the U.S. Government and preferred stocks are generally included in this category.
- Level 3 Pricing inputs include significant inputs that are generally less observable from objective sources and may include internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant. All investments subject to ASC 820 are analyzed as of the statement date and assets or liabilities whose fair value is based on significant unobservable inputs are classified as Level 3. Fixed-income securities priced solely using broker quotes or other proprietary pricing methodologies, such as private placement corporate debt and bank loans, are generally included in this category.

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Valuation techniques and inputs for Level 2 and Level 3:

Level 2 The primary source for estimating the fair value of investments that have an exchange traded price or multiple observable inputs in less than active markets is a single pricing service, Interactive Data Corporation ("IDC"). Based on the Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, the Company has not historically adjusted the prices obtained from the pricing service. In situations where IDC does not have multiple observable inputs or the ability to price a given security, a price is obtained from another pricing service or by obtaining nonbinding broker or dealer quotes.

Standard inputs for Level 2 prices include, when available, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

Level 3 Valuations of securities with less than observable inputs are calculated and provided by external investment management companies. The Company's investments valued using level 3 inputs consist primarily of private placement debt instruments and bank loan securities. The private placement debt instrument valuation procedures include spread matrix development, assignment of private spreads, proprietary software ("Factset FIM") used to calculate prices, and a committee review process. Inputs generally include market comparables (Barclays Capital U.S. Corporate index representing an estimate of a corporate bond's spread to the treasury curve entry level multiples), various maturities, average lives and credit qualities, as well as other variables. The bank loan security valuation procedures calculate a best estimate of an exit price for a holding as of the valuation date using a bank loan pricing service ("Markit Loan Pricing"), which incorporates various valuation methods. These methods include composite pricing, implied pricing and model pricing. Inputs generally include market data from global trading desks, loan marks, data quality scores, comparable loan prices, and an industry and rating matrix.

During 2012 and 2011, transfers in and out of Level 3 were not significant and were determined based on changes in the existence of observable pricing inputs and valuation techniques.

Transfers between levels are recognized at the beginning of the reporting period. There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2012 and 2011.

Cash and cash equivalents consist of federal agency notes, repurchase agreements, money market funds, late money deposits and demand deposits with an original maturity, when purchased, of less than ninety days. These investments are carried at cost, which approximates fair value.

Realized investment gains and losses resulting from sales of investments are recorded on a specific identification basis and are included in investment and other income.

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Securities Lending Collateral Portfolio and Securities Lending Obligation

The Company, with the permission of the OIR, retains an agent to manage a securities lending collateral portfolio. Under the Company's securities lending policy, certain securities from its portfolio are loaned to other institutions for short periods of time. Such securities are classified as available for sale in the consolidated balance sheets. Initial collateral consisting primarily of cash, is required at a rate of 102% of the fair value of a loaned domestic security and 105% of the fair value of a loaned foreign security. The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the fair value of the loaned securities fluctuates. The collateral is deposited by the borrower with an independent lending agent and retained and invested by the lending agent according to the Company's guidelines to generate additional income.

Investments made by the lending agent with securities lending collateral are carried at fair value and unrealized gains and losses from changes in the fair value are included in accumulated other comprehensive income (loss), net of deferred income taxes.

Concentration of Credit Risk

Cash is primarily held in deposits in noninterest-bearing transaction accounts with U.S. banks or in money market mutual funds. The financial stability of these institutions is reviewed on a periodic basis. Fixed maturity securities are diversified and primarily include investment grade securities, with a small percentage of below investment grade securities. Diversification is enforced by limiting individual nongovernment issues to no more than 5% of the portfolio.

The Company does not engage in significant subprime residential mortgage lending. The Company's exposure to subprime lending is primarily limited to investments within the fixed maturity investment portfolio which contain securities issued by financial institutions that may directly or indirectly own securities collateralized by mortgages that have characteristics of subprime lending, and equity securities with exposure to the real estate industry. As of December 31, 2012 and 2011, the Company did not own any securities backed by subprime mortgages.

Revenue Recognition

Premiums for fully insured contracts are billed in advance of coverage periods and recognized as revenue ratably over the period of service or coverage. Reserves for medical loss ratio rebates that are required by federal regulations described in Note 10 are recorded as a reduction to premiums with a corresponding liability included in unearned premiums. As of December 31, 2012 and 2011, medical loss ratio rebate reserves totaled \$1 and \$55 million, respectively. Medical loss ratio rebates of approximately \$36 million were paid to groups during 2012, which related to rebate calculations for the 2011 reporting year. 2011 was the first year that medical loss ratio rebates were payable to policyholders. Other revenue is recognized as income when earned.

Certain group contracts provide for the group to be at risk for all or a portion of their claims experience. Some of these self-funded groups purchase aggregate and/or specific stop-loss coverage from the Company under which the group's aggregate liability or the group's liability on any individual member is capped for the contract year. The group contracts detail the Company's administrative fee for the self-funded groups, which is primarily based on the number of members in a group and the group's claims experience. Under the Company's self-funded arrangements, amounts billed to the groups include paid claims, administrative and other fees, and stop-loss premiums, if any.

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Certain group contracts provide for retrospectively rated premium based on the actual claims experience of the group. Reserves for retrospective adjustments to premium are estimated quarterly. Amounts are recorded to premiums receivable for loss experience in excess of initial estimates and recorded to policy reserves for loss experience less than initial estimates. As of December 31, 2012 and 2011, receivables for retrospectively rated premium adjustments were \$2 and \$1 million, respectively. As of December 31, 2012 and 2011, policy reserves for retrospectively rated premium adjustments were \$33 and \$18 million, respectively.

General and administrative expenses are allocated to various lines of business and subsidiaries of the Company in order to determine the expense reimbursement due from the Centers for Medicare and Medicaid Services ("CMS"), where the Company acts as a fiscal intermediary. Reimbursements of \$278 and \$127 million for the years ended 2012 and 2011, respectively, (which approximate the cost of administering these programs) were included in management services revenue. The actual cost of administration is included in general and administrative expenses. Reimbursements and claim payments are subject to audit by the respective agencies and any resulting adjustments are reflected in current operations. In connection with this fiscal intermediary contract and expense reimbursement arrangement, the Company processed 235 million claims totaling \$66 billion in 2012 and 85 million claims totaling \$19 billion in 2011.

Accounting for the Medicare Part D Prescription Drug Program

The Company serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with CMS. Premiums received in advance are recorded as unearned premiums. Costs for covered prescription drugs are expensed as incurred. Low-income claims subsidy and reinsurance paid in advance by CMS are recorded as liabilities in accounts payable and accrued expenses and reduce claims and medical expenses as earned. A risk sharing (reinsurance) arrangement provides a risk corridor whereby the target amount (premiums received from members and CMS based on the Company's annual bid amount less administrative expenses) is compared to actual drug costs incurred during the contract year. Based on actual claims incurred, a receivable or payable is recorded as an adjustment to premiums. A reconciliation of the final risk sharing, low-income subsidy and catastrophic amounts is required annually.

As a plan sponsor, the Company administers the Medicare coverage gap subsidy, a 50% discount from pharmaceutical manufacturers to Medicare Part D enrollees on drug costs exceeding their initial coverage limit until they qualify for catastrophic coverage. Amounts paid to pharmacies for this discount by the Company are recorded as pharmacy rebates receivable in premiums and other receivables, net, until reimbursement is received from the pharmaceutical manufacturers.

Receivables

Receivables are reported net of an allowance for estimated uncollectible amounts of \$27 and \$30 million at December 31, 2012 and 2011, respectively. Management establishes the allowance based on judgments regarding the age of the receivables, terms of the contracts, historical write-offs, financial status of debtor and other circumstances. The Company's receivables are not held for sale.

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Premium receivables are billed in advance of the coverage period and are generally due on the first day of the coverage period. Group premium receivables are aged based on the due date and are considered delinquent after 10 days while premium receivables relating to individual coverage are considered delinquent after 30 days. All delinquent accounts are pursued for a reasonable period of time until further collection efforts appear of limited value and are then written off. Although collection efforts may continue, premium accounts receivable delinquent more than 90 days are fully reserved.

Claim overpayment recovery receivables are billed when identified and are considered due when invoiced. Overpayment recovery receivables are aged based on the due date and are considered delinquent after 90 days. The Company utilizes offsetting against current claim payments for delinquent accounts or the amounts are referred to outside collection agencies for final collection efforts if offsetting is not accomplished. All delinquent accounts are pursued for a reasonable period of time until further collection efforts appear of no value and are then written off. Although collection efforts may continue, claim overpayment recovery receivables aged more than one year are fully reserved.

Receivables for amounts due to the Company under reimbursable contracts are also established as liabilities. The Company records its proportional share of unearned premiums and related receivables for the Federal Employees Health Benefits Program ("FEP"), administered by the Association through the FEP Director's Office.

Property, Equipment and Computer Software

Property, equipment and computer software are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from three to thirty-nine years.

Computer software costs consist of costs to purchase and develop software. The Company capitalizes internally developed software costs on a project-specific basis. Amortization of capitalized software is computed on a per project basis over a period of three to seven years, depending on the useful life of the related software.

Property, equipment and computer software are reviewed for possible impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment losses were \$5 and \$1 million for the years ended December 31, 2012 and 2011, respectively, and were included in investment and other income. The impairment losses recognized in 2012 related to computer software assets utilized by OptaComp.

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Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets at date of acquisition. The Company has three reporting units for purposes of measuring the goodwill recorded in the consolidated balance sheets. The changes in the carrying amount of goodwill for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of dollars)</i>	2012	2011
Balances as of January 1	\$ 95	\$ 95
Acquisition of Novitas	11	-
Acquisition of DCMG	33	-
Balances as of December 1	<u>\$ 139</u>	<u>\$ 95</u>

Other intangible assets at December 31, 2012 and 2011, respectively, are as follows:

<i>(in millions of dollars)</i>	<u>2012</u>			<u>2011</u>		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Customer contracts and related relationships	\$ 55	\$ 13	\$ 42	\$ 32	\$ 8	\$ 24
Trademarks and trade names	5	1	4	5	1	4
Proprietary software	2	2	-	2	1	1
Other	-	-	-	1	-	1
Total other intangible assets	<u>\$ 62</u>	<u>\$ 16</u>	<u>\$ 46</u>	<u>\$ 40</u>	<u>\$ 10</u>	<u>\$ 30</u>

The Company amortizes other intangible assets on a straight-line basis over periods ranging from 2 to 40 years. Management revises amortization periods if it believes there has been a change in the length of time that an intangible asset will continue to have value. Amortization expense for these intangible assets was \$7 and \$3 million in 2012 and 2011, respectively.

Estimated aggregate amortization expense for each of the five succeeding years and thereafter is as follows:

<i>(in millions of dollars)</i>	
Years Ending	
2013	\$ 6
2014	5
2015	5
2016	4
2017	4
Thereafter	<u>22</u>
	<u>\$ 46</u>

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Impairment testing of goodwill and other intangible assets is performed annually. The annual impairment testing performed in 2012 resulted in \$3 million in impairment losses related to intangible assets recorded for Optacomp. Annual impairment testing of goodwill and other intangible assets was also performed in 2011, resulting in no impairment losses.

Prepaid and Other Assets

Prepaid and other assets are primarily comprised of the cash surrender value of corporate owned life insurance policies, premium and state income tax recoverables, and prepaid expenses. The Company purchases variable universal life insurance policies to facilitate the funding of an unqualified supplemental pension plan and certain other nonqualified deferred compensation benefits and is the sole owner and beneficiary of such policies. The cash surrender value of these policies, carried at fair value based on the unit values of the underlying funds adjusted by the change in their net asset values ("NAV"), dividends and capital gains, was \$201 and \$186 million at December 31, 2012 and 2011, respectively. The Company has recorded amounts recoverable for premium and state income tax credits of \$6 and \$102 million as of December 31, 2012 and 2011, respectively, for guarantee fund assessments. The Company records software licensing and maintenance agreements in progress as prepaid expenses and amortizes them over the term of the contract.

Deferred Acquisition Costs

The costs of acquiring new business, principally commissions, certain expenses of policy issuance and underwriting for certain products are deferred. These expenses are primarily related to the sales production of Individual Under 65 non-HMO and certain Medicare supplemental products. Deferred acquisition costs are amortized over the expected premium-paying period of the related policies. Amortization expense charged to operations for the years ended December 31, 2012 and 2011 was \$30 and \$45 million, respectively. Recoverability tests are performed annually and the deferred acquisition costs were deemed to be recoverable at December 31, 2012 and 2011.

Liability for Policyholders' Benefits

The Company establishes a liability for incurred but not reported claims based on factors such as historical paid and incurred claims data using actuarially accepted methodologies. The assumptions used in determining the liability are regularly reviewed and any adjustment resulting from these reviews is reflected in current estimates. Processing costs related to such estimated claims are accrued and reported in accounts payable and accrued expenses. See Note 5 for an analysis of changes in the liability for claims outstanding and unpaid claims adjustment expenses.

Policy reserves for certain health insurance products are established to reflect the concept that current premiums include a component to pre-fund future claims. Policy reserves are recognized on a net level premium method based on assumptions deemed appropriate for the year of contract issuance as to future investment yield, mortality, morbidity, and withdrawals, including margins for adverse deviation. Policy reserves are periodically analyzed for sufficiency using the gross premium valuation method without margin for adverse deviation. Interest assumptions are consistent with applicable yield rates. Mortality, morbidity, and withdrawal assumptions are based on recognized actuarial tables or Company experience, as appropriate. Policy reserves are calculated using mid-terminal reserve factors. The assumed investment yield utilized in the determination of these policy reserves was 6% in both 2012 and 2011. Policy benefit claims and changes in reserves are charged to expense in the year incurred.

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The Company evaluates its health care contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future claims, claims adjustment expenses, unamortized deferred acquisition costs, and maintenance costs will exceed anticipated future premiums on existing contracts, without consideration of investment income. For purposes of determining if premium deficiency losses exist, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. No premium deficiency reserves have been established for 2012 or 2011 as all contract groupings had sufficiencies.

Accrued Payroll and Related Benefits

Accrued payroll and related benefits contain accrued liabilities for salaries, employee withholdings, paid time off, pension, 401(k), postretirement and postemployment benefits.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are primarily comprised of trade payables, commissions payable, payables to investment brokers for pending trades, guaranty fund assessments, and other accrued expenses.

Guaranty Fund Assessments

Under Florida law, the Company is subject to state guaranty fund assessments, the purpose of which is to collect money from solvent insurance companies to cover certain losses resulting from the insolvency or rehabilitation of other insurance companies. The Company's policy is to recognize its obligation for guaranty fund assessments when it becomes aware that an insolvency has occurred for which the Company will be assessed and the amount of such assessment can be reasonably estimated. The Company is entitled under Florida law to recover such guaranty fund assessments through premium and state income tax credits.

During 2011, guaranty fund assessments for several insolvent companies of \$6 million were recorded and paid and an offsetting premium and state income tax recoverable was recorded. The Company assesses the adequacy of the estimate of the obligation for guaranty fund assessments at least annually.

Income Taxes

The Company files consolidated federal and state income tax returns with its eligible subsidiaries. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using currently enacted tax rates and laws in effect for the years in which the differences are expected to reverse.

Pharmacy Rebates

Pharmacy rebates ("rebates") are volume discounts negotiated with drug manufacturers by the Company's pharmacy benefit manager on behalf of the Company. Rebates are earned when a discounted medication is dispensed to the Company's member with pharmacy benefits coverage. The Company estimates rebates using the previous rebate payments as a basis and applies these estimates to the actual prescriptions filled for three months. Rebates are recorded in premiums and other receivables, net and as a reduction to claims and medical expenses.

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Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) includes both net income and other comprehensive income (loss). Accumulated other comprehensive income (loss) consist of net changes in unrealized investment gains and losses and postretirement liability adjustments. Policyholders' equity at December 31, 2012 and 2011 includes accumulated other comprehensive income (loss) components as follows:

<i>(in millions of dollars)</i>	2012	2011
Unrealized investment gains and losses, net of deferred income taxes of \$109 and \$75, respectively	\$ 172	\$ 123
Postretirement liability adjustments, net of deferred income taxes of \$6 and \$11, respectively	<u>(9)</u>	<u>(20)</u>
Total accumulated other comprehensive income	<u>\$ 163</u>	<u>\$ 103</u>

Policyholders' Equity

As of December 31, 2012 and 2011, policyholders' equity includes \$497 and \$446 million of net assets in not-for-profit controlled affiliates, respectively. Therefore, the net assets of these affiliates are not available to satisfy obligations of the Plan, as restricted by the Internal Revenue Code.

Recently Issued Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, *Presentation of Comprehensive Income*, amending ASC Topic 220, *Comprehensive Income* ("ASU 2011-05"). The amended standard requires presentation of total comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements of net income and other comprehensive income. The new guidance also called for reclassification adjustments from other comprehensive income to be measured and presented by income statement line item in net income and in other comprehensive income. This guidance must be applied retrospectively and was effective for interim and annual periods ending after December 15, 2012. Consistent with this guidance, the Company changed its presentation of net income and other comprehensive income into a single continuous consolidated statement of comprehensive income and applied the guidance retrospectively to 2011. However, in December 2011, the FASB issued ASU 2011-12, *Comprehensive Income*, amending ASC Topic 220, *Comprehensive Income*, which deferred the portion of the ASU 2011-05 guidance related to the presentation of reclassification adjustments out of accumulated other comprehensive income.

In July 2011, the FASB issued ASU 2011-06, *Fees Paid to the Federal Government by Health Insurers*, amending ASC Topic 720, *Other Expenses*. The amended standard specifies that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable. A corresponding deferred asset is recorded and amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. Such fees do not meet the definition of an acquisition cost as amended by ASU 2010-26, *Financial Services-Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. The amendment is effective for calendar years beginning after December 31, 2013, when the health insurer fee provided for in the legislation described in Note 10 becomes effective. The Company estimates a health insurer fee ranging from \$100 to \$110 million may be payable in 2014.

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In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*, amending ASC Topic 210, *Balance Sheet*, which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The new guidance is effective for fiscal periods beginning on or after January 1, 2013. The Company will adopt the guidance in 2013 and it is not expected to have a significant impact on the Company's consolidated financial statements.

2. Investments Available for Sale

Investments available for sale at December 31, 2012 and 2011 are summarized as follows:

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in millions of dollars)</i>				
Fixed maturities				
U. S. Treasury and agency notes	\$ 613	\$ 48	\$ -	\$ 661
U. S. Agency mortgage-backed securities	957	48	-	1,005
Other mortgage and asset backed securities	20	2	-	22
Corporate debt securities	803	68	2	869
Tax-exempt securities	466	28	1	493
Foreign government securities	14	1	-	15
Foreign mortgage and asset backed securities	2	-	-	2
Foreign corporate securities	155	16	-	171
Total fixed maturities	3,030	211	3	3,238
Equities				
Preferred stock	133	16	-	149
Common stock - domestic	414	72	-	486
Common stock - international	222	16	1	237
Total equities	769	104	1	872
Total available for sale investments	\$ 3,799	\$ 315	\$ 4	\$ 4,110

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	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in millions of dollars)</i>				
Fixed maturities				
U. S. Treasury and agency notes	\$ 558	\$ 45	\$ -	\$ 603
U. S. Agency mortgage-backed securities	913	56	-	969
Other mortgage and asset backed securities	23	1	-	24
Corporate debt securities	794	47	8	833
Tax-exempt securities	434	31	-	465
Foreign government securities	58	4	1	61
Foreign mortgage and asset backed securities	2	-	-	2
Foreign corporate securities	171	13	1	183
Total fixed maturities	<u>2,953</u>	<u>197</u>	<u>10</u>	<u>3,140</u>
Equities				
Preferred stock	126	13	1	138
Common stock - domestic	372	36	3	405
Common stock - international	259	1	26	234
Total equities	<u>757</u>	<u>50</u>	<u>30</u>	<u>777</u>
Total available for sale investments	<u>\$ 3,710</u>	<u>\$ 247</u>	<u>\$ 40</u>	<u>\$ 3,917</u>

As of December 31, 2012 and 2011, \$2,863 or 88% and \$2,777 million or 88%, respectively, of the fixed maturities in the Company's portfolio were investment grade (Baa and above, or equivalent). As of December 31, 2012 and 2011, \$375 and \$363 million, respectively, were below investment grade, within the guidelines of the Company's investment policy. Equity securities are primarily held with the investment objective of diversification, yield and potential capital appreciation.

As of December 31, 2012 and 2011, fixed maturities and equity securities with a decline in fair value below amortized cost were as follows, including the length of time of such decline:

	2012					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions of dollars)</i>						
Fixed maturities						
U. S. Treasury and agency notes	\$ 48	\$ -	\$ -	\$ -	\$ 48	\$ -
U. S. Agency mortgage-backed securities	93	-	-	-	93	-
Other mortgage and asset backed securities	-	-	1	-	1	-
Corporate debt securities	74	(1)	8	(1)	82	(2)
Tax-exempt securities	47	(1)	-	-	47	(1)
Foreign mortgage and asset backed securities	2	-	-	-	2	-
Foreign corporate securities	3	-	1	-	4	-
Total fixed maturities	<u>267</u>	<u>(2)</u>	<u>10</u>	<u>(1)</u>	<u>277</u>	<u>(3)</u>
Equities						
Preferred stock	11	-	1	-	12	-
Common stock - domestic	2	-	-	-	2	-
Common stock - international	-	-	13	(1)	13	(1)
Total equities	<u>13</u>	<u>-</u>	<u>14</u>	<u>(1)</u>	<u>27</u>	<u>(1)</u>
	<u>\$ 280</u>	<u>\$ (2)</u>	<u>\$ 24</u>	<u>\$ (2)</u>	<u>\$ 304</u>	<u>\$ (4)</u>

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	2011					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions of dollars)</i>						
Fixed maturities						
U. S. Treasury and agency notes	\$ 7	\$ -	\$ -	\$ -	\$ 7	\$ -
Other mortgage and asset backed securities	-	-	1	-	1	-
Corporate debt securities	160	7	5	1	165	8
Tax-exempt securities	-	-	3	-	3	-
Foreign government securities	8	1	1	-	9	1
Foreign corporate securities	22	1	3	-	25	1
Total fixed maturities	197	9	13	1	210	10
Equities						
Preferred stock	28	1	1	-	29	1
Common stock - domestic	103	3	-	-	103	3
Common stock - international	224	26	-	-	224	26
Total equities	355	30	1	-	356	30
	<u>\$ 552</u>	<u>\$ 39</u>	<u>\$ 14</u>	<u>\$ 1</u>	<u>\$ 566</u>	<u>\$ 40</u>

Consistent with the accounting policy described in Note 1, the Company evaluated the securities in an unrealized loss position at the balance sheet date and determined that no securities were other-than-temporarily impaired at December 31, 2012 and 2011.

The amortized cost and fair value of fixed maturities at December 31, 2012 and 2011 by contractual maturity are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(in millions of dollars)</i>				
Due in one year or less	\$ 53	\$ 53	\$ 35	\$ 36
Due after one year through five years	893	940	938	974
Due after five years through ten years	865	935	787	842
Due after ten years	240	281	255	293
	2,051	2,209	2,015	2,145
Mortgage and asset backed securities	979	1,029	938	995
	<u>\$ 3,030</u>	<u>\$ 3,238</u>	<u>\$ 2,953</u>	<u>\$ 3,140</u>

Proceeds from sales of investments during 2012 and 2011 were \$1,607 and \$1,836 million, respectively. Proceeds from maturities of investments during 2012 and 2011 were \$3 and \$2 million, respectively. Gross gains of \$54 and \$45 million and gross losses of \$10 and \$8 million were realized on those sales in 2012 and 2011, respectively. During 2012 and 2011, no realized losses were recorded for the write-down of securities deemed to be other-than-temporarily impaired.

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The following tables present disclosures about fair value measurements at December 31, 2012 and 2011 for assets measured at fair value on a recurring basis:

	2012			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(in millions of dollars)</i>				
Fixed maturities				
U.S. Treasury and agency notes	\$ 661	\$ -	\$ -	\$ 661
U.S. Agency mortgage-backed securities	144	861	-	1,005
Other mortgage and asset backed securities	-	22	-	22
Corporate debt securities	43	713	113	869
Tax-exempt securities	32	461	-	493
Foreign government securities	-	15	-	15
Foreign mortgage and asset backed securities	-	2	-	2
Foreign corporate securities	-	98	73	171
Total fixed maturities	880	2,172	186	3,238
Equities				
Preferred stock	-	149	-	149
Common stock - Domestic	485	-	1	486
Common stock - International	237	-	-	237
Total equities	722	149	1	872
Total available for sale investments	1,602	2,321	187	4,110
Securities lending collateral portfolio	-	25	-	25
Cash equivalents	-	31	-	31
Total invested assets	\$ 1,602	\$ 2,377	\$ 187	\$ 4,166
Corporate owned life insurance	\$ -	\$ 201	\$ -	\$ 201

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	2011			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(in millions of dollars)</i>				
Fixed maturities				
U.S. Treasury and agency notes	\$ 603	\$ -	\$ -	\$ 603
U.S. Agency mortgage-backed securities	109	860	-	969
Other mortgage and asset backed securities	-	24	-	24
Corporate debt securities	128	633	72	833
Tax-exempt securities	-	465	-	465
Foreign government securities	-	61	-	61
Foreign mortgage and asset backed securities	-	2	-	2
Foreign corporate securities	-	115	68	183
Total fixed maturities	840	2,160	140	3,140
Equities				
Preferred stock	-	138	-	138
Common stock - Domestic	404	-	1	405
Common stock - International	234	-	-	234
Total equities	638	138	1	777
Total available for sale investments	1,478	2,298	141	3,917
Securities lending collateral portfolio	-	88	-	88
Cash equivalents	-	63	-	63
Total invested assets	\$ 1,478	\$ 2,449	\$ 141	\$ 4,068
Corporate owned life insurance	\$ -	\$ 186	\$ -	\$ 186

The corporate debt securities, foreign corporate securities and domestic common stock measured using level 3 inputs are comprised of the following: private placement debt instruments (\$142 and \$140 million at December 31, 2012 and 2011, respectively); bank loan securities (\$42 and \$0 million at December 31, 2012 and 2011, respectively); and other securities (\$3 million and \$1 million at December 31, 2012 and 2011, respectively).

Common stock holdings include index mutual funds with a fair value of \$203 and \$169 million at December 31, 2012 and 2011, respectively, which are valued at the NAV of the underlying securities on a daily basis. These funds may be redeemed daily without restriction.

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The following tables present disclosures about fair value measurements at December 31, 2012 and 2011 using significant unobservable inputs (Level 3). Reclassifications impacting Level 3 financial instruments are reported as transfers in (out) of the Level 3 category as of the beginning of the period in which the transfer occurs. Explanations for transfers in (out) of Level 3 and recognition of transfers between levels are presented in the investment section of Note 1. Gains and losses included in income only reflect activity for the period the instrument was classified in Level 3. There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2012 and 2011.

<i>(in millions of dollars)</i>	U. S. Agency Mortgage- Backed Securities	Other Mortgage and Asset Backed Securities	Corporate Debt Securities	Foreign Corporate Securities	Common Stock - Domestic	Securities Lending Collateral Portfolio	Total
Ending balances at December 31, 2010	\$ 1	\$ 1	\$ 68	\$ 66	\$ 1	\$ 1	\$ 138
Transfers into Level 3	-	-	2	-	-	-	2
Transfers out of Level 3	(1)	(1)	-	-	-	-	(2)
Total gains or losses	-	-	2	1	-	-	3
Included in earnings (or changes in net assets)	-	-	-	1	-	-	1
Included in other comprehensive income	-	-	2	-	-	-	2
Purchases, issuances, sales, and settlements	-	-	5	8	-	-	13
Purchases	-	-	-	-	-	-	-
Issuances	-	-	-	-	-	-	-
Sales	-	-	(5)	(8)	-	(1)	(14)
Settlements	-	-	-	-	-	-	-
Ending balances at December 31, 2011	-	-	72	68	1	-	141
Transfers into Level 3	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-
Total gains or losses	-	-	-	-	-	-	-
Included in earnings (or changes in net assets)	-	-	-	-	-	-	-
Included in other comprehensive income	-	-	3	2	-	-	5
Purchases, issuances, sales, and settlements	-	-	48	5	-	-	53
Purchases	-	-	-	-	-	-	-
Issuances	-	-	-	-	-	-	-
Sales	-	-	(10)	(2)	-	-	(12)
Settlements	-	-	-	-	-	-	-
Ending balances at December 31, 2012	\$ -	\$ -	\$ 113	\$ 73	\$ 1	\$ -	\$ 187

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Realized gains and losses included in earnings for assets held and measured using Level 3 inputs at December 31, 2012 and 2011 are as follows:

<i>(in millions of dollars)</i>	Fixed Maturities Securities, Available for Sale	Equity Securities, Available for Sale	Securities Lending Collateral Portfolio
The amount of total gains or losses for the year ended December 31, 2012 included in earnings attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2012	\$ -	\$ -	\$ -
The amount of total gains or losses for the year ended December 31, 2011 included in earnings attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2011	\$ -	\$ -	\$ -

For assets measured using Level 3 inputs, realized gains and losses included in earnings and unrealized gains and losses included in other comprehensive income (loss) for the period are reported as follows:

<i>(in millions of dollars)</i>	Fixed Maturities Securities, Available for Sale	Equity Securities, Available for Sale	Securities Lending Collateral Portfolio
Total gains and losses included in earnings for the year ended December 31, 2012 (above)	\$ -	\$ -	\$ -
Change in unrealized gains or losses related to assets still held at December 31, 2012	5	-	-
Total gains and losses included in earnings for the year ended December 31, 2011 (above)	\$ 1	\$ -	\$ -
Change in unrealized gains or losses related to assets still held at December 31, 2011	3	-	-

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3. Property, Equipment and Computer Software

Property, equipment, computer software consisted of the following at December 31:

<i>(in millions of dollars)</i>	2012	2011
Land	\$ 38	\$ 37
Buildings and improvements	394	387
Equipment	225	225
Computer software	482	441
Total property, equipment and computer software	<u>1,139</u>	<u>1,090</u>
Less: Accumulated depreciation and amortization	<u>(789)</u>	<u>(747)</u>
Net property, equipment and computer software	<u>\$ 350</u>	<u>\$ 343</u>

Depreciation expense for 2012 and 2011 was \$51 and \$53 million, respectively, of which \$23 and \$22 million, respectively, was related to computer software. Internally developed software of \$16 and \$2 million in 2012 and 2011, respectively, was capitalized. Computer software, net of amortization, as of December 31, 2012 and 2011, was \$51 and \$41 million, respectively.

The Company capitalizes interest incurred on funds used to construct property, equipment and computer software. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's useful life. Interest cost capitalized was less than \$1 million for both years ended December 31, 2012 and 2011.

4. Investments in Joint Ventures and Affiliates

Investments in joint ventures and affiliates accounted for using the equity method of accounting, along with the current percentage of ownership, were as follows at December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	2012	2011	2012 Percentage Ownership
Availity	\$ 31	\$ 25	32.7 %
FTH	23	-	50.0 %
LSVP	66	66	27.2 %
NDES	78	79	15.3 %
New Directions	13	11	25.0 %
Prime	25	27	10.4 %
Other	13	15	3% to 50 %
	<u>\$ 249</u>	<u>\$ 223</u>	

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In April 2011, the Company, through its subsidiary Navigy Holdings, Inc., acquired 15% of the outstanding shares of CareCentrix Holdings, Inc. ("CareCentrix"), for \$59 million. In September 2011, Navigy Holdings, Inc. exchanged its ownership in CareCentrix for an ownership interest in NDES, a Delaware limited liability company, of 15.3%, with a fair value of \$79 million. This subsequent transaction resulted in a change in the majority owner and a change in the organizational structure in which NDES purchased CareCentrix.

NDES, through its wholly owned subsidiaries, provides home health care benefits management services and sleep benefits management for managed care organizations and health benefit plans. The excess of the fair value of the Company's ownership interest as determined in these transactions over the original purchase price of CareCentrix of \$20 million was recorded as a deferred credit. This deferred credit is included in accounts payable and accrued expenses in the consolidated balance sheets. The deferred credit is being amortized using the straight-line method over the contract period of seven years starting in September 2011 and is recorded in investment and other income in the consolidated statements of comprehensive income. The amortization was \$3 million and less than \$1 million for the years ended December 31, 2012 and 2011, respectively.

In June 2011, the Company acquired a 25% ownership interest in New Directions, a Missouri limited liability company which delivers and manages services for managed behavioral healthcare programs, for \$11 million.

As described in note 1, the Company has committed to fund FTH adequately to comply with all regulatory and Association requirements.

5. Liability for Claims Outstanding and Unpaid Claims Adjustment Expenses

Activity in the liability for claims outstanding and unpaid claims adjustment expenses is summarized as follows for the years ended December 31, 2012 and 2011:

(in millions of dollars)

	2012	2011
Balances at January 1,	<u>\$ 497</u>	<u>\$ 538</u>
Incurred related to		
Current year	5,183	4,514
Prior years	(23)	(51)
Total incurred	<u>5,160</u>	<u>4,463</u>
Paid related to		
Current year	4,645	4,022
Prior years	466	482
Total paid	<u>5,111</u>	<u>4,504</u>
Balances at December 31,	<u>\$ 546</u>	<u>\$ 497</u>

The balances at December 31, 2012 and 2011 include unpaid claims adjustment expenses of \$12 million and exclude reinsurance ceded reserves of \$10 million. The unpaid claims adjustment expenses are included in accounts payable and accrued expenses and the reinsurance ceded reserves are included in premiums and other receivables, net in the consolidated balance sheets.

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As noted in the above schedule, the decrease in prior years' reserves was \$23 million for 2012 and \$51 million for 2011. Based on subsequent claims runout information, additional analysis was performed to determine the favorable claim development that occurred during 2012 for 2011 and prior experience. The decrease in prior years' reserves during 2012 of \$23 million was primarily the result of a release from the provision for moderately adverse conditions as well as lower medical trend. Similarly, additional analysis was performed to determine the favorable claim development that occurred during 2011 for 2010 and prior experience. The decrease in prior years' reserves during 2011 of \$51 million was primarily the result of a release from the provision for moderately adverse conditions as well as lower medical trend. These estimates are reviewed regularly by qualified actuaries employed by the Company, and are adjusted as necessary as new information becomes known. Such adjustments are included in current operations.

6. Benefit Plans

The Company has a noncontributory defined benefit pension plan which provides retirement benefits to substantially all of its employees hired prior to January 1, 2007. The plan provides benefits based on years of service and the employee's compensation as detailed in the plan document. The plan is funded through the Blue Cross and Blue Shield National Retirement Trust ("Trust"), a collective investment trust which services the retirement programs of its participating employers. The plan consists of a formula component and a pension equity formula component. Participation in the plan is dependent upon hire date. All employees hired after January 1, 2000 but prior to January 1, 2007 are participants in the pension equity component. Employees hired prior to January 1, 2000 were able to choose the plan they participated in going forward. As of January 1, 2007, the plan was closed to new entrants. Employees hired after January 1, 2007 were offered an enhanced defined contribution plan. Effective December 31, 2010, the defined benefit pension plan was amended to freeze benefit accruals. As a result, participants in the plan will earn no further benefits regardless of services performed. All employees were offered an enhanced defined contribution plan, effective January 1, 2011.

In addition to the defined benefit plan, there is a nonqualified, unfunded, supplemental pension benefit plan. Benefits in this plan were frozen as of December 31, 2010. Assets have been set aside in a Rabbi Trust to informally fund the plan. These assets, which are subject to the claims of the Company's creditors, are primarily invested in corporate owned life insurance, the cash surrender value of which is included in prepaid and other assets in the consolidated balance sheets.

As of January 1, 2012, the Company made a change to its accounting methodology for recognizing actuarial gains and losses for qualified and nonqualified pension benefit plans. The Company had historically recorded changes in actuarial gains and losses in accumulated other comprehensive income on an annual basis and amortized those actuarial gains and losses into the Company's operating results over time based on accepted actuarial methodologies. The Company has elected to immediately recognize changes in actuarial gains and losses in operating results because the Company believes that it is preferable to accelerate the recognition of these deferred gains and losses rather than to delay such recognition. These changes in the Company's actuarial gains and losses result from the effects of changes in demographic, economic, and interest rate conditions and their related impact on the Company's pension obligations, Trust investments and related assumptions.

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The 2011 financial statements have been recast to conform to the 2012 presentation, and the 2011 amounts recast are as follows:

(in millions of dollars)

	2011 (As Recast)	2011 (As Previously Reported)
Consolidated Balance Sheet		
There were no changes to previously reported total policyholders' equity. Due to the adoption of ASU 2011-05 during 2012, the components of 2011 policyholders' equity are separately reported and have been recast to conform to the 2012 presentation.		
Consolidated Statement of Comprehensive Income		
General and administrative expenses	\$ 1,724	\$ 1,655
Provision for income taxes	81	108
Net income	219	261
Change in pension and postretirement liability (net of deferred income taxes of \$11 and \$38)	(20)	(62)
Consolidated Statement of Policyholders' Equity		
The cumulative effect of the change in accounting methodology was reflected in the December 31, 2010 balance of policyholders' equity.		
Change in pension and postretirement liability (net of deferred income taxes of \$11 and \$38)	(20)	(62)
Consolidated Statement of Cash Flows		
Net income	219	261
Deferred income taxes	4	31
Accrued payroll and related benefits	62	(7)

The Company also provides certain health care and life insurance benefits to eligible retired employees. Generally, the health care coverages pay a percentage of most medical expenses reduced for any deductibles and payments made by government programs and other group coverages, up to a defined maximum. Life insurance payments are generally provided by insurance contracts. The Company provides access-only to its health and life insurance products and networks to employees hired on January 1, 2006 and thereafter who meet retirement eligibility requirements. The Company makes contributions to a Voluntary Employees Beneficiary Association ("VEBA") for the funding of the postretirement healthcare benefits.

In conjunction with the pension plan freeze, the Company amended the postretirement plan effective December 31, 2010, such that employees with at least 65 points (defined as the employee's age plus years of service) will receive an annual subsidy toward the retiree medical plan. Those with less than 65 points (or hired on or after January 1, 2006) will have access-only to the retiree medical plan.

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The following table presents the changes in the benefit obligation and plan assets, the funded status, the components of net periodic pension cost, and other information for the plans:

	Qualified and Non Qualified		Postretirement Benefits	
	2012	2011	2012	2011
<i>(in millions of dollars)</i>				
Change in benefit obligation				
Benefit obligation - beginning of year	\$ 652	\$ 563	\$ 159	\$ 138
Service cost	-	-	1	1
Interest cost	31	32	6	7
Actuarial loss (gain)	65	113	(10)	22
Benefits paid	(55)	(56)	(9)	(13)
Participant contributions	-	-	4	4
Benefit obligation - end of year	<u>693</u>	<u>652</u>	<u>151</u>	<u>159</u>
Accumulated benefit obligation	<u>693</u>	<u>652</u>	<u>151</u>	<u>159</u>
Change in plan assets				
Fair value of assets - beginning of year	501	459	117	112
Actual return on plan assets	69	45	17	4
Employer contributions	30	50	-	6
Benefits paid	(35)	(53)	(4)	(5)
Fair value of assets - end of year	<u>565</u>	<u>501</u>	<u>130</u>	<u>117</u>
Funded status	<u>\$ (128)</u>	<u>\$ (151)</u>	<u>\$ (21)</u>	<u>\$ (42)</u>
Amounts recognized in the consolidated balance sheets				
Pension and postretirement liabilities	\$ (128)	\$ (151)	\$ (21)	\$ (42)
Accumulated other comprehensive loss	-	-	15	29
Net amount recognized	<u>\$ (128)</u>	<u>\$ (151)</u>	<u>\$ (6)</u>	<u>\$ (13)</u>
Amounts not yet reflected in net periodic benefit costs and included in other comprehensive (income) loss				
Prior service credit	\$ -	\$ -	\$ (22)	\$ (34)
Accumulated actuarial loss	-	-	37	63
Net amount recognized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 29</u>
Components of net periodic benefit cost				
Service cost	\$ -	\$ -	\$ 1	\$ 1
Interest cost	31	32	6	7
Expected return on plan assets	(28)	(28)	(6)	(5)
Mark-to-market adjustment	24	95	-	-
Amortization of prior service credit	-	-	(11)	(11)
Amortization of net actuarial loss	-	-	5	3
Total net periodic benefit cost	<u>27</u>	<u>99</u>	<u>(5)</u>	<u>(5)</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive (income) loss				
Net actuarial (gain) loss	-	-	(21)	23
Amortization of actuarial loss	-	-	(4)	(3)
Amortization of prior service credit	-	-	11	11
Total recognized in other comprehensive (income) loss	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>31</u>
Total recognized in net periodic benefit cost and other comprehensive (income) loss	<u>\$ 27</u>	<u>\$ 99</u>	<u>\$ (19)</u>	<u>\$ 26</u>

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<i>(in millions of dollars)</i>	Qualified and Nonqualified Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Amounts included in accumulated other comprehensive income (loss) expected to be recognized during the next fiscal year				
Prior service credit	\$ -	\$ -	\$ (13)	\$ (11)
Actuarial loss	-	-	4	6
	\$ -	\$ -	\$ (9)	\$ (5)
Weighted-average assumptions used to determine benefit obligation as of December 31	2012	2011	2012	2011
Discount rate	4.50 %	5.00 %	4.25 %	4.75 %
Rate of compensation increase	NA	NA	3.00 - 6.50 %	3.00 - 6.50 %
Healthcare cost trend for next year - pre 65			8.75 %	9.00 %
Healthcare cost trend for next year - post 65			8.00 %	9.25 %
Ultimate healthcare cost trend rate			5.00 %	5.00 %
Year that the rate reaches ultimate rate - pre 65			2022	2021
Year that the rate reaches ultimate rate - post 65			2022	2022
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	5.00 %	6.00 %	4.75 %	5.75 %
Expected long-term return on plan assets	5.50 %	6.50 %	5.00 %	5.00 %
Rate of compensation increase	NA	NA	3.00 - 6.50 %	3.00 - 6.50 %
Healthcare cost trend for next year - pre 65			9.00 %	8.00 %
Healthcare cost trend for next year - post 65			9.25 %	8.00 %
Ultimate healthcare cost trend rate			5.00 %	5.00 %
Year that the rate reaches ultimate rate - pre 65			2021	2016
Year that the rate reaches ultimate rate - post 65			2022	2016

The basis used to determine the overall expected long-term rate of return on pension assets assumption is a forward-looking approach based on the current long-term capital market outlook assumptions of the Trust's target asset allocation of 20% equity securities and 80% long duration debt securities. Using a mean-variance model to project returns over a 30 year horizon under the 2012 target asset allocation, the 35th to 65th percentile range of annual rates of return is 4.8% - 6.2%, net of investment related expenses. The Company selected a rate from within this range of 5.5% for 2012, which reflects management's judgment of the best estimate for this assumption based on the process described above. This rate is net of both investment related expenses and a 0.10% reduction for other administrative expenses charged to the Trust.

The expected long-term rate of return on postretirement assets is estimated based on the development of a forecast of risk and return for each individual asset class using a variety of quantitative and statistical methodologies. Historical return patterns and correlation, consensus return forecasts and other relevant financial factors are analyzed for reasonableness and appropriateness.

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The effect of a 1% increase in the assumed health care cost trend rate would increase the total service and interest costs by less than \$1 million at December 31, 2012 and 2011. The effect of a 1% decrease in the assumed health care cost trend rate would decrease the total service and interest costs by less than \$1 million at December 31, 2012 and 2011.

The effect of a 1% increase in the assumed health care cost trend rate would increase the Accumulated Postretirement Benefit Obligation ("APBO") by \$6 and \$8 million at December 31, 2012 and 2011, respectively. The effect of a 1% decrease in the assumed health care cost trend rate would decrease the APBO approximately \$5 and \$7 million at December 31, 2012 and 2011, respectively.

Fair Value Measurements of Benefit Plan Assets

The following is a description of the valuation methodologies used for benefit plan assets. There have been no changes in the methodologies used during the years ended December 31, 2012 and 2011.

Common stock, preferred stock, and fixed income securities including government and corporate debt securities traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Trust's investment manager's best estimates. In general, corporate debt securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in government debt securities are estimated using best available trade data. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices. Investments in other equities are based on quoted market prices.

Partnerships and joint ventures are valued at estimated fair value which, based on the appraised values, approximates market price and other market information pertaining to their underlying investments at December 31. Because of inherent uncertainty of valuing these investments and certain of the underlying investments, the Trust's estimate of fair value may differ from the values that would have been used had a ready market for the investment existed. The financial statements of these investments are audited annually by an independent public accounting firm.

Fair values of real estate investments are based on the quoted redemption values of the participation units in real estate funds owned by the Trust. Redemption values principally represent the appraised values of real estate investments held in the real estate funds.

Mutual funds are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities, and then divided by the number of shares outstanding.

Common and collective trusts represent investments with various investment managers. Units held in common and collective trusts, including stable value funds, are valued at the unit value as reported by the investment managers.

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Hedge fund investments represent investments in hedge fund of funds and investments in portfolios investing in a range of stocks, bonds, distressed corporate debt, government debt, emerging market equities, currencies, commodities, commodity and financial futures, options, forwards, swaps and derivative instruments. Hedge fund of funds investments are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund (including investments in a master fund that is primarily comprised of hedge funds) minus its liabilities and then divided by the number of shares outstanding. In general, portfolio securities for which market quotations are readily available are valued at market value. If market quotations are not readily available, the fair value is determined based on other relevant factors, including deal price quotations, price activity for equivalent investments and valuation pricing models.

Money market funds are valued at amortized cost plus accrued interest, which approximates fair value.

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows:

Fair Value Measurements at December 31, 2012				
<i>(in millions of dollars)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Qualified pension benefit plans				
Government debt securities	\$ 48	\$ 60	\$ -	\$ 108
Corporate debt securities	-	4	-	4
Limited liability corporations	-	6	-	6
Mutual funds	21	318	-	339
Common and collective trusts	-	93	-	93
Hedge funds	-	-	4	4
Common stock	11	-	-	11
Money market funds	1	-	-	1
	<u>\$ 81</u>	<u>\$ 481</u>	<u>\$ 4</u>	<u>566</u>
Accrued income				1
Receivables				3
Payables				(5)
				<u>\$ 565</u>
Postretirement benefit plans				
Mutual fund investments				
Long-term tax exempt funds	\$ 71	\$ -	\$ -	\$ 71
Total stock market index funds	20	-	-	20
Long-term investment grade funds	20	-	-	20
Tax managed funds	13	-	-	13
High yield funds	6	-	-	6
	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130</u>

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<u>Fair Value Measurements at December 31, 2011</u>				
<i>(in millions of dollars)</i>	Quoted Prices in Active Markets for for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Qualified pension benefit plans				
Government debt securities	\$ -	\$ 72	\$ 1	\$ 73
Corporate debt securities	-	18	1	19
Partnerships and joint ventures	-	5	5	10
Real estate	-	-	13	13
Mutual funds	17	246	-	263
Common and collective trusts	-	110	-	110
Hedge funds	-	-	4	4
Common stock	13	1	-	14
Preferred stock	1	-	-	1
Money market funds	2	-	-	2
	<u>\$ 33</u>	<u>\$ 452</u>	<u>\$ 24</u>	<u>509</u>
Accrued income				1
Receivables				3
Payables				<u>(12)</u>
				<u>\$ 501</u>
Postretirement benefit plans				
Mutual fund investments				
Long-term tax-exempt funds	\$ 46	\$ -	\$ -	\$ 46
Total stock market index funds	41	-	-	41
Tax managed funds	18	-	-	18
High yield funds	12	-	-	12
	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117</u>

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The table below sets forth a summary of changes in the fair value of the Level 3 investment assets for the years ended December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	Government Debt Securities	Corporate Debt Securities	Partnerships and Joint Ventures	Real Estate	Hedge Funds	Total
Ending balances at December 31, 2010	\$ 2	\$ -	\$ 6	\$ 13	\$ 5	\$ 26
Actual return on plan assets						
Relating to assets still held at the reporting date	-	-	(1)	-	(1)	(2)
Relating to assets sold during the period	-	-	-	-	-	-
Purchases, issuances and settlements	-	-	-	-	-	-
Transfers in and/or out of Level 3	(1)	1	-	-	-	-
Ending balances at December 31, 2011	1	1	5	13	4	24
Actual return on plan assets						
Relating to assets still held at the reporting date	-	-	-	-	-	-
Relating to assets sold during the period	-	-	-	1	-	1
Purchases, issuances and settlements	(1)	(1)	(5)	(14)	-	(21)
Transfers in and/or out of Level 3	-	-	-	-	-	-
Ending balances at December 31, 2012	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4

Qualified pension plan and postretirement plan asset allocations as of December 31, 2012 and 2011 are as follows:

Asset category	Pension Plan Assets		Postretirement Plan Assets	
	2012	2011	2012	2011
Equity securities	20 %	20 %	25 %	50 %
Fixed income securities	80 %	76 %	75 %	50 %
Real estate	0 %	4 %	0 %	0 %
	100 %	100 %	100 %	100 %

The Company has developed guidelines for asset allocation of benefit plan assets. As of the December 31, 2012 and 2011 measurement dates, the range of target asset allocation percentages are as follows:

Asset category	2012			
	Pension Target Allocation		Postretirement Target Allocation	
	Minimum	Maximum	Minimum	Maximum
Equity securities	0 %	65 %	0 %	70 %
Fixed income securities	35 %	100 %	25 %	100 %
Real estate	0 %	12 %	0 %	0 %
Other	0 %	10 %	0 %	10 %

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	2011			
	Pension Target Allocation		Postretirement Target Allocation	
	Minimum	Maximum	Minimum	Maximum
Asset category				
Equity securities	0 %	65 %	0 %	70 %
Fixed income securities	35 %	100 %	25 %	100 %
Real estate	0 %	12 %	0 %	0 %
Other	0 %	10 %	0 %	10 %

The investment program for the Trust is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who, by definition, are long-term oriented investors. This philosophy holds that:

- (1) Increasing risk is rewarded with compensating returns over time and therefore, prudent risk taking is justifiable for long-term investors.
- (2) Risk can be controlled through diversification of asset classes and investment approaches as well as diversification of individual securities.
- (3) Risk is reduced by time, and over time the relative performance of different asset classes is reasonably consistent. Over the long-term, equity investments have provided and should continue to provide superior returns over other security types. Fixed-income securities can dampen volatility and provide liquidity in periods of depressed economic activity. Lengthening duration of fixed income securities may reduce volatility.
- (4) The strategic or long-term allocation of assets among various asset classes is an important driver of long-term returns.
- (5) Relative performance of various asset classes is unpredictable in the short-term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Investments will be made for the sole interest of the participants and beneficiaries of the programs participating in the Trust. Accordingly, the assets of the Trust shall be invested in accordance with these objectives:

- (1) To ensure assets are available to meet current and future obligations of the participating programs when due.
- (2) To earn the maximum return that can be realistically achieved in the markets over the long-term at a specified and controlled level of risk in order to minimize future contributions.
- (3) To invest assets with consideration of the liability characteristics in order to better align asset and liabilities.
- (4) To invest the assets with the care, skill, and diligence that a prudent person acting in a like capacity would undertake, with the further objective of controlling the costs involved with administering and managing the investments of the Trust.

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The primary investment objective for the VEBA for postretirement assets is to generate returns over three to five year periods consistent with pension assets and other long-term postretirement employee benefit plans. The current long-term target asset mix is 25% equities and 75% fixed income. The VEBA plan objectives incorporate both long-term expectations for individual asset class returns and projected growth rates of employee benefit expenses. Actual investment results may deviate from expectations over shorter time periods. The VEBA plan is willing to tolerate short-term volatility of investment returns to achieve its long-term investment objectives. The impact of taxation on the VEBA plan is also considered.

The expected benefit payments for the Company's pension and postretirement plans for the years indicated are as follows:

<i>(in millions of dollars)</i>	Pension Benefits	Postretirement Benefits
Expected benefit payments		
2013	\$ 56	\$ 9
2014	53	7
2015	54	8
2016	54	8
2017	54	8
2018–2022	250	40
	<u>\$ 521</u>	<u>\$ 80</u>

The Company does not expect to make cash contributions in 2013 to the qualified pension plan or to the postretirement plan. Expected contributions are dependent on many variables, including the variability of the market value of the assets as compared to the obligation and other market or regulatory conditions. The Company takes into consideration its business investment opportunities and resulting cash requirements. Accordingly, actual funding may differ from current estimates.

The Pension Protection Act established certain minimum funding standards for defined benefit plans and the Company is in compliance with these funding standards as of and for the years ended December 31, 2012 and 2011.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. The Company did not apply for these federal subsidies during 2011 or 2012 and does not expect to apply for them in 2013.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as "PPACA") had no effect on the postretirement health care plan liability as of December 31, 2012 and 2011 as the plan's benefits are limited to an annual subsidy.

The Company also provides certain postemployment benefits, such as disability coverage, to former or inactive employees during the time period following employment, but before retirement. The accrued liability for these benefits was \$15 and \$14 million as of December 31, 2012 and 2011, respectively.

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The Company has two defined contribution savings plans under Section 401(k) of the Internal Revenue Code for eligible employees. For the years ended December 31, 2012 and 2011, the Company recorded expense for employer contributions of approximately \$30 and \$29 million, respectively.

The Company offers a nonqualified deferred compensation plan to a select group of participants to defer compensation within the meaning of Employee Retirement Income Security Act of 1974 Sections 201(2), 301(a)(3), and 401(a)(1). These assets are set aside in a Rabbi Trust to informally fund the plan. These assets, which are subject to the claims of the Company's creditors, are primarily invested in corporate owned life insurance, the cash surrender value of which is included in prepaid and other assets in the consolidated balance sheets.

7. Operating Leases

The Company leases certain office, retail and warehouse space, data processing and office equipment, and vehicles under noncancelable leases. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Rental expense for 2012 and 2011 was \$39 and \$30 million, respectively.

The following is a schedule of future minimum rental payments due under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

<i>(in millions of dollars)</i>	Minimum Rental Commitments
Years Ending	
2013	\$ 27
2014	22
2015	17
2016	13
2017	9
Thereafter	48
	<u>\$ 136</u>

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8. Income Taxes

The components of the Company's deferred income tax assets and liabilities at December 31, 2012 and 2011, respectively, are as follows:

(in millions of dollars)

	2012	2011
Gross deferred tax assets		
Accrued expenses	\$ 132	\$ 158
Insurance reserves	277	273
Benefit plans	6	11
Asset basis step-up	29	29
Other	8	11
	<u>452</u>	<u>482</u>
Gross deferred tax liabilities		
Unrealized gains on investments	109	75
Fixed assets and software	23	25
Prepaid expenses	8	7
Deferred acquisition costs	25	22
Goodwill	30	26
Accrued income	2	40
Other	16	14
	<u>213</u>	<u>209</u>
Deferred income taxes	<u>\$ 239</u>	<u>\$ 273</u>

Reconciliation of the differences between income taxes computed at statutory federal rates and the consolidated provision for income taxes for 2012 and 2011 is as follows:

(in millions of dollars)

	2012		2011	
	Amount	Rate	Amount	Rate
Income taxes computed at statutory federal tax rate	\$ 109	35.0 %	\$ 105	35.0 %
State tax provision, net of federal income tax benefit	8	2.6	11	3.5
Tax-exempt income	(32)	(10.1)	(42)	(14.3)
Joint venture	2	0.5	4	1.8
Nondeductible expenses	6	2.0	3	1.2
Provision for income taxes at effective tax rates	<u>\$ 93</u>	<u>30.0 %</u>	<u>\$ 81</u>	<u>27.2 %</u>

With the exception of affirmative claims filed by the Company, all outstanding issues have been settled with the Internal Revenue Service ("IRS") for the years prior to 2009. The IRS is currently examining the Company's federal income tax returns for the years 2009 and 2010. In the opinion of management, the Company has made adequate provision for income taxes that may become payable with respect to these years.

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The Company prepared and submitted refund claims with the IRS related to years 2002 through 2010. These refund claims relate to the special deduction granted to Blue Cross and Blue Shield companies under Internal Revenue Code Section 833(b). Amounts related to these refund claims have not been recorded in the consolidated financial statements since the claims related to 2002-2008 remain at IRS Appeals and the claims related to 2009 and 2010 are currently being examined by the IRS. In total, these affirmative claims are valued at \$261 million.

As of December 31, 2012 and 2011, respectively, \$265 and \$215 million of unrecognized tax benefits, if recognized, would decrease the effective tax rate. The 2012 increase of \$50 million reflects the submission of the 2009 and 2010 Internal Revenue Code Section 833(b) refund claims. The 2011 increase of \$1 million from the December 31, 2010 amount of \$214 million reflects an additional year of interest. It is reasonably possible the total amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months for various reasons including resolution of Joint Committee review of an IRS Appeals settlement related to the refund claim issue. As a result, the amount of unrecognized tax benefits could range from \$4 million to \$874 million.

The Company recognizes interest and, if applicable, penalties which could be assessed related to unrecognized tax benefits in income tax expense. For the years ended December 31, 2012 and 2011, the Company accrued and recognized less than \$1 million in interest expense related to unrecognized tax benefits.

9. Statutory Reporting

The Plan and certain subsidiaries are domiciled in the state of Florida and are required to prepare statutory financial statements in accordance with the *National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the OIR, the basis for statutory accounting practices ("SAP"). These financial statements, which are subject to examination by the OIR, differ from GAAP under which the accompanying consolidated financial statements have been prepared. Significant differences resulting from these accounting practices include certain policy reserves recognized under statutory accounting, certain assets not recognized under SAP, as well as differences in the valuation of investments and amortization of goodwill. The Plan does not intend to recast or restate its 2011 statutory financial statements for the change in accounting methodology for reporting actuarial gains and losses for defined benefit pension plans.

Net income and surplus of the Plan on the basis of SAP as of and for the years ended December 31, 2012 and 2011 is as follows:

<i>(in millions of dollars)</i>	2012	2011
Statutory accounting practices		
Net income	\$ 159	\$ 204
Capital and surplus	2,790	2,609

The Plan is required by the OIR under consent order to maintain Statutory Capital and Surplus (excluding goodwill) of at least 10% of total liabilities (less taxes, expenses, and other obligations due or accrued) or \$231 and \$234 million as of December 31, 2012 and 2011, respectively. The

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Plan's surplus at December 31, 2012 and 2011 exceeded this requirement by \$2,559 and \$2,375 million, respectively.

The Plan and certain subsidiaries are subject to Risk-Based Capital ("RBC") requirements as specified by the NAIC. Under those requirements, the amount of surplus maintained by an insurer is to be determined based on the amounts and types of risk inherent in the product mix, investment portfolio, and general business, underwriting and credit risk. As of December 31, 2012 and 2011, the Plan and those subsidiaries exceeded the RBC requirements.

10. Guarantees, Commitments and Contingencies

Guarantees

As a licensee of the Association, the Company participates in the Blue Card® program which may result in an obligation to providers within the Company's service area for certain covered services provided to members of other Blue Cross and/or Blue Shield organizations in the event the other Blue Cross and/or Blue Shield organization does not pay timely. Under the BlueCard® program, the Company is permitted to seek and promptly receive reimbursement from the other Blue Cross and/or Blue Shield organizations for all amounts paid for covered services provided on their behalf.

The Company has entered into agreements with certain self-funded groups, or Administrative Service Only ("ASO") customers, in which subcontractors make the claim payments. The Company has in turn guaranteed payment under the terms of the agreement with its subcontractors for claim payments made on behalf of the Company but not reimbursed by the ASO customer. In addition, the Company may be subject to the payment of related late fees. The Company or subcontractors hold deposits from certain of these ASO customers in order to mitigate such payment obligations. The Company believes its maximum exposure under such guarantees, net of deposit amounts held, was approximately \$35 and \$38 million at December 31, 2012 and 2011, respectively. The recorded fair value of such guarantees was less than \$1 million at both December 31, 2012 and 2011.

The Company has an agreement with a financial institution for the processing of claim payments for certain ASO customers. An account for each ASO customer is maintained at this financial institution in order to fund the ASO customer's claims. The customer is responsible for funding the account prior to the release of the claim payments made by the Company. The Company guarantees any claim check presented to and cleared by the financial institution in the event the ASO customer does not honor the check or fund the account. The Company believes the aggregate maximum exposure under this guarantee is \$3 and \$2 million at December 31, 2012 and 2011, respectively. The Company believes it has limited its exposure to this guarantee by performing credit verification of these customers and also by utilizing its right to suspend the payment of claims for ASO customers that have not adequately funded their account.

In accordance with Association guidelines, the Company is required to offer Blue branded coverage to the customers of LSVP's subsidiary, Florida Combined Life, Inc. ("FCL"), in the event FCL ceases operations. Based on the historical operating results of FCL, no liability was recorded for this guarantee as of December 31, 2012 or 2011.

In the ordinary course of business, the Company contracts with numerous parties, including, for example, physicians and other medical providers, vendors, and consultants, and enters into agreements for other services, which contain indemnification provisions or payment terms, including payments contingent upon quality of service and effective case management. While the

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value of such guarantees, individually or in the aggregate are, in many instances, inherently impossible to predict, the Company does not believe these obligations will likely have a material impact on its financial position, results of operations or cash flows.

Commitments

During 2012, the Company made capital commitments to invest in three separately managed private equity funds. Of the total commitment of \$15 million, \$2 million was invested during 2012. These additional investments in the private equity funds will be made as required in the subscription agreements.

Government Programs

The Company, through its subsidiaries, provides services as a CMS Medicare Administrative Contractor under Medicare Parts A and B. The Company also serves as a Medicare Advantage organization and Medicare Prescription Drug Plan sponsor under Medicare Parts C and D. Additionally, the Company participates in FEP, through a nationwide contract with the U.S. Office of Personnel Management, to provide coverage to certain federal employees, retirees and dependents. The Company provides health insurance coverage to low income children through the state of Florida's Healthy Kids program. Reimbursement for administrative costs and medical expenditures and payment for services as applicable under these programs are subject to review and, as such, the Company is routinely audited by governmental entities and their respective agents for compliance with laws, regulations and program or contract terms and conditions.

Litigation

In the ordinary course of business, the Company is routinely involved in litigation with insured parties, beneficiaries, healthcare providers and others. Management has evaluated such exposures, including consultation with legal counsel, and believes that the Company's positions and defenses are meritorious. While there can be no assurance as to the outcome of such exposures, litigation is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Regulatory Environment

In March 2010, the President signed PPACA into law which considerably transforms the U.S. health care system and increases regulations within the U.S. health insurance industry. This legislation is intended to expand the availability of health insurance coverage. PPACA contains provisions that take effect from 2010 through 2018, with several important measures effective in 2014. The total impact of PPACA is still being determined through additional guidance and clarification provided by the Department of Health and Human Services, the Department of Labor, the Department of the Treasury, the OIR and the NAIC. As a result of this and other market factors, the full impact of PPACA will not be known for several years. Certain provisions of the new legislation are likely to have significant impacts on the Company's future operations, including fees assessed on companies in the insurance industry, potential rebates on certain insurance contracts and certain new taxes on high premium insurance policies.

PPACA is intended to expand the availability of health insurance coverage to millions of Americans by requiring that issuers of individual and group health insurance policies satisfy medical loss ratio ("MLR") requirements and have premium rate increases above a certain level subject to disclosure and review ("Rate Review"). The MLR regulations apply to insurers and will impact insured plans, but will not apply to self-funded plans. The MLR regulations require issuers to provide MLR rebates to employers and individuals purchasing insurance if the issuer does not spend a minimum amount of the premium on medical claims, as defined by such regulations and related guidance.

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Health insurance issuers are required to spend at least 80% of premium received from selling policies and plans in the individual and small employer markets and at least 85% of premiums for the large employer market (more than 50 employees) on a combination of medical care claims and activities to improve health care quality. In effect, the MLR provision limits the amount that insurers can spend on administrative expenses, overhead, profit, commissions, and other nonclaim expenses to 20% or 15% of the premium. MLR rebates to policyholders and enrollees are to be provided annually if the insurer fails to meet the MLR requirements in a market for the prior year. MLR rebate payments due for the 2011 reporting year were made in July 2012. If applicable, MLR rebate payments due for the 2012 reporting year will be paid by August 2013. Management's best estimate of the MLR rebate liability is included in unearned premiums and is recorded as a premium adjustment. The MLR liability was determined using a process which conforms to the guidance issued by Department of Health and Human Services and the OIR. As of December 31, 2012 and 2011, rebate reserves and premium adjustments totaled \$1 and \$55 million, respectively.

The Rate Review regulations subject insurance carrier rate increases to a higher level of review and visibility. The rate review process requires that health insurance issuers submit a justification for an "unreasonable premium increase." This process does not preempt any existing state laws or processes for review or approval of rates. Proposed rate increases that exceed a defined threshold will be subject to review. For 2011, the regulations set the threshold at 10%. Generally, in 2012 and in future years, state-specific thresholds based on the cost of health coverage insurance in the state will be developed. For 2012, a state-specific rate for Florida was not established, so the national threshold of 10% was applicable for the Company. If rate increases exceed the annual threshold, the insurer must provide detailed justification for the rate increase. The rate review process only applies to issuers in the individual and small group markets and does not apply to self-funded health plans.

11. Lines of Credit and Long-Term Debt

Lines of Credit

The Company has a revolving facility agreement with Bank of America. In April 2011, the Company renewed this revolving facility with a borrowing limit of \$50 million. In August 2011, the agreement was amended to reflect a re-negotiated floating rate of London Interbank Offered Rates ("LIBOR") plus 0.70% per annum. In September 2011, the agreement was again amended to increase the borrowing limit to \$100 million, change the floating rate to LIBOR plus 0.75% per annum, and revise the term to three years. In December 2012, the agreement was again amended to increase the borrowing limit to \$200 million and to identify the Plan and HOI as co-borrowers for the facility. The Company had borrowings outstanding on this facility at December 31, 2012 and 2011, of \$150 and \$90 million, respectively. The interest rates at December 31, 2012 and 2011 were 0.96% and 1.04%, respectively. Agreements governing borrowings include covenants, which serve to limit asset acquisitions and dispositions and any material changes in general lines of business. Commitment and facility fees are paid quarterly based on the unused and used portions of the facility.

In May 2012, the Company's controlled affiliate, CHP, entered into a revolving facility agreement with Hancock Bank with a borrowing limit of \$20 million. The agreement expires in April 2013 and has a floating rate of LIBOR plus 1.5% per annum, with a minimum rate of 2.25%. The Company had no borrowings outstanding on this facility at December 31, 2012. The interest rate at December 31, 2012 was 2.25%. Agreements governing borrowings include covenants, which serve to ensure liquidity and financial security of the borrower. Commitment and facility fees are paid monthly based on the unused and used portions of the facility.

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The interest and fees paid by the Company on the lines of credit in 2012 and 2011 were \$1 million and less than \$1 million, respectively.

Long-Term Debt

In 2001, the Company marketed \$150 million in surplus notes series pursuant to Rule 144A under the Securities Act of 1933, which was fully completed in 2002. The terms of the surplus notes included a ten-year maturity with a coupon rate of 8.25%, semi-annual interest payments scheduled on May 15th and November 15th, and principal due at maturity in November 2011. In November 2011, the \$150 million in surplus notes matured and were paid in full. Interest expense on the surplus notes was \$11 million during 2011.

The surplus notes were expressly subordinated in right of payment to all existing and future claims and senior indebtedness. They were also subject to provisions of the Liquidation Act whereby the holders of claims and senior indebtedness could be afforded greater priority under Section 631.271 of the Florida Statutes. Payments of interest and repayment of principal were subject to prior approval of the OIR.

12. Related Party Transactions

Under an agreement effective January 1, 2007, Prime became the Company's pharmacy benefits manager and as such, provides the Company with certain pharmacy benefit management services. The Company pays Prime administration fees which include a program management fee (retained by Prime out of the rebates) and other account service fees primarily related to Medicare Part D expenses. These service fees are billed monthly to the Company and are typically paid within 30 days. The total administration fees paid to Prime during 2012 and 2011 were \$18 and \$14 million, respectively. As of December 31, 2012 and 2011, the Company had a receivable for rebates from Prime of \$41 and \$29 million, respectively.

Availity is a joint venture created to optimize information exchange between multiple health care stakeholders through a single, secure gateway. The Company pays Availity for transaction fees on a per transaction basis for various electronic based transactions. Transactions are billed monthly to the Company and are typically paid within 30 days. The total fees paid to Availity during 2012 and 2011 were \$16 and \$15 million, respectively. The Company had a payable due to Availity of \$3 and \$1 million at December 31, 2012 and 2011, respectively.

NDES provides home health care benefits management services and sleep benefits management for managed care organizations and health benefit plans. New Directions provides and manages services for behavioral healthcare programs. Beginning in 2011, NDES and New Directions provided their respective services to the Company on a capitated and fee for service basis. In addition to these fees, NDES and New Directions may be rewarded or penalized for meeting or not meeting certain performance goals. The Company calculates and records performance bonuses or penalties on a quarterly basis which are typically paid or collected within 30 days of invoice. Capitation and fees for services are billed monthly to the Company and are typically paid within 30 days. The capitation and fees incurred for services provided by NDES and New Directions during 2012 were \$7 and \$14 million, respectively. The capitation and fees incurred for services provided by NDES and New Directions during 2011 were \$2 and \$1 million, respectively.

**Blue Cross and Blue Shield of Florida, Inc. d/b/a
Florida Blue and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2012 and 2011**

13. Acquisitions

Effective December 31, 2012, DHS acquired DCMG by acquiring 100% of the outstanding stock of DCMG. Additional consideration of a minimum of \$0 and a maximum of \$26 million may be paid to the former shareholders depending on financial and other measures as detailed in the purchase agreement. No contingent consideration has been recorded in the consolidated financial statements for expected additional acquisition payments to the former shareholders. Other than the goodwill and intangibles disclosed in Note 1, the remaining assets and liabilities recorded in conjunction with this acquisition are immaterial to the consolidated financial statements. As the acquisition closed effective December 31, 2012, no revenues or expenses have been included in the consolidated financial statements for DCMG activity. The estimates utilized for accounting for the transaction as of December 31, 2012 which have been included in the consolidated financial statements may change as additional information becomes available throughout 2013. The acquisition will promote the implementation of certain value-based reimbursement models to meet the goals of improving quality of care and enhancing the member experience while also lowering the total costs of care.

Effective January 1, 2012, DSO acquired Highmark Medicare Services (“HMS”) by acquiring 100% of the issued and outstanding stock of HMS. The name of the Company was changed to Novitas subsequent to the closing of the acquisition. Additional contingent consideration of \$21 million has been accrued as of December 31, 2012 to be paid to the seller based on provisions in the stock purchase agreement. No contingent consideration was paid during 2012. These contingent provisions included the award of certain contracts which were pending at the time of the acquisition. Novitas administers Medicare contracts in numerous states and the District of Columbia. During 2012, Novitas was awarded additional Medicare contracts which expanded its operations. Other than the goodwill and intangibles disclosed in Note 1, the remaining assets and liabilities recorded in conjunction with this acquisition are immaterial to the consolidated financial statements. The revenues and expenses of Novitas for the year ended December 31, 2012 have been included in the consolidated financial statements. The operations of Novitas are very similar to the operations of FCSO and significant benefit is expected from the integration of the acquisition. The combination of these two entities under DSO is expected to improve the quality of services provided and reduce the costs of providing those services.

FAIRNESS OPINION

OF

J.P. MORGAN

Dated May 28, 2013

May 28, 2013

The Board of Directors
Blue Cross and Blue Shield of Florida, Inc.
4800 Deerwood Campus Parkway
Jacksonville, Florida 32246

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the policyholders who are Members, taken as a group, of Blue Cross and Blue Shield of Florida, Inc. (the "Company") of the exchange of Membership Interests in the Company for Membership Interests in a newly organized mutual insurance holding company (the "Mutual Insurance Holding Company") under the proposed Plan of Reorganization (the "Plan") to be filed with the Office of Insurance Regulation of the State of Florida. Capitalized terms not otherwise defined herein are as defined in the Plan.

We understand that the Plan provides for the Company's reorganization (the "Reorganization") under Part III of Chapter 628 of the Florida Statutes, pursuant to which, among other things: (1) the Company will convert from a not-for-profit mutual insurance company to a stock insurance company; (2) the Company will issue all of its outstanding capital stock to the Mutual Insurance Holding Company; (3) the Membership Interests of the Members in the Company will be extinguished; (4) the Members will automatically become members of the Mutual Insurance Holding Company; (5) the Company will contribute the Subsidiaries and the Non-Subsidiary Assets to a newly organized Florida corporation that initially will be a wholly owned subsidiary of the Company ("NewCo Holding Company"), and NewCo Holding Company will assume the liabilities and obligations associated therewith; and (6) the Company will distribute all of the shares of capital stock of NewCo Holding Company to the Mutual Insurance Holding Company.

As contemplated by Section 628.709(2) of the Florida Statutes, the Plan provides that Members will not receive consideration for extinguishment of their Membership Interests in the Company, other than the new Membership Interests in the Mutual Insurance Holding Company. Furthermore, the Plan does not provide for an initial public offering of the stock of NewCo Holding Company or other

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affiliates of the Company; nor does it provide for any subscription rights or discounted purchase price for Members in the case of any such offering.

The consummation of the Reorganization and the related transactions contemplated by the Plan are subject to, among other things: (i) approval by a majority of votes cast by Eligible Members, either in person or by proxy, notwithstanding quorum or voting action requirements otherwise applicable to the Company to the contrary; (ii) the approval of the Commissioner, based upon a finding that the Plan is fair and equitable to the Members; (iii) receipt by the Company of a private letter ruling indication from the Internal Revenue Service or an opinion of an independent tax advisor as to certain tax matters as described in Section 7.03 of the Plan; and (iv) receipt of a "no-action" letter from the Securities and Exchange Commission or an opinion of independent legal counsel with respect to federal securities law matters. We express no view as to the sufficiency of this opinion for purposes of obtaining such approvals or any other regulatory or statutory purposes.

In connection with preparing our opinion, we have: (i) reviewed a draft dated May 28, 2013 of the Plan; (ii) reviewed certain publicly available business and financial information concerning the Company and the industries in which it operates; (iii) reviewed certain publicly available financial, operating and trading information for companies we deemed relevant; (iv) reviewed publicly available information regarding certain transactions of companies we deemed relevant; (v) compared the capital structure of the Company with publicly available information concerning the capital structures of other companies we deemed relevant; (vi) reviewed certain internal financial analyses and forecasts prepared by or at the direction of the management of the Company relating to its business before and after the Reorganization; and (vii) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company with respect to certain aspects of the Plan, the historical and current business operations of the Company, the financial condition of the Company, the future prospects and operations of the Company and the Mutual Insurance Holding Company, and certain other matters we believed necessary or appropriate to our inquiry.

Management reviewed with us certain of the possible consequences and benefits of the Reorganization on the business, operations and financial condition of the Company. In arriving at this opinion, we have taken into account a number of factors, including, but not limited to, the following views expressed by the Company's management (in no particular order): (i) the Reorganization is expected to permit the Company to realize the benefit of preserving the Members' Membership Interests at the Mutual Insurance Holding Company level, including

the right to elect directors of the Mutual Insurance Holding Company and vote on amendments to the articles of incorporation of the Mutual Insurance Holding Company; (ii) the Reorganization is expected to permit subsidiaries within the mutual insurance holding company system to declare and pay dividends for capital deployment within the mutual insurance holding company system; (iii) the Reorganization is expected to permit the mutual insurance holding company system to make investments that may otherwise be limited under the present corporate structure; (iv) the Reorganization is expected to enhance the Company's structural flexibility and support for its current and future business opportunities, including potential mergers and acquisitions; and (v) the Reorganization is expected to enable access to equity and debt markets, if required by future business developments.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Company or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor have we evaluated the solvency of the Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to us or derived therefrom, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company to which such analyses or forecasts relate. We express no view as to such analyses or forecasts or the assumptions on which they were based. We have also assumed that the Reorganization will qualify as a tax free reorganization for United States federal income tax purposes, and will be consummated as described in the Plan, and that the Plan will not differ in any material respects from the draft thereof furnished to us. We have further assumed that the Company's conversion to a stock insurance company will be approved by the Commissioner and effectuated in accordance with the Plan. We are not legal, regulatory or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We also have assumed at your direction that the Reorganization will not have the effect of increasing premiums or reducing policy benefits or other policy obligations of the Company.

We are not actuaries and our services did not include any actuarial determinations or evaluations by us or an attempt to evaluate actuarial assumptions. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Reorganization will be obtained without any adverse effect on the Company or on the contemplated benefits of the Reorganization.

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You have not asked our opinion and we do not express any opinion as to (i) which of the Company's policyholders are considered Members, or (ii) the fairness of the Plan to any individual Member or class of Members. In addition, our opinion does not address any actions which the Company may take following completion of the Reorganization, including the terms of any initial public offering of shares of NewCo Holding Company or its affiliates.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, of the exchange of Membership Interests in the Company for Membership Interests in the Mutual Insurance Holding Company pursuant to the Plan. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Reorganization, or any class of such persons relative to the exchange of Membership Interests referenced above, or with respect to the fairness of any such compensation.

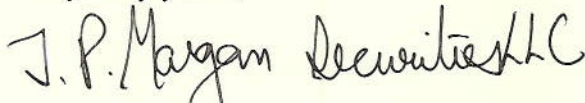
We were not requested to and did not provide advice concerning the structure of the Reorganization, any other aspects of the Reorganization, or to provide services other than the delivery of this opinion. We also note that we did not participate in any discussion with the Company or with the Commissioner with respect to the terms of the Plan or the Reorganization.

We will receive a fee from the Company, a substantial portion of which will be paid upon preparation and delivery of this opinion. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other material financial advisory or other material commercial or investment banking relationships with the Company other than that we anticipate we may be retained to provide certain investment banking services to the Company on matters unrelated to the Plan or the Reorganization.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the exchange of Membership Interests in the Company for the Membership Interests in the Mutual Insurance Holding Company pursuant to the Plan is fair, from a financial point of view, to policyholders who are Members of the Company, taken as a group.

The issuance of this opinion has been approved by a fairness opinion committee of J.P. Morgan Securities LLC. This letter is provided to the Board of Directors of the Company (in its capacity as such) in connection with and for the purposes of its evaluation of the Plan and the Reorganization. This opinion does not constitute a recommendation to any Eligible Member as to how such Eligible Member should vote with respect to the Plan. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written consent in each instance, except that a copy of it may be (i) provided to the Commissioner if required and (ii) reproduced in full in any policyholder information statement mailed to Eligible Members, but may not otherwise be disclosed publicly in any manner without our prior written approval and must be treated as confidential except as otherwise required by applicable law.

Very truly yours,


J.P. MORGAN SECURITIES LLC

CONSENT ORDER

Issued by

**STATE OF FLORIDA
OFFICE OF INSURANCE REGULATION**

Dated as of [, 2013]

No documents required

BCBS-FL is not a publicly traded company

SECOND AMENDED AND RESTATED BYLAWS
OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

ARTICLE I - NAME, LOCATION

Section 1. Name. The name of the Corporation shall be Blue Cross and Blue Shield of Florida, Inc.

Section 2. Location. The principal office of the Corporation shall be located at such place within Florida as the Board of Directors determines from time to time. The term “Board” whenever it is used in these Bylaws means the Corporation’s Board of Directors. The Corporation may have and maintain other offices within or outside of the State of Florida.

ARTICLE II – SHAREHOLDERS

Section 1. General. [NEWCO MIHC] shall be the initial shareholder of the Corporation.

ARTICLE III - MEETINGS OF SHAREHOLDERS

Section 1. Annual Meeting. An annual meeting of members shall be held each and every calendar year in the State of Florida for the purpose of electing directors and transacting such other business as may properly come before the meeting. The meeting shall be held at such place, date, and time as may be designated by the Chief Executive Officer (“CEO”) with the approval of the Board of Directors of the Corporation.

Section 2. Special Meetings. A special meeting of shareholders for any purpose may only be called by the Secretary of the Corporation at the request of the Board of Directors or the CEO. Such request shall state the purpose or purposes and no other business outside the scope of the stated purpose or purposes shall be transacted. The time and place of each special meeting of shareholders shall be determined by or under the authority of the Board of Directors, provided that if no such determination shall be made prior to the mailing of the notice for such meeting, the time and place for such meeting shall be determined by the CEO with the approval of the Board of Directors of the Corporation.

Section 3. Notice of Meetings. Notice of the annual meeting and special meetings of the shareholders shall be given no fewer than ten (10) days nor more than sixty (60) days prior thereto. In the case of a special meeting, the notice shall contain the purpose for which it is called.

Section 4. Quorum. Except as otherwise provided by applicable law, the shareholders entitled to vote and present, either in person or represented by proxy, at any annual or special meeting of shareholders shall constitute a quorum for the transaction of business at

such meeting, provided that any notice of the meeting required by these Bylaws shall have been given.

Section 5. Voting Rights. Each shareholder shall have the right at each meeting of the shareholders to one vote per share on each matter presented for shareholder approval.

Section 6. Vote Required. A majority of the shareholder votes cast at any shareholder meeting with a quorum shall be necessary and sufficient to approve any given matter, except that: (A) if the given matter is one upon which, by express provisions of applicable law or of the Articles of Incorporation, a different vote is required, such express provision shall govern and control the decision of such questions; and (B) directors shall be elected by a plurality vote.

Section 7. Proxies. Each shareholder entitled to vote at a meeting of shareholders or to otherwise express consent or dissent to corporate action may authorize another person or persons to act for such shareholder by a written proxy, which may be an electronic proxy, filed in accordance with the procedure established for the meeting or taking of other action.

Section 8. Action by Shareholders Without a Meeting. To the extent required by Florida law, action required or permitted to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the action is taken by the shareholders entitled to vote on such action and having not less than the minimum number of votes necessary to authorize such action at a meeting at which all shareholders entitled to vote on such action were present and voted. Only shareholders of record on the record date shall be entitled to consent to corporate action in writing without a meeting.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the shareholders by statute, the Articles of Incorporation, or these Bylaws.

Section 2. Qualifications. Only natural persons who are at least eighteen (18) years of age shall be qualified to become directors of the Corporation. A director of the corporation shall, at all times, meet the statutory and regulatory qualifications for a director of a stock insurer in the State of Florida and such other qualifications as may be contained in the Corporate Governance Guidelines established by the Board or as otherwise determined by the Board. A person need not be a shareholder to become or remain a director. A majority of the Board must be comprised of citizens of the United States.

Section 3. Number of Directors. The number of directors of the Corporation shall be, from time to time, fixed by the Board of Directors, but shall not be less than five (5) directors, and collectively such directors shall be known as the Board of Directors. The CEO and the President, if not directors, shall be ex officio members of the Board with all rights of

directors except the right to vote and they shall not be counted for the purposes of determining a quorum.

Section 4. Election and Term. The directors shall be elected at the annual meeting of the shareholders. The Board of Directors shall be divided into three classes as nearly equal in size as possible, with the term of office of one such class expiring each year. The term of office for directors shall be three years unless a longer or shorter term is determined necessary. Directors shall hold office until their successors are elected and qualified, or until their earlier deaths, retirements, disqualifications, resignations or removals.

Section 5. Removal. Any director may be removed with or without cause by a majority of all votes of the shareholders, if the director was elected or appointed by the shareholders at any annual meeting or special meeting of the shareholders called for that purpose.

Any director may be removed with cause at any regular or special meeting of the directors called for that purpose by a majority vote of the then serving directors, if the director was elected or appointed by the directors. Any director may be removed without cause at any regular meeting or special meeting of the directors called for that purpose by a two-thirds vote of the then serving directors, if the director was elected or appointed by the directors. The director or directors sought to be removed shall not be counted in computing the two-thirds vote requirement nor shall said director or directors be entitled to vote on removal.

Section 6. Resignation. A director may resign at any time by delivering written notice to the Board of Directors, or the Chairman of the Board, or the Corporation. Such resignation shall take effect when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 7. Vacancies. Except as otherwise provided by law, a vacancy in the Board shall be deemed to exist in the event of the death, retirement, disqualification, resignation or removal of a director, or increase in the number of directors, however caused. In the case of any such vacancy, other than a vacancy resulting from the removal of a director effected at a meeting, the remaining directors, though less than a quorum, by vote of a majority thereof, may elect a successor to fill the vacancy. Any vacancy created by the removal of a director at a meeting shall be filled by the shareholders or directors eligible to vote for the removal. The term of any director elected or appointed to fill a vacancy expires at the next annual meeting at which directors are elected except that any director appointed by the Board to fill a vacancy resulting from an increase in the number of directors shall serve only for a term of office continuing until the next election of directors by shareholders.

Section 8. Compensation. No director who is an employee of the Corporation or any of its subsidiaries or affiliates shall receive any stated salary or fee for service as director. A director who is not an employee may receive such reasonable compensation for service as a director as fixed by the Board of Directors. Members of any Board Committee may receive such reasonable compensation for their duties as committee members as fixed by the Board of

Directors. All directors and members of the Board and all Board Committees and Advisory Committees shall be reimbursed for their expenses incurred to attend meetings.

Section 9. Lead Director. If at any time the Chairman is an executive officer of the Corporation, or for any other reason is not an independent director, a current independent director shall be designated as Lead Director. The Lead Director shall be elected by a majority vote of the independent directors on the Board at the annual meeting of the Board and, if the election is not held at such annual meeting, such election shall be held as soon thereafter as conveniently possible. The Lead Director shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor is duly elected and qualified or until the Lead Director's earlier death, retirement, disqualification, resignation or removal. In the event of a vacancy due to death, retirement, disqualification, resignation or removal, the independent directors on the Board shall elect a successor Lead Director to hold office for the remaining unexpired term of such office. The term, qualifications, roles, and responsibilities of the Lead Director shall be determined in accordance with the Corporate Governance Guidelines established by the Board or as otherwise prescribed by the Board from time to time.

ARTICLE V - MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An annual meeting of the Board of Directors shall be held, without further notice than this Bylaw provision, following, and at the same place as, the annual meeting of the shareholders of the Corporation.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as may be determined from time to time by the Board of Directors.

Section 3. Special Meetings. Special meetings of the directors may be called by the chairperson of the Board of Directors, president, secretary, or by the written request of at least one-third of the members of the Board of Directors on at least five (5) days' notice to each director.

Section 4. Quorum. Except as otherwise provided in these Bylaws or by applicable law, directors holding a majority of the positions on the Board of Directors shall constitute a quorum for transacting business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice until a quorum is obtained.

Section 5. Order of Business. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman, the Lead Director, if any, or such other person as designated by the Board of Directors shall preside. The person presiding at any meeting of the Board shall have the power to determine: (A) the procedure for counting votes at such meeting; (B) procedures for the conduct of such meeting; and (C) the resolution of any questions which may be raised at such meeting.

Section 6. Manner of Acting. Except as otherwise provided in these Bylaws or by applicable law, the affirmative vote of at least a majority of the directors present at any meeting at which a quorum shall be present shall be necessary and sufficient to take or approve any action within the Board's power, and any action so taken or approved by such a majority shall be deemed to have been taken or approved by the Board of Directors. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any matter is taken shall be conclusively presumed to have assented to the action taken unless the director votes against the action or abstains from voting on the action, which shall be recorded in the meeting minutes.

Section 7. Meetings by Telephone Conference or Other Means of Communication. Members of the Board of Directors or any Board Committee may participate in any meeting of the Board of Directors or such Board Committee by any means of communication by which all persons participating in the meeting may simultaneously hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Section 8. Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any Board Committee may be taken without a meeting if all members of the Board or Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or Committee. In the event one or more positions on the Board or any Board Committee shall be vacant at the time of the execution of any such consent, such consent shall nevertheless be effective if it shall be signed by all persons serving as members of the Board or such Committee at such time and if the persons signing the consent would be able to take the action called for by the consent at a properly constituted meeting of the Board or such Committee. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date.

Section 9. Conflicts of Interest. The Board shall have the authority to establish, and amend, as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest of directors.

Any Board member having a duality of interest or possible conflict of interest on any matter that is subject to Board action shall not be entitled to vote and shall not use personal influence on the matter, and the required vote and quorum for the meeting at which such action is taken shall be determined as though the size of the Board had been reduced by eliminating such director's position, but a transaction may not be authorized under this section by a single director. If a majority of the directors who have no relationship or interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and the manner in which a quorum was determined. The foregoing requirements shall not be construed as preventing a Board member from briefly stating such member's position in the matter, nor from answering pertinent questions of other Board members, since a Board member's knowledge may be of great assistance.

Section 10. Emergency Bylaws. In the event of any emergency, as a result of which a quorum of the Board of Directors, the Executive Committee or any other standing committee of

the Board cannot readily be convened for action, then the director or directors in attendance at a meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one (1) or more of themselves or other directors to membership on any standing or temporary committees of the Board as they shall deem necessary and appropriate.

ARTICLE VI - BOARD COMMITTEES

Section 1. Executive Committee. There shall be an Executive Committee consisting of the Chairman of the Board of Directors, the Vice Chairman, and the Chairman of each of the Board Governance and Nominating Committee, the Personnel and Compensation Committee, the Audit and Compliance Committee and the Finance Committee. The Executive Committee shall have full power to manage the affairs and business of the Corporation in the event of any emergency, as a result of which a quorum of the Board of Directors cannot readily be convened for action.

Section 2. Other Committees. There shall be a Board Governance and Nominating Committee, a Personnel and Compensation Committee, an Audit and Compliance Committee and a Finance Committee consisting of at least three (3) members each appointed by the Board of Directors, on recommendation of the Board Governance and Nominating Committee.

Other committees of the Board of Directors consisting of at least two (2) directors of the Corporation may be created from time to time by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board establishing such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, in accordance with these Bylaws, the committee's charter and applicable law.

The Chairman of each committee of the Board of Directors shall be appointed by the Board on recommendation of the Board Governance and Nominating Committee.

Section 3. Terms; Procedures. Unless otherwise determined by the Board of Directors, the term of office of each committee member shall expire at the next annual meeting of the Board of Directors following the appointment of such committee member if not otherwise terminated prior thereto or until such member's successor is appointed and qualified or until such member's earlier death, retirement, disqualification, resignation or removal.

Committees shall report regularly to the Board of Directors with respect to committee activities. Any such committee shall be referred to as a "Board Committee." Except as may be otherwise prescribed by the Board of Directors, all Board Committees shall develop and operate under a written charter approved by the Board of Directors.

ARTICLE VII - ADVISORY COMMITTEES

Section 1. General. The Board of Directors or the CEO may establish Advisory Committees with such membership, duties, and purposes (including advising and consulting with the Board of Directors or the Corporation's management), and governance procedures, as the Board or the CEO, as appropriate, shall designate from time to time. Such committees are referred to in these Bylaws as "Advisory Committees." No Advisory Committee shall have or

may exercise any of the powers or authority of the Board of Directors or any of the officers of the Corporation in the management of the business and affairs of the Corporation.

ARTICLE VIII - OFFICERS

Section 1. Officers. The officers of the Corporation shall consist of the Chairman, Vice Chairman of the Board, CEO, President, Treasurer and Secretary. The Board of Directors may elect or appoint such other officers or agents as the Board may determine from time to time, including, without limitation, one or more Vice Presidents and such assistant officers or other officers as the Board may determine. Each officer shall have the title, duties, authority and functions set forth in these Bylaws or in a resolution adopted by the Board. One person may simultaneously hold any two or more offices.

Section 2. Election or Appointment and Term of Office. The Chairman shall be elected annually by the Board of Directors at the annual meeting of the Board and if election of such officer shall not be held at such annual meeting, such election shall be held as soon thereafter as conveniently may be possible. The Chairman shall hold office until the next annual meeting of the Board of Directors following election to such office and until a successor shall have been duly elected and qualified, or until the Chairman's earlier death, retirement, disqualification, resignation, or removal.

The CEO, the Vice Chairman, the President, the Treasurer, the Secretary, and other officers elected or appointed by the Board pursuant to Section 1 above shall hold office until a successor shall have been duly appointed and qualified for such position, or until their earlier death, retirement, disqualification, resignation, or removal in the discretion of the Board.

The Corporation may enter into a contract with any officer of the Corporation specifying terms of employment, salary, and such other terms and conditions as may be mutually agreed upon and may from time to time renew or amend such contract with the mutual consent of the parties thereto, provided that the terms of any such contract with the CEO and other officers elected or appointed by the Board shall be subject to the approval of the Board.

Section 3. Chairman of the Board. The Chairman of the Board shall be elected by majority vote of the independent directors from among the members of the Board of Directors and, except as otherwise noted in these Bylaws, shall preside at all meetings of the members and of the Board of Directors and perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 4. Vice Chairman. There shall be a Vice Chairman of the Board who shall be the Lead Director, if any, and otherwise shall be a current independent director elected from among the members of the Board of Directors and who shall perform such duties as may be prescribed by the Board from time to time.

Section 5. Chief Executive Officer. The Chief Executive Officer of the Corporation, subject to the orders and supervision of the Board of Directors, shall have immediate supervision and active administration of the work and management of the affairs and business of the Corporation or may delegate such responsibilities as the CEO determines to be in the best interests of the Corporation. The CEO, or a person so delegated by the CEO or the Board of

Directors pursuant to these Bylaws, may sign on behalf of the Corporation any documents or instruments that the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be especially delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. The CEO shall make such reports and perform such other duties as from time to time may be required by the Board of Directors. In the absence or inability to act of the CEO, the Board of Directors shall designate another person to perform the duties and exercise the powers of the CEO.

Section 6. President. The President of the Corporation, subject to the orders and supervision of the CEO, may have immediate supervision and active administration of the work and management of the operating units of the business of the Corporation.

Section 7. Vice Presidents. Each Vice President shall have such duties and have such powers as shall be provided in a resolution adopted by the Board or by amendment to these Bylaws.

Section 8. Secretary. The Secretary shall, subject to the supervision of the Board and the CEO: keep the minutes of the meetings of shareholders and the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required; keep or cause to be kept a register of the last known post office address of each shareholder which shall be furnished to the Secretary by such shareholder; supply in such circumstances as the Secretary deems appropriate to any governmental agency or other person a copy of any resolution adopted by the Corporation's shareholders, Board of Directors or Board Committee, any corporate record or document, or other information concerning the Corporation and its officers and completeness of the resolution, record, document, or information supplied; and in general, perform all duties incident to the office of Secretary and perform such other duties and have such other powers as the Board of Directors or the CEO may from time to time prescribe.

Section 9. Assistant Secretary. Each Assistant Secretary shall, subject to the direction of the Board of Directors, the CEO, and the Secretary, assist the Secretary in the performance of the Secretary's duties and be entitled to exercise the powers of the Secretary.

Section 10. Treasurer. The Treasurer shall, subject to the supervision of the Board and the CEO: have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by or under authority of the Board of Directors; and, in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board or the CEO. The Treasurer shall give a bond, if required by the Board of Directors, for the faithful discharge of the Treasurer's duties in a sum and with one or more sureties satisfactory to the Board.

Section 11. Assistant Treasurer. Each Assistant Treasurer shall, subject to the direction of the Board, the CEO, and the Treasurer, assist the Treasurer in the performance of the Treasurer's duties and be entitled to exercise the powers of the Treasurer.

Section 12. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever, in the judgment of the Board, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election shall not of itself create contract rights.

Section 13. Conflicts of Interest. The Corporation shall have the authority to establish, and amend as may be needed from time to time, policies and procedures governing dualities of interest or possible conflicts of interest on the part of officers and employees of the Corporation.

ARTICLE IX - INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. Indemnification. The Corporation shall, and does hereby, indemnify to the fullest extent permitted or authorized by current or future legislation or current or future judicial or administrative decisions (but, in the case of any such future legislation or decisions, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decisions) each person (including here and hereinafter the heirs, executors, administrators or the estate of such person) who was or is a party to:

(A) any Proceeding (other than a Proceeding by, or in the right of, the Corporation) by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against liability incurred in connection with such Proceeding, including any appeal thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful; or

(B) any Proceeding by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he or she (i) is or was a director, trustee or officer of the Corporation, (ii) is or was an employee or agent of the Corporation as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), or (iii) is or was serving, at the request of the Corporation, as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity (but only to the extent of any such agreement), against expenses and amounts paid in settlement not exceeding, in the judgment of the Board of Directors, the estimated expense of litigating the Proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such Proceeding, including any appeal thereof. Such indemnification shall be authorized if he or she acted in good faith and

in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, provided, that no indemnification shall be made under this clause (B) in respect of any claim, issue or matter as to which he or she shall have been adjudged to be liable unless, and only to the extent that, the court in which such Proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses and any amounts paid in settlement which such court shall deem proper.

Indemnification under this Section 1 of this Article IX, unless pursuant to a determination by a court, shall be made by the Corporation upon a determination in accordance with the relevant Florida statutory provisions that indemnification is proper in the circumstances because the applicable standard of conduct set forth in this Section 1(A) or 1(B) of this Article IX has been met.

Each director, trustee, officer, employee or agent of the Corporation to whom indemnification rights under this Section 1 of this Article IX have been granted shall be referred to as an "Indemnified Person."

Notwithstanding anything contained in this Article IX, except for Proceedings to enforce rights provided in this Article IX, the Corporation shall not be obligated under this Article IX to provide any indemnification or any payment or reimbursement of expenses to any director, trustee, officer or other person in connection with a Proceeding (or part thereof) initiated by such Indemnified Person (which shall not include counterclaims or crossclaims initiated by others) unless the Board of Directors has authorized or consented to such Proceeding (or part thereof) in a resolution adopted by the Board.

Section 2. Successful Defense of Proceedings. To the extent that an Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1 of this Article IX, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses actually and reasonably incurred by him or her in connection therewith.

Section 3. Insurance. The Corporation may purchase and maintain insurance, at its expense on behalf of any person who is or was a director, trustee, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX or the applicable provisions of Florida law.

Section 4. Advancement of Expenses. The Corporation shall advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by any director, trustee or officer to whom indemnification is provided under Section 1 of this Article IX to the fullest extent allowed and in the manner provided by the laws of the State of Florida; provided, however, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, trustee or officer, to repay all amounts so

advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that such director, trustee or officer is not entitled to be indemnified for such expenses. The Corporation may advance expenses, including attorneys' fees, incurred in any action, suit or Proceeding by other employees and agents of the Corporation and persons who are or were serving, at the request of the Corporation, as directors, trustees, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, to whom indemnification is provided under Section 1 of this Article IX upon such terms or conditions that the Board of Directors deems appropriate.

Section 5. Continuation of Indemnification and Advancement of Expenses. Indemnification and advancement of expenses as provided in this Article IX shall continue as, unless otherwise provided when authorized or ratified, to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, administrators and estate of such person, unless otherwise provided when authorized or ratified. The rights of any person set forth in this Article to indemnification and advancement of expenses are contractual rights and vest at the time a person becomes a director, trustee, officer, employee or agent of the Corporation and no amendment to these indemnification provisions and advancement of expenses provisions shall affect any right in respect of acts or omissions of any director, officer, employee or agent occurring prior to such amendment. Any repeal of relevant Florida statutory provisions or any other applicable law shall not in any way diminish any rights to indemnification of such Indemnified Person, or the obligations of the Corporation arising hereunder, for claims relating to matters occurring prior to such repeal or modification.

Section 6. Indemnification Contracts. The indemnification and advancement of expenses provided by this Article IX shall not be deemed exclusive of any other rights to which those indemnified may be entitled, and the Corporation may make any other or further indemnification or advancement of expenses of any of its directors, officers, employees or agents, under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to actions in such person's official capacity and as to actions in another capacity while holding such office. However, indemnification or advancement of expenses shall not be made to or on behalf of any director, trustee, officer, employee or agent, if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (A) a violation of the criminal law, unless the director, trustee, officer, employee or agent had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (B) a transaction from which the director, trustee, officer, employee or agent derived an improper personal benefit; (C) in the case of a director, a circumstance under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act, are applicable; or (D) willful misconduct or a conscious disregard for the best interests of the Corporation in a Proceeding by or in the right of the Corporation to procure a judgment in its favor or in a Proceeding by or in the right of a shareholder.

Section 7. Savings Clause. If this Article IX or any portion hereof shall be invalidated on any ground by a court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnified Person as to expenses, judgments, fines and amounts paid in settlement with respect to any Proceeding, including an action by or in the right of the

Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and as permitted by applicable law.

Section 8. Certain Definitions. For purposes of this Article IX, the term: (A) “corporation” includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, officer, employee or agent of a constituent corporation, or is or was serving at the request of a constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, is in the same position under this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued; (B) “director” includes director emeritus; (C) “expenses” includes counsel fees, including those for appeal; (D) “liability” includes obligations to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to any employee benefit plan, and expenses actually and reasonably incurred with respect to a Proceeding; (E) “Proceeding” includes any threatened, pending or completed action, suit or other type of proceeding, whether civil, criminal, administrative, investigative, legislative or otherwise, and whether formal or informal; (F) “agent” includes a volunteer; (G) “serving at the request of the corporation” includes any service as a director, officer, employee or agent of the Corporation that imposes duties on such persons, including duties relating to an employee benefit plan and its participants or beneficiaries; and (H) “not opposed to the best interest of the Corporation” describes the actions of a person who acts in good faith and in a manner he or she reasonably believes to be in the best interests of the participants and beneficiaries of an employee benefit plan. All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850 of Florida Business Corporation Act.

ARTICLE X - CONTRACTS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors or CEO may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. The Board of Directors or CEO may delegate such authorization to such officers of the Corporation as they deem appropriate.

Section 2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board of Directors or CEO.

Section 3. Deposits. All funds of the Corporation shall be deposited promptly to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors or CEO may select, and withdrawal or disbursement thereof, for investment or other purposes, shall be in accordance with such policies as may be determined by the Board of Directors or CEO.

ARTICLE XI - GENERAL PROVISIONS

Section 1. Voting Securities Issued by Another Corporation. Voting securities in any other corporation held by the Corporation shall be voted by the CEO, President, or Vice Presidents specifically designated by the CEO or President, either generally or in a specific instance, unless the Board of Directors specifically confers authority to vote with respect thereto, in general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

ARTICLE XII - AMENDMENTS

Section 1. Amendments. Unless otherwise provided by law, these Bylaws may be amended, altered, or repealed and new Bylaws may be adopted by the Board of Directors of the Corporation at any meeting of the Board of Directors, or by the shareholders at any regular or special meeting of the shareholders of which due notice shall have been given, such notice stating the time and place of the meeting and the substance of the proposed amendment, alteration, rescission, or other changes.

Blue Cross and Blue Shield of Florida, Inc.

**Statutory Financial Statements
December 31, 2012 and 2011**

Blue Cross and Blue Shield of Florida, Inc.

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December 31, 2012 and 2011

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Report of Independent Certified Public Accountants

To the Board of Directors of
Blue Cross and Blue Shield of Florida, Inc.

We have audited the accompanying statutory financial statements of Blue Cross and Blue Shield of Florida, Inc. (the "Plan"), which comprise the statutory statements of admitted assets, liabilities and surplus as of December 31, 2012 and 2011, and the related statutory statements of operations and changes in surplus, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Office of Insurance Regulation of the State of Florida. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Certified Public Accountant's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Plan on the basis of the accounting practices prescribed or permitted by the Office of Insurance Regulation of the State of Florida which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America are material.



Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Plan as of December 31, 2012 and 2011, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Plan as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Office of Insurance Regulation of the State of Florida described in Note 1.

Emphasis of Matter

As discussed in Note 7 to the statutory financial statements, as of January 1, 2012, the Company changed its method of accounting for pension benefits as allowed by statutory accounting practices.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Summary Investment Schedule and Supplemental Investment Risk Interrogatories of the Plan as of December 31, 2012 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The Summary Investment Schedule and Supplemental Investment Risk Interrogatories are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The effects on the Summary Investment Schedule and Supplemental Investment Risk Interrogatories of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the Summary Investment Schedule and Supplemental Investment Risk Interrogatories do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Plan as of December 31, 2012 and for the year then ended. The Summary Investment Schedule and Supplemental Investment Risk Interrogatories have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Summary Investment Schedule and Supplemental Investment Risk Interrogatories are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Jacksonville, Florida
April 29, 2013

Blue Cross and Blue Shield of Florida, Inc.
Statutory Statements of Admitted Assets, Liabilities and Surplus
December 31, 2012 and 2011

(in millions of dollars)

	2012	2011
Admitted Assets		
Cash and invested assets		
Bonds	\$ 2,414	\$ 2,419
Preferred stock	144	137
Common stock	541	480
Investment in affiliates	583	510
Real estate (net of accumulated depreciation of \$147 million and \$135 million, respectively)	212	222
Cash, cash equivalents and short-term investments	95	(17)
Other invested assets	40	43
Receivable for securities sold	9	1
Securities lending reinvested collateral	18	67
Total cash and invested assets	<u>4,056</u>	<u>3,862</u>
Investment income due and accrued	23	25
Premiums and considerations receivable	815	843
Funds held by or deposited with reinsured companies	5	5
Amounts receivable relating to uninsured plans	201	228
Federal income tax recoverable	18	13
Net deferred tax asset	176	220
Electronic data processing equipment and software	4	3
Receivables from subsidiaries and affiliates	20	12
Health care and other amounts receivable	58	45
Other than invested assets	207	292
Total admitted assets	<u>\$ 5,583</u>	<u>\$ 5,548</u>
Liabilities and Surplus		
Claims unpaid	\$ 569	\$ 508
Unpaid claims adjustment expenses	20	22
Aggregate health policy reserves	1,185	1,273
Unearned premium reserve	7	6
Premiums received in advance	135	136
General expenses due or accrued	467	572
Federal income tax payable	3	3
Amounts withheld or retained for the account of others	19	16
Remittances not allocated	21	21
Borrowed money	150	90
Amounts due to subsidiaries and affiliates	17	11
Payable for securities purchased	31	27
Payable for securities lending	18	67
Reinsurance in unauthorized companies	22	21
Liability for amounts held under uninsured plans	67	87
Other liabilities	62	79
Total liabilities	<u>2,793</u>	<u>2,939</u>
Surplus		
Unassigned surplus	<u>2,790</u>	<u>2,609</u>
Total surplus	<u>2,790</u>	<u>2,609</u>
Total liabilities and surplus	<u>\$ 5,583</u>	<u>\$ 5,548</u>

The accompanying notes are an integral part of these statutory financial statements.

Blue Cross and Blue Shield of Florida, Inc.
Statutory Statements of Operations and Changes in Surplus
Years Ended December 31, 2012 and 2011

<i>(in millions of dollars)</i>	2012	2011
Revenue		
Premium income	\$ 6,476	\$ 6,247
Change in unearned premium reserve and reserve for rate credits	77	(125)
Other health care related revenue	12	7
Total revenue	6,565	6,129
Medical expenses		
Hospital and medical benefits	3,573	3,222
Outside referrals	61	61
Emergency room and out-of-area	257	229
Prescription drugs	989	935
Other hospital and medical expenses	562	573
Total medical expenses	5,442	5,020
General administrative expenses	787	748
Claims adjustment expenses	252	264
Increase in reserves for health contracts	7	37
Nonhealth claims	9	9
Total expenses	6,497	6,078
Net underwriting gain	68	51
Net investment income earned	134	171
Net realized capital gains, less capital gains taxes of \$12 million and \$15 million, respectively	19	24
Other income (expense)	-	7
Income before federal income taxes incurred	221	253
Federal income taxes incurred	62	49
Net income	159	204
Surplus at beginning of year	2,609	2,645
Change in valuation basis of aggregate health policy reserves	16	83
Change in net unrealized capital gains and losses	29	(68)
Change in net deferred income taxes	(7)	3
Change in nonadmitted assets	(15)	(22)
Change in unauthorized reinsurance	(1)	1
Change in surplus notes	-	(150)
Minimum pension liability adjustment	-	(72)
Deferred credit on investment in affiliate	-	(19)
Additional admitted deferred tax asset	-	4
Surplus at end of year	\$ 2,790	\$ 2,609

The accompanying notes are an integral part of these statutory financial statements.

Blue Cross and Blue Shield of Florida, Inc.
Statutory Statements of Cash Flows
Years Ended December 31, 2012 and 2011

(in millions of dollars)

	2012	2011
Cash from operations		
Premiums collected	\$ 6,503	\$ 6,114
Net investment income	159	200
Other income received	12	7
Total cash provided by operations	<u>6,674</u>	<u>6,321</u>
Benefit and loss related payments	5,401	5,026
Commissions and other expenses paid	1,134	1,062
Federal income taxes paid	79	67
Total cash used in operations	<u>6,614</u>	<u>6,155</u>
Net cash from operations	<u>60</u>	<u>166</u>
Cash from investments		
Proceeds from investments sold, matured or repaid		
Bonds	1,213	1,533
Stocks	160	92
Other invested assets and miscellaneous	52	62
Total investment proceeds	<u>1,425</u>	<u>1,687</u>
Cost of investments acquired		
Bonds	1,192	1,549
Stocks	271	318
Home office property constructed	2	8
Other invested assets and miscellaneous	8	8
Total investments acquired	<u>1,473</u>	<u>1,883</u>
Net cash used in investments	<u>(48)</u>	<u>(196)</u>
Cash from financing and miscellaneous sources		
Payment of surplus notes	-	(150)
Borrowed funds	60	90
Other cash provided (applied)	40	(59)
Net cash provided by (used in) financing and miscellaneous sources	<u>100</u>	<u>(119)</u>
Net change in cash, cash equivalents and short-term investments	112	(149)
Cash, cash equivalents and short-term investments		
Beginning of year	<u>(17)</u>	<u>132</u>
End of year	<u>\$ 95</u>	<u>\$ (17)</u>

The accompanying notes are an integral part of these statutory financial statements.

Blue Cross and Blue Shield of Florida, Inc.

Notes to Statutory Financial Statements

December 31, 2012 and 2011

1. Summary of Organization and Significant Accounting Policies

Organization

Blue Cross and Blue Shield of Florida, Inc. (the "Plan"), a not-for-profit mutual insurance company, offers a wide range of health insurance products including traditional and preferred provider health insurance products and health maintenance organization ("HMO") products (through its wholly owned subsidiaries, Health Options, Inc. ("HOI") and Florida Health Care Plan, Inc. ("FHCP")). The Plan's wholly owned subsidiary holding companies are as follows: Diversified Health Services, Inc. ("DHSI"); Diversified Service Options, Inc. ("DSO"); and Navigy Holdings, Inc. ("Navigy Holdings"). The Plan's other wholly owned subsidiaries include: Comp Options Insurance Company, Inc. d/b/a OptaComp ("COI"); First Coast Service Options, Inc. ("FCSO"); Novitas Solutions, Inc. ("Novitas"); Navigy, Inc. ("Navigy"); Incepture, Inc. ("Incepture"); GuideWell, Inc. ("GuideWell"); and Diagnostic Clinic Medical Group, Inc. ("DCMG"). The Plan also has equity investments in joint ventures including the following companies: Availity, LLC ("Availity"); Prime Therapeutics, LLC ("Prime"); Life and Specialty Ventures Partners, LLC ("LSVP"); TriCenturion, Inc. ("TriCenturion"); BP Informatics, LLC ("Informatics"); Blue International Plan Solutions, LLC ("Solutions"); NDES Holdings, LLC ("NDES"); NDBH Holding Company, LLC ("New Directions"); Florida True Health, Inc. ("FTH"); Health Intelligence Company, LLC ("HIC"); National Institute for Health Care Management, LLC ("NIHCM"); Blue Cross Blue Shield Ventures II, Inc. ("Ventures"); and MTS Health Investors III, L.P. ("MTS"). In August 2011, C2C Solutions, Inc. ("C2C") was sold for \$1 million generating a \$1 million gain on the sale. During 2011, Novitas Health, LLC was dissolved.

DSO acquired Highmark Medicare Services, Inc. ("HMS") in January 2012. After DSO acquired HMS, DSO changed the name of the company to Novitas. Novitas administers Medicare contracts in various states. In December 2012, DHS acquired DCMG, a multi-specialty physician practice based in Largo, Florida. The terms of the Novitas and DCMG acquisitions included provisions for contingent consideration to be paid to the former owners.

In addition to the above entities, the Plan has significant relationships with two controlled affiliates: Capital Health Plan, Inc. ("CHP") and Blue Cross and Blue Shield of Florida Foundation, Inc. ("Foundation"). These affiliates are controlled through the Plan's involvement with the respective boards of directors, but due to the nature of the respective relationships, the financial information of these controlled affiliates is not included in these statutory financial statements.

The Plan is an independent licensee of the Blue Cross and Blue Shield Association (the "Association"). The Association owns the Blue Cross and Blue Shield service marks and establishes national policies and sets certain operating and financial guidelines for the independent Blue Cross and Blue Shield Plans. The Association is not an affiliate or guarantor of the Plan. Under its Articles of Incorporation, the Plan may designate its policies as participating or nonparticipating.

Basis of Presentation

The Plan is domiciled in the State of Florida and is required to prepare statutory financial statements in accordance with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual*, the basis for statutory accounting practices ("SAP"), subject to any deviations prescribed or permitted by the Office of Insurance Regulation of the State of Florida ("OIR"). Accordingly, these financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Blue Cross and Blue Shield of Florida, Inc.

Notes to Statutory Financial Statements

December 31, 2012 and 2011

Certain amounts in the 2011 financial statements have been reclassified to correspond to the 2012 presentation.

The accounting policies utilized in preparing the statutory financial statements differ in certain respects from those which would have been used had these financial statements been prepared in accordance with GAAP. The most significant differences are as follows:

- For statutory accounting purposes, subsidiary results are excluded from operations and are included in unrealized capital gains and losses in surplus. Subsidiary insurance companies are generally reported at statutory book value and noninsurance companies are generally reported at GAAP book value, which may be adjusted to statutory book value if significant business is transacted with the Plan or its subsidiaries. Under GAAP, the financial information and disclosures of subsidiaries under the control of the Plan are consolidated for financial reporting purposes.
- Certain types of assets, such as accounts receivable over 90 days, certain health care and other receivables, nonoperating software, furniture and equipment, and prepaid expenses, are designated as nonadmitted assets for statutory accounting purposes and are excluded from the statutory statements of admitted assets, liabilities and surplus through a direct reduction to surplus. Admissibility of certain assets such as deferred tax assets, goodwill, electronic data processing (“EDP”) equipment, operating software and capitalized interest is limited to certain percentages of adjusted statutory surplus. Total nonadmitted assets at December 31, 2012 and 2011 were \$359 million and \$343 million, respectively.
- For statutory accounting purposes, investment grade bonds and short-term investments are generally reported at amortized cost, and reviewed periodically for impairment. For GAAP, such investments are reported at their fair values and reviewed periodically for impairment.
- For statutory accounting purposes, investments are classified as short-term when the remaining maturity of the investment is less than one year upon acquisition. Short-term investments are classified as such for GAAP when reporting a classified balance sheet and represent the investment of cash available for current operations.
- For statutory accounting purposes, allowances are not recorded for uncollectible receivables. Instead, an analysis is performed to determine nonadmitted assets. Under GAAP, allowances for uncollectible premiums and considerations receivable are charged to income.
- For statutory accounting purposes, goodwill is amortized and recorded as a direct reduction to surplus. Under GAAP, goodwill is not amortized but is reviewed annually for impairment.
- For statutory accounting purposes, bank overdrafts are recorded as a reduction of cash, cash equivalents and short-term investments instead of as a liability under GAAP.
- For statutory accounting purposes, policy acquisition costs are expensed when paid. Under GAAP, policy acquisition costs are capitalized and amortized over a specified period.
- GAAP liabilities for postretirement benefits are accrued for the period that all employees have provided or are expected to provide services to the Plan. This liability for statutory purposes is determined by the terminal approach in which the liability is established for retirees and eligible employees only. In addition, the Financial Accounting Standards Board (“FASB”) amended Accounting Standard Codification (“ASC”) 715, *Compensation – Retirement*

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Benefits, for GAAP purposes, which requires the recognition of prior service costs for nonvested participants. This guidance has not yet been adopted by the NAIC for statutory accounting purposes.

- For statutory accounting purposes, accounting for income taxes is consistent with GAAP in many respects. However, significant differences include the treatment of state income taxes, the realization criteria for deferred income taxes, and the recognition of changes in deferred income taxes directly to surplus. In addition, the portion of ASC 740, *Income Taxes*, pertaining to accounting for uncertainty in income taxes has been adopted for GAAP, but has not been adopted by the NAIC for statutory accounting purposes.
- For statutory accounting purposes, surplus notes issued by the Plan are recorded as surplus, rather than as a liability under GAAP.
- For statutory accounting purposes, aggregate health policy reserves and premium deficiency reserves are established under a different actuarial methodology than under GAAP.
- For statutory accounting purposes, any reserve credits for reinsurance ceded to an unauthorized reinsurer are established as a liability and charged directly to surplus. Any changes in amounts ceded to unauthorized reinsurers are direct increases or decreases to surplus. No adjustments for unauthorized reinsurance are recorded under GAAP.
- For statutory accounting purposes, amounts due from brokers for pending sales of securities are recorded as an asset and amounts due to brokers for pending purchases of securities are recorded as a liability. Under GAAP, they are combined and reported as a net amount.
- For statutory accounting purposes, uninsured health plans' net results are reported as claims adjustment and general administrative expenses, rather than as a component of revenue under GAAP.
- For statutory accounting purposes, depreciation of EDP equipment is accelerated.
- For statutory accounting purposes, interest expense is recorded as an offset to investment income, instead of as an expense under GAAP.
- Investments transferred from a subsidiary to a parent as a dividend are recorded by the parent with a book value equal to the market value on the date of transfer and a corresponding gain or loss is recognized by the subsidiary between that market value and the original cost to the subsidiary. For GAAP purposes, the original cost of the transferred security is recorded by the parent and no gain or loss is recognized by the subsidiary.

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The following is a reconciliation of statutory surplus to consolidated policyholders' equity as determined by GAAP as of December 31:

<i>(in millions of dollars)</i>	2012	2011
Statutory surplus	\$ 2,790	\$ 2,609
Investment valuation differences	795	691
Aggregate health policy reserves	(282)	(253)
Deferred acquisition costs	179	173
Deferred tax asset	93	88
Prepaid expenses	37	44
Software, EDP equipment and other capitalized differences	56	53
Pension and other postemployment benefits	(10)	(46)
Goodwill accumulated amortization	22	22
Accounts receivable - allowance and nonadmitted assets	57	75
Unauthorized reinsurance	22	21
Other	(6)	(1)
	<u>3,753</u>	<u>3,476</u>
Consolidated policyholders' equity - GAAP	\$ 3,753	\$ 3,476

The following is a reconciliation of statutory net income to consolidated GAAP net income for the years ended December 31:

<i>(in millions of dollars)</i>	2012	2011
Statutory net income	\$ 159	\$ 204
Aggregate health policy and premium deficiency reserves	(13)	11
Deferred acquisition costs	5	12
Pension and postretirement benefits	12	10
Accelerated statutory depreciation on EDP equipment and software	(1)	(4)
Deferred income taxes	3	(13)
Allowance for uncollectible receivables	4	18
Investment valuation differences	49	25
Policyholder dividends related to reinsurance	(1)	(5)
Other	-	3
	<u>217</u>	<u>261</u>
Consolidated GAAP net income	\$ 217	\$ 261

Use of Estimates and Assumptions

The accompanying statutory financial statements are prepared in conformity with SAP, which require the Plan to make estimates that affect the reported amounts of admitted assets and liabilities, disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

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Investments

Investment grade bonds are stated at amortized cost. Amortization of bond premium or discount is calculated using the interest method taking into consideration specified interest and principal provisions over the life of the bond. Common and preferred stocks, and bonds rated below investment grade, except for investment in affiliates, are carried at fair value, which is determined by the Securities Valuation Office of the NAIC ("SVO"). Changes in fair value are reflected as a direct increase or decrease to surplus. For bonds, impairment is considered to be other-than-temporary if the Plan has the intent to sell the security prior to recovery, if it is more likely than not the Plan will be required to sell the security prior to recovery, or if the Plan does not believe the value of the security will recover. Equity securities are deemed other-than-temporarily impaired based on the severity of the unrealized loss and the time the security has been in an unrealized loss position. For bonds, the other-than-temporarily impaired amount is separated into the amount related to a credit loss as a charge to realized capital gains (losses) included in net income, and the amount related to all other factors, which is recognized in surplus. The credit loss component is calculated using the Plan's best estimate of the present value of cash flows expected to be collected from the bond. Subsequent to recognition of a credit related impairment loss, the difference between the new cost basis and the cash flows expected to be collected is accreted as interest income. With respect to securities where the decline in value is determined to be temporary and the security's value is not written down, a subsequent decision may be made to sell that security and realize a loss. If a security's decline in fair value is not expected to be fully recovered prior to the expected time of sale, the Plan would record an other-than-temporary impairment in the period in which the decision to sell is made.

Investments in affiliates consist of stock of the following wholly owned subsidiary holding companies: DHSI, which holds the ownership interests in HOI, COI, FHCP, LSVF, FTH, and DCMG; DSO, which holds the ownership interests in FCSO, Novitas, and TriCenturion; and Navigy Holdings, which holds the ownership interests in GuideWell, NDES, New Directions, and Navigy. Navigy holds the ownership interests in Incepture, Availity, Informatics, and MTS. These investments are valued using the equity method of accounting, pursuant to which original investments are recorded at cost and adjusted by the Plan's share of undistributed earnings or losses of these companies. Changes in value are reflected as a direct increase or decrease to surplus.

The Plan also has direct ownership interests in Prime, Solutions, HIC, NIHCM and Ventures. The Plan carries these interests based on the underlying audited GAAP equity of the investee, adjusted for SAP as required by Statement of Statutory Accounting Principles ("SSAP") No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities, a replacement of SSAP 88* ("SSAP No. 97").

Short-term investments consist primarily of money market funds. These investments are carried at amortized cost, which approximates fair value, net of amortization.

Cash and cash equivalents consist primarily of late money deposits and demand deposits with an original maturity date, when purchased, of less than ninety days. These investments are carried at cost, which approximates fair value.

Mortgage-backed securities are stated at amortized cost using the scientific interest method including anticipated prepayments at the date of purchase and are included in bonds in the statutory financial statements. Prepayment assumptions are estimated. External pricing sources are utilized to determine fair values. Significant changes in cash flows from the original purchase assumptions are accounted for using the prospective method. If new prepayment assumptions result in a negative yield, an other-than-temporary impairment is considered to have occurred.

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Real estate, which includes expenditures for significant improvements, is recorded at cost, less accumulated depreciation. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as other income or expense. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to thirty-nine years. Depreciation expense for real estate was \$12 million and \$13 million for the years ended December 31, 2012 and 2011, respectively. Real estate is reviewed for possible impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable or exceeds fair value as determined by a recent appraisal. A loss of \$1 million was recorded in 2011 as a result of this review. No losses were recorded in 2012 as a result of this review.

Realized gains and losses resulting from sales of investments are recorded on a specific identification basis and are shown on the statutory statements of operations and changes in surplus, net of applicable federal income taxes. Unrealized gains and losses from changes in fair value on common and preferred stocks and bonds rated below investment grade are direct increases or decreases to surplus, net of applicable income taxes.

Concentration of Credit Risk

Cash is held primarily in deposits in noninterest-bearing transaction accounts with Federal Deposit Insurance Corporation insured institutions or in money market mutual funds. The financial stability of these institutions is reviewed on a periodic basis. Bonds are diversified and include primarily investment grade securities, with a small percentage of below investment grade securities. Diversification is enforced by limiting individual nongovernment issues to no more than 5% of the portfolio.

The Plan does not engage in significant subprime residential mortgage lending. The Plan's exposure to subprime lending is primarily limited to investments within the bond portfolio which contain securities issued by financial institutions that may directly or indirectly own securities collateralized by mortgages that have characteristics of subprime lending, and equity securities with exposure to the real estate industry. As of December 31, 2012 and 2011, the Plan did not have any securities backed by subprime mortgages.

Revenue Recognition

Premiums for fully insured contracts are billed in advance of coverage periods and recognized as revenue ratably over the period of service or coverage. Reserves for medical loss ratio ("MLR") rebates that are required by federal regulations described in Note 11 are recorded as a reduction to premium income with a corresponding liability recorded in aggregate health policy reserves. As of December 31, 2012 and 2011, MLR rebate reserves totaled \$0 million and \$45 million, respectively. 2011 was the first year that MLR rebates were payable to policyholders. Other revenue is recognized as income when earned.

General Administrative Expenses

Certain group contracts provide for the group to be at risk for all or a portion of their claims experience. Some of these self-funded groups purchase aggregate and/or specific stop-loss coverage from the Plan under which the group's aggregate liability or the group's liability on any individual member is capped for the contract year. The group contracts detail the Plan's administrative fee for the self-funded groups, which is primarily based on the number of members in a group and the group's claims experience. Under the Plan's self-funded arrangements, amounts billed to the group include paid claims plus administrative and other fees and any stop-loss premiums. For certain partially insured groups, these amounts are estimated and billed in

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advance. For statutory accounting purposes, the administrative and other fees collected for the self-funded groups serve to reduce general administrative expenses.

Accounting for the Medicare Part D Prescription Drug Program (“PDP”)

The Plan serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with the Centers for Medicare and Medicaid Services (“CMS”). Premiums received in advance from CMS are recorded as premiums received in advance. Costs for covered prescription drugs are expensed as incurred. Low-income claims subsidy and reinsurance paid in advance by CMS are recorded as liabilities in uninsured health plans payable and reduce medical expenses as earned. A risk sharing (reinsurance) arrangement provides a risk corridor whereby the target amount (premiums received from members and CMS based on the Plan’s annual bid amount less administrative expenses) is compared to actual drug costs incurred during the contract year. Based on actual claims incurred, a receivable or payable is recorded as an adjustment to premium income. A reconciliation of the final risk sharing, low-income subsidy and catastrophic amounts is required annually.

Beginning in 2011, as a plan sponsor, the Plan administers the Medicare coverage gap subsidy, a 50% discount from pharmaceutical manufacturers to Medicare Part D enrollees on brand name drug costs exceeding their initial coverage limit until they qualify for catastrophic coverage. Amounts paid to pharmacies for this discount by the Plan are recorded as pharmacy rebates receivable in health care and other amounts receivable until reimbursement is received from the pharmaceutical manufacturers.

Premiums and Considerations Receivable

The Plan routinely assesses the collectability of its receivable balances. Based upon the Plan’s experience, the potential loss from uncollectible receivable balances is not material to the Plan’s financial position, results of operations or cash flows.

Furniture and Equipment

The undepreciated portion of furniture and equipment is a nonadmitted asset. Furniture and equipment are depreciated using the straight-line method. Depreciation expense for furniture and equipment was \$1 million and \$2 million for the years ended December 31, 2012 and 2011, respectively.

Other Than Invested Assets

The Plan purchases variable universal life insurance policies to facilitate the funding of an unqualified supplemental pension plan and certain other nonqualified deferred compensation benefits and is the sole owner and beneficiary of such policies. The cash surrender value of these policies, carried at fair value based on the unit values of the underlying funds adjusted by the change in their net asset values (“NAV”), dividends and capital gains, was \$201 million and \$186 million at December 31, 2012 and 2011, respectively. These amounts are classified as other than invested assets in the statutory financial statements.

The Plan has recorded amounts recoverable for Florida premium and state income tax credits for guarantee fund assessments. The amounts recoverable were \$6 million and \$102 million at December 31, 2012 and 2011, respectively, and were classified as other than invested assets in the statutory financial statements.

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Goodwill

Goodwill represents the excess of the purchase price over the book value of the net assets acquired. Goodwill is admitted for statutory purposes, subject to certain limitations, under SSAP No. 68, *Business Combinations and Goodwill*.

Goodwill of \$68 million was recorded at the time of acquisition related to the acquisition of FHCP. This amount was recorded as goodwill within the Plan's investment in DHSI. At December 31, 2012 and 2011, the net book value of FHCP goodwill was \$40 million and \$47 million, respectively. The Novitas purchase price was \$9 million and at the time of acquisition, there was no excess of the purchase price over the book value of the net assets acquired. Contingent consideration of \$22 million was recorded in December 2012 due to provisions within the purchase agreements and as a result, \$11 million of goodwill was recorded. DSO is recorded as an investment in subsidiary along with Novitas goodwill, which will begin amortization on a straight-line basis over 10 years in 2013. At December 31, 2012, the net book value of the Novitas goodwill was \$11 million. The excess of the purchase price over the book value of the net assets acquired for DCMG was \$33 million. The amount was recorded as goodwill within the Plan's investment in DHSI. Although there are provisions for contingent acquisition payments in the purchase agreements, no contingent consideration has been recorded as of December 31, 2012. At December 31, 2012, the net book value of the DCMG goodwill was \$33 million.

Goodwill is amortized on a straight-line basis by the Plan using a 10-year amortization period, which resulted in amortization of \$7 million for both of the years ended December 31, 2012 and 2011. Based on the timing of the acquisitions and the timing of recording the contingent consideration for Novitas, no goodwill amortization was recognized related to Novitas or DCMG in 2012. Goodwill amortization is reflected as a change in unrealized capital gains and losses, a component of surplus in the statutory financial statements.

Long-lived assets, including goodwill, are reviewed for possible impairment whenever events or circumstances indicate the carrying amounts may not be recoverable. No impairment losses were incurred for either 2012 or 2011 as a result of this review.

Reinsurance

The Plan's reinsurance contracts are recorded on a net basis under the provision of SSAP No. 61, *Life, Deposit -Type and Accident and Health Reinsurance* ("SSAP No. 61") and SSAP No. 62, *Property and Casualty Reinsurance* ("SSAP No. 62"). Premiums written, premiums earned, claims, claims adjustment expenses and underwriting expenses are reported net of the amounts related to reinsurance assumed from and ceded to other companies. Ceded policy and contract liabilities are reported as reductions of the related reserves. Commissions allowed by reinsurers on business ceded are reported as income when received. Reinsurance assumed from other companies including assumed premiums written and earned, claims, claims adjustment expenses and underwriting expenses (principally ceding commission) are accounted for in the same manner as direct written insurance.

Claims Unpaid and Unpaid Claims Adjustment Expenses

The Plan establishes a liability for incurred but not reported claims based on factors such as historical paid and incurred claims data using actuarially accepted methodologies. The assumptions used in determining the liability are regularly reviewed and any adjustment resulting from these reviews is reflected in current estimates. Processing costs related to such estimated claims are accrued, and reported in unpaid claims adjustment expenses. See Note 6 for an analysis of changes in claims unpaid and unpaid claims adjustment expenses.

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Aggregate Health Policy Reserves

Aggregate health policy reserves are established to reflect the concept that current premiums include a component to pre-fund future claims. The policy reserves held exceed statutory minimums and are based on assumptions deemed appropriate at the date of valuation as to future investment yield, mortality, morbidity, withdrawals, and include margins for adverse deviation. The policy reserves are periodically analyzed for sufficiency using the gross premium valuation method without margin for adverse deviation. Interest assumptions are consistent with applicable yield rates. Mortality, morbidity, and withdrawal assumptions are based on recognized actuarial tables or Plan experience, as appropriate. The policy reserves are calculated using mid-terminal reserve factors. The Plan's experience is used as the basis for developing assumptions, subject to statutory restrictions. The assumed investment yield for these policy reserves was 3.5% as of December 31, 2011. During 2012, a change to the interest rate assumptions was made such that the interest rates at December 31, 2012 varied based on the entry year and ranged from 3.5% to 5.75%. Policy benefit claims and changes in reserves are charged to expense in the year incurred.

During 2012, the Plan changed the methodology for calculating aggregate health policy reserves for its Under 65 Individual insurance products to the Florida statutory minimum reserve standards. As described above, these changes included changes to the interest rate assumptions used in the calculation of the reserves, which was treated as a change in valuation basis. This change in valuation basis was approved by the OIR during 2012 and resulted in an increase to surplus of \$16 million.

During 2011, the Plan changed certain morbidity and persistency assumptions for calculating aggregate health policy reserves for its Under 65 Individual insurance products based on the Plan's experience. This change in assumptions was approved by the OIR on November 21, 2011, and resulted in an increase to surplus of \$83 million.

The Plan evaluates its health care contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future claims, claims adjustment expenses and appropriate administrative costs will exceed anticipated future premiums on existing contracts, without consideration of investment income. For purposes of determining if a premium deficiency loss exists, contracts are grouped in a manner consistent with the Plan's method of acquiring, servicing and measuring the profitability of such contracts. No premium deficiency reserves have been established for 2012 or 2011 as all contract groupings had sufficiencies.

The liabilities for reimbursed contracts and alternative funding arrangements (Federal Employees Health Benefits Program ("FEP") and national accounts) are also established as receivables and are included in premiums and considerations receivable in the statutory financial statements.

Guaranty Fund Assessments

Under Florida law, the Plan is subject to state guaranty fund assessments, the purpose of which is to collect money from solvent insurance companies to cover certain losses resulting from the insolvency or rehabilitation of other insurance companies. The Plan's policy is to recognize its obligation for guaranty fund assessments when it becomes aware that an insolvency has occurred for which the Plan will be assessed and the amount of such estimate can be reasonably estimated. The Plan is entitled under Florida law to recover such guaranty fund assessments through premium and state income tax credits.

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During 2012, guaranty fund assessments for several insolvent companies of \$6 million were recorded and paid and an offsetting premium and state income tax recoverable was recorded. The Plan assesses the adequacy of the estimate of the obligation for guaranty fund assessments at least annually.

Income Taxes

The Plan files a consolidated federal income tax return with HOI, DHSI, DSO, FHCP, Atlantic Institute of Clinical Research, Inc., Florida Health Care Plan Provider Option, Inc., East Coast Bariatrics, Inc., FCSO, COI, Navigy, Navigy Holdings, Incepture, GuideWell, Novitas and DCMG. Deferred tax assets and liabilities are determined based on the difference between the statutory financial statement and tax bases of assets and liabilities using currently enacted tax rates and laws in effect for the years in which the differences are expected to reverse.

The method of allocation of income tax liability is subject to written agreement among the companies. Allocation is based upon each company's separate taxable income. A company with a net operating loss is reimbursed for the tax benefit associated with its loss in the year the loss is used in the consolidated federal income tax return. Intercompany tax balances are recorded monthly and adjusted after the consolidated tax return is filed.

Interest Capitalization

The Plan capitalizes interest incurred on funds used to construct property, equipment and computer software. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's useful life. Interest cost capitalized was less than \$1 million for the years ended December 31, 2012 and 2011. Interest expense, primarily related to the line of credit and surplus notes, was \$1 million and \$11 million for the years ended December 31, 2012 and 2011, respectively.

Pharmaceutical Rebates

Pharmaceutical rebates ("rebates") are volume discounts negotiated with drug manufacturers by the Plan's pharmacy benefit manager, Prime, on behalf of the Plan. Rebates are earned when a discounted medication is dispensed to the Plan's member with pharmacy benefits coverage. The Plan estimates rebates using the previous rebate amounts as a basis and applies these estimates to the actual prescriptions filled for three months. Rebates are recorded in healthcare and other amounts receivable and as a reduction to medical expenses.

Subsequent Events

The Plan evaluated events and transactions that occurred after December 31, 2012, but prior to the issuance of these financial statements on April 29, 2013, and in the opinion of management, the financial statements reflect all material items.

2. Statutory Accounting Practices

As of and for the years ended December 31, 2012 and 2011, there were no differences between the Plan's net income and surplus determined by NAIC SAP and the amounts determined by practices prescribed or permitted by the OIR.

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3. Investments

The book values and fair values, as determined by the SVO of the NAIC, of the Plan's bonds and short-term investments and equity securities are as follows at December 31, 2012 and 2011:

	2012			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in millions of dollars)</i>				
Bonds and short-term investments				
U.S. Treasury and agency notes	\$ 403	\$ 37	\$ -	\$ 440
U.S. Agency mortgage-backed securities	820	41	-	861
Other mortgage and asset backed securities	14	1	-	15
Corporate debt	702	54	1	755
Tax-exempt securities	433	28	-	461
Foreign mortgage and asset backed securities	1	-	-	1
Foreign corporate	135	13	-	148
Total bonds and short-term investme	<u>2,508</u>	<u>174</u>	<u>1</u>	<u>2,681</u>
Equity securities				
Common stock, unaffiliated domestic	293	63	-	356
Common stock, unaffiliated international	172	13	-	185
Common stock, affiliated	583	-	-	583
Preferred stock, unaffiliated	131	13	-	144
Total equity securities	<u>1,179</u>	<u>89</u>	<u>-</u>	<u>1,268</u>
Total bonds, short-term investments and equity securities	<u>\$ 3,687</u>	<u>\$ 263</u>	<u>\$ 1</u>	<u>\$ 3,949</u>

	2011			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in millions of dollars)</i>				
Bonds and short-term investments				
U.S. Treasury and agency notes	\$ 373	\$ 33	\$ -	\$ 406
U.S. Agency mortgage-backed securities	813	47	-	860
Other mortgage and asset backed securities	14	1	-	15
Corporate debt	642	37	3	676
Tax-exempt securities	434	31	-	465
Foreign government	44	3	1	46
Foreign mortgage and asset backed securities	2	-	-	2
Foreign corporate	152	10	1	161
Total bonds and short-term investments	<u>2,474</u>	<u>162</u>	<u>5</u>	<u>2,631</u>
Equity securities				
Common stock, unaffiliated domestic	257	31	-	288
Common stock, unaffiliated international	212	-	20	192
Common stock, affiliated	510	26	26	510
Preferred stock, unaffiliated	126	12	1	137
Total equity securities	<u>1,105</u>	<u>69</u>	<u>47</u>	<u>1,127</u>
Total bonds, short-term investments and equity securities	<u>\$ 3,579</u>	<u>\$ 231</u>	<u>\$ 52</u>	<u>\$ 3,758</u>

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Investments in the above table at December 31, 2012 and 2011 include short-term investments of \$94 million and \$55 million, respectively. These short-term investments consist of money market securities and cash equivalent bonds and are included in cash, cash equivalents and short-term investments in the statutory financial statements.

As of December 31, 2012 and 2011, \$2,171 million or 87% and \$2,119 million or 85%, respectively, of the bonds and short-term investments in the Plan's portfolio were investment grade (Baa and above, or equivalent). As of December 31, 2012 and 2011, \$337 million and \$355 million of the bonds and short-term investments, respectively, were below investment grade, within the guidelines of the Plan's investment policy. Equity securities are primarily held with the investment objective of diversification, yield and potential capital appreciation.

As of December 31, 2012 and 2011, investments with a decline in fair value below book value were as follows, including the length of time of such decline:

	2012					
	Less Than 12 Months		Greater Than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in millions of dollars)</i>						
Bonds and short-term investments						
U.S. Treasury and agency notes	\$ 18	\$ -	\$ -	\$ -	\$ 18	\$ -
U.S. Agency mortgage backed securities	54	-	-	-	54	-
Corporate debt	38	1	1	-	39	1
Tax-exempt	35	-	2	-	37	-
Foreign corporate	1	-	-	-	1	-
Total bonds and short-term investments	146	1	3	-	149	1
Equity securities						
Preferred stock, unaffiliated	16	-	-	-	16	-
Total equity securities	16	-	-	-	16	-
Total bonds, short-term investments and equity securities	\$ 162	\$ 1	\$ 3	\$ -	\$ 165	\$ 1
2011						
<i>(in millions of dollars)</i>						
Bonds and short-term investments						
U.S. Treasury and agency notes	\$ 2	\$ -	\$ -	\$ -	\$ 2	\$ -
Corporate debt	88	2	5	1	93	3
Tax-exempt	3	-	3	-	6	-
Foreign government	8	1	1	-	9	1
Foreign corporate	13	1	1	-	14	1
Total bonds and short-term investments	114	4	10	1	124	5
Equity securities						
Common stock, unaffiliated domestic	26	-	-	-	26	-
Common stock, unaffiliated international	184	20	-	-	184	20
Common stock, affiliated	-	-	125	26	125	26
Preferred stock, unaffiliated	39	1	-	-	39	1
Total equity securities	249	21	125	26	374	47
Total bonds, short-term investments and equity securities	\$ 363	\$ 25	\$ 135	\$ 27	\$ 498	\$ 52

Consistent with the accounting policy described in Note 1, the Plan evaluated the securities in an unrealized loss position and determined that no securities were other-than-temporarily impaired.

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Surplus at December 31, 2012 and 2011 included \$89 million and \$22 million, respectively, of net unrealized gains on equity securities.

The book value and fair value of bonds and short-term investments at December 31, 2012 and 2011 by contractual maturity are shown below. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<i>(in millions of dollars)</i>	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Due in one year or less	\$ 118	\$ 118	\$ 82	\$ 83
Due after one year through five years	616	651	692	721
Due after five years through ten years	700	756	639	684
Due after ten years	239	279	232	266
	<u>1,673</u>	<u>1,804</u>	<u>1,645</u>	<u>1,754</u>
Mortgage-backed securities	835	877	829	877
Total bonds and short-term investments	<u>\$ 2,508</u>	<u>\$ 2,681</u>	<u>\$ 2,474</u>	<u>\$ 2,631</u>

Proceeds from sales and maturities of investments during 2012 and 2011 were \$1,373 million and \$1,625 million, respectively. Gross gains of \$42 million and \$46 million and gross losses of \$10 million and \$5 million were realized on those sales in 2012 and 2011, respectively. Included in the realized gross losses are \$0 million in 2012 and 2011 resulting from the write-down of securities deemed other-than-temporarily impaired.

Net investment income for the years ended December 31, 2012 and 2011 is summarized as follows:

<i>(in millions of dollars)</i>	2012	2011
Gross investment income		
Unaffiliated stock	\$ 23	\$ 21
Affiliated stock*	13	56
Bonds	97	106
Real estate	37	37
Other	5	5
Less: Investment and related expenses	<u>(41)</u>	<u>(54)</u>
Net investment income earned	<u>\$ 134</u>	<u>\$ 171</u>

* Affiliated stock income of \$13 million in 2012 consisted of a \$13 million dividend payment from FHCP. Affiliated stock income of \$56 million in 2011 consisted of a \$52 million dividend payment from HOI and a \$4 million dividend payment from DSO. Dividends from FHCP and HOI to the Plan are paid in accordance with Florida statutes, subject to the approval or notification of the OIR.

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The Plan accounts for its investments in subsidiaries and joint ventures using the equity method of accounting in accordance with SAP. Based on a look-through of holding company structures, the Plan did not have any subsidiaries that comprised greater than 10% of the Plan's admitted assets as of and for the years ended December 31, 2012 and 2011.

Fair Value Measurements

SSAP No. 100, *Fair Value Measurements* ("SSAP No. 100") establishes a framework for measuring and reporting fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Pricing inputs are based on quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Unadjusted quoted prices from national exchanges are the primary pricing source.
- Level 2 Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.
- Level 3 Pricing inputs include significant inputs that are generally less observable from objective sources and may include internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant. All investments subject to SSAP No.100 are analyzed as of the reporting date and assets or liabilities whose fair value is based on significant unobservable inputs are classified as Level 3.

Valuation techniques and inputs for Level 2 and Level 3 are as follows:

- Level 2 The primary source for estimating the fair value of investments that have an exchange traded price or multiple observable inputs in less than active markets is a single pricing service, Interactive Data Corporation ("IDC"). Based on the Plan's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, the Plan has not historically adjusted the prices obtained from the pricing service. In situations where IDC does not have multiple observable inputs or the ability to price a given security, a price is obtained from another pricing service or by obtaining nonbinding broker or dealer quotes.

Standard inputs for Level 2 prices include, when available, benchmark yields, reported trades, broker and dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.
- Level 3 Prices for securities with less than observable inputs are provided and calculated by external investment managers utilizing standard model and matrix pricing techniques. Inputs for these prices include discount rate, coupon rate, payment frequency, principal amortization pattern and call features.

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Transfers into and out of Level 2 and Level 3 were as follows:

- During 2012 and 2011, transfers into and out of Level 3 were not significant and were determined based on changes in the existence of observable pricing inputs and valuation techniques.

Transfers between levels are recognized at the beginning of the reporting period. There were no significant transfers between Level 1 and Level 2 during the years ended December 31, 2012 and 2011.

The following tables present disclosures about fair value measurements at December 31, 2012 and 2011 for assets measured at fair value on a recurring basis:

<i>(in millions of dollars)</i>	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2012
Bonds and short-term investments				
Corporate debt	\$ -	\$ 27	\$ 5	\$ 32
Foreign corporate	-	3	-	3
Total bonds and short-term investments	<u>-</u>	<u>30</u>	<u>5</u>	<u>35</u>
Equity securities				
Common stock, unaffiliated domestic	353	-	3	356
Common stock, unaffiliated international	185	-	-	185
Preferred stock (NAIC 1-2)	-	129	-	129
Preferred stock (NAIC 3-6)	-	1	-	1
Total equity securities	<u>538</u>	<u>130</u>	<u>3</u>	<u>671</u>
Corporate owned life insurance	-	201	-	201
Total fair value	<u>\$ 538</u>	<u>\$ 361</u>	<u>\$ 8</u>	<u>\$ 907</u>
<i>(in millions of dollars)</i>	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2011
Bonds and short-term investments				
Corporate debt	\$ -	\$ 66	\$ 2	\$ 68
Foreign corporate	-	10	2	12
Total bonds and short-term investments	<u>-</u>	<u>76</u>	<u>4</u>	<u>80</u>
Equity securities				
Common stock, unaffiliated domestic	285	-	3	288
Common stock, unaffiliated international	192	-	-	192
Preferred stock (NAIC 1-2)	-	122	-	122
Preferred stock (NAIC 3-6)	-	10	-	10
Total equity securities	<u>477</u>	<u>132</u>	<u>3</u>	<u>612</u>
Corporate owned life insurance	-	186	-	186
Total fair value	<u>\$ 477</u>	<u>\$ 394</u>	<u>\$ 7</u>	<u>\$ 878</u>

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Common stock holdings include indexed mutual funds with fair value of \$69 million and \$8 million at December 31, 2012 and 2011, respectively, which are valued at the NAV of the underlying securities on a daily basis. The investment objective of these funds is diversification and the funds may be redeemed daily without restriction.

The following tables present disclosures about fair value measurements at December 31, 2012 and 2011, using significant unobservable inputs (Level 3). Reclassifications impacting Level 3 financial instruments are reported as transfers in (out) of the Level 3 category as of the beginning of the period in which the transfer occurs. Therefore, gains and losses in income only reflect activity for the period the instrument was classified in Level 3.

Activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) was as follows:

<i>(in millions of dollars)</i>	Corporate Debt	Foreign Corporate	Common Stock (Unaffiliated Domestic)	Total
Balances at December 31, 2010	\$ -	\$ 2	\$ 3	\$ 5
Transfers into Level 3	1	-	-	1
Transfers out of Level 3	-	(1)	-	(1)
Total gains or losses				
Included in net income	-	-	-	-
Included in surplus	1	1	-	2
Purchases, issuances, sales and settlements				
Purchases	-	-	-	-
Issuances	-	-	-	-
Sales	-	-	-	-
Settlements	-	-	-	-
Balances at December 31, 2011	2	2	3	7
Transfers into Level 3	-	-	-	-
Transfers out of Level 3	-	(2)	-	(2)
Total gains or losses				
Included in net income	-	-	-	-
Included in surplus	-	-	-	-
Purchases, issuances, sales and settlements				
Purchases	4	-	-	4
Issuances	(1)	-	-	(1)
Sales	-	-	-	-
Settlements	-	-	-	-
Balances at December 31, 2012	\$ 5	\$ -	\$ 3	\$ 8

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In addition to the investments measured at fair value on a recurring basis, investments at December 31, 2012 also include securities reported at amortized cost of \$2,379 million in bonds, \$94 million in short-term investments, and \$14 million in preferred stock. In addition to the investments measured at fair value on a recurring basis, investments at December 31, 2011 also include securities reported at amortized cost of \$2,339 million in bonds, \$55 million in short-term investments, and \$5 million in preferred stock.

For Level 3 assets, realized gains and losses included in net income and unrealized gains and losses included in surplus for the period are reported as follows:

<i>(in millions of dollars)</i>	Bonds and Short-Term Investments	Equity Securities
Total gains and losses included in net income for the year ended December 31, 2012	\$ -	\$ -
Change in unrealized gains or losses related to assets still held at December 31, 2012	\$ -	\$ -
Total gains and losses included in net income for the year ended December 31, 2011	\$ -	\$ -
Change in unrealized gains or losses related to assets still held at December 31, 2011	\$ -	\$ -

The admitted assets and the related fair values of all financial instruments, along with the levels within the fair value hierarchy used to determine the fair value measurements are as follows as of December 31, 2012 and 2011:

2012						
<i>(in millions of dollars)</i>	Admitted Assets	Level 1	Level 2	Level 3	Fair Value	Not Practicable
Bonds	\$ 2,508	\$ 486	\$ 2,010	\$ 185	\$ 2,681	\$ -
Preferred stock	131	-	144	-	144	-
Common stock	465	541	-	-	541	-
Investment in affiliates	583	-	-	583	583	-
Securities lending reinvested collateral	18	-	18	-	18	-
	<u>\$ 3,705</u>	<u>\$ 1,027</u>	<u>\$ 2,172</u>	<u>\$ 768</u>	<u>\$ 3,967</u>	<u>\$ -</u>
2011						
<i>(in millions of dollars)</i>	Admitted Assets	Level 1	Level 2	Level 3	Fair Value	Not Practicable
Bonds	\$ 2,474	\$ 475	\$ 2,016	\$ 140	\$ 2,631	\$ -
Preferred stock	126	-	137	-	137	-
Common stock	469	479	-	1	480	-
Investment in affiliates	510	-	-	510	510	-
Securities lending reinvested collateral	67	-	67	-	67	-
	<u>\$ 3,646</u>	<u>\$ 954</u>	<u>\$ 2,220</u>	<u>\$ 651</u>	<u>\$ 3,825</u>	<u>\$ -</u>

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4. Reinsurance

The Plan and COI, the Plan's workers' compensation subsidiary, have entered into a reinsurance arrangement for workers' compensation (medical risk only), which includes both excess of loss and quota share provisions that allow the Plan to assume the risk for the medical benefits of COI, typically known as medical carve-out. Under the excess-of-loss provision, the Plan assumes net medical losses greater than \$200 thousand and less than \$5 million, per occurrence, in exchange for 4% of COI's written premium for new and renewal policies. Effective January 1, 2010, the Plan shares proportionally in both medical and nonmedical losses. In exchange for a cash payment by the Plan to COI of \$1 million, COI assumed 50% of the existing medical claim reserves assumed by the Plan at December 31, 2009, while at the same time, the Plan assumed 50% of the nonmedical claim reserves held by COI at December 31, 2009. All medical and nonmedical loss payments subsequent to January 1, 2010 (net of any excess recoveries), whether for past, present or future liability, are divided equally between COI and the Plan. Effective January 2, 2012, the Plan agreed to amend the existing Quota Share arrangement to change the current reinsurance ceding commission arrangement of 35% of ceded premium to a straight quota share arrangement of 50% of premium, losses, commission and administrative expense, excluding allocated overhead. This amendment terminated December 31, 2012.

Effective January 1, 2010, the Plan and Companion Life Insurance Company ("CLIC"), a wholly owned subsidiary of Blue Cross and Blue Shield of South Carolina, entered into a reinsurance agreement for stop-loss products, whereby the Plan was appointed as agent to market stop-loss products processed through a separate arrangement. The risk share arrangement is shared by the Plan and CLIC, whose share represents 25% of net at risk revenue. At risk revenue is defined as gross premiums less commissions, fees and operating expenses. Operating income is defined as net at risk revenue less claims expenses. Claims expenses under the agreement include claims paid plus an estimated amount for incurred but not reported claims. Subject to the risk share arrangement, operating income is retained by each party and each will be financially responsible for any negative operating earnings (losses). Given a positive operating income, a risk and retention charge of 10% of gross premiums will be applied and shared by each party.

Effective August 1, 2008, the Plan and Highmark Life Insurance Company ("Highmark") entered into a reinsurance agreement for stop-loss products, whereby the Plan was appointed as agent to market stop-loss products processed through another agreement. The risk share agreement is shared by the Plan and Highmark, whose share represents 40% of net at risk revenue. At risk revenue is defined as gross premiums less commissions, fees, and operating expenses. Operating income is defined as net at risk revenue less claims expenses. Claims expenses under the agreement include claims paid plus an estimated amount for incurred but not reported claims. Subject to the risk share agreement, operating income is retained by each party and each party will be financially responsible for any negative operating income (losses).

The Plan is also involved in the cession of reinsurance to other companies, including Highmark, CLIC, and Florida Combined Life, Inc. ("FCL"), in which each reinsurer shares proportionally in premiums, claims and reserves. The reinsurance agreements are intended to provide the Plan with the ability to manage its exposure to loss. These reinsurance agreements do not relieve the Plan from its primary obligation to the policyholders, as it remains liable to the extent that any reinsurer does not meet its obligations. Therefore, the failure of a reinsurer to discharge its reinsurance obligations could result in a loss to the Plan. However, no credit losses resulted from the Plan's reinsurance activities during 2012 or 2011. Premium and policy benefit and claim reserves are presented net in the statutory financial statements.

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The principal effects on written and earned premium of these reinsurance transactions for the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of dollars)</i>	2012		2011	
	Written	Earned	Written	Earned
Premiums				
Direct	\$ 6,479	\$ 6,557	\$ 6,250	\$ 6,126
Assumed	22	20	21	20
Ceded	(25)	(24)	(24)	(24)
Net	<u>\$ 6,476</u>	<u>\$ 6,553</u>	<u>\$ 6,247</u>	<u>\$ 6,122</u>

5. EDP Equipment and Computer Software

EDP equipment and computer software are recorded at cost. The unamortized portion of computer software is a nonadmitted asset. Depreciation and amortization are computed using the straight-line method over the lesser of the asset's useful life or three years for EDP equipment and seven years for computer software. EDP equipment and computer software are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. There were no impairment losses recorded during the years ended December 31, 2012 and 2011.

Computer software costs consist of costs to purchase and develop software. The Plan capitalizes internally developed software costs on a project-by-project basis. Amortization of capitalized software is computed on an item-by-item basis over a period of three to seven years, depending on the useful life of the software. Depreciation and amortization expense for EDP equipment and computer software was \$20 million and \$21 million for the years ended December 31, 2012 and 2011, respectively. Accumulated depreciation and amortization was \$67 million and \$68 million at December 31, 2012 and 2011, respectively.

6. Claims Unpaid and Unpaid Claim Adjustment Expenses

Activity in the liability for claims unpaid and unpaid claim adjustment expenses is summarized as follows for the years ended December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	2012	2011
Balances at January 1	\$ 530	\$ 520
Incurred related to		
Current year	5,731	5,341
Prior years	(28)	(48)
Total incurred	<u>5,703</u>	<u>5,293</u>
Paid related to		
Current year	5,148	4,812
Prior years	496	471
Total paid	<u>5,644</u>	<u>5,283</u>
Balances at December 31	<u>\$ 589</u>	<u>\$ 530</u>

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The liability is comprised of claims unpaid (\$569 million and \$508 million at December 31, 2012 and 2011, respectively), and unpaid claims adjustment expenses (\$20 million and \$22 million at December 31, 2012 and 2011, respectively).

As noted in the above schedule, the decrease in prior years' reserves was \$28 million and \$48 million for 2012 and 2011, respectively. Based on claims runout information, additional analysis was performed to determine the cause for the significant favorable claim development that occurred during 2012 for 2011 and prior experience. The decrease in prior years' reserves of \$28 million was primarily the result of a release from the provision for moderately adverse conditions as well as lower medical trends. Similarly, additional analysis was performed to determine the cause for the significant favorable claim development that occurred during 2011 for 2010 and prior experience. The decrease in prior years' reserves of \$48 million was primarily the result of a release from the provision for moderately adverse conditions as well as lower medical trends. These estimates are reviewed regularly by management and are adjusted as necessary as new information becomes known. Such adjustments are included in current operations.

7. Deferred Compensation and Retirement Plans

Defined Benefit Plans

The Plan has a noncontributory defined benefit pension plan which provides retirement benefits to substantially all of its employees hired prior to January 1, 2007. The pension plan provides benefits based on years of service and the employee's compensation. The pension plan is funded through the Blue Cross and Blue Shield National Retirement Trust ("Trust"), a collective investment trust which services the retirement programs of its participating employers. The pension plan consists of a formula component and a pension equity formula component. Participation in the pension plan is dependent upon hire date. All employees hired after January 1, 2000 but prior to January 1, 2007 are participants in the pension equity component. Employees hired prior to January 1, 2000 were able to choose the plan they participated in, going forward. As of January 1, 2007, the pension plan was closed to new entrants. Employees hired after January 1, 2007 were offered an enhanced defined contribution plan.

The defined benefit pension plan was amended to freeze benefit accruals effective December 31, 2010, so that participants in the plan will earn no further benefits regardless of services performed. The participants were offered an enhanced defined contribution plan, effective January 1, 2011. As a result of the amendment to freeze benefit accruals effective December 31, 2010, the defined benefit pension plan experienced settlements during 2011 related to the routine payment of lump sum benefits to participants.

As of January 1, 2012, the Plan made a change to its method for recognizing actuarial gains and losses for qualified and non-qualified pension benefit plans. The Plan had historically recorded changes in actuarial gains and losses in surplus on an annual basis and amortized those actuarial gains and losses into the Plan's operating results over time based on accepted actuarial methodologies. The Plan has elected to immediately recognize changes in actuarial gains and losses in operating results because the Plan believes that it is preferable to accelerate the recognition of these deferred gains and losses rather than to delay such recognition. These changes in the Plan's actuarial gains and losses result from the effects of changes in demographic, economic, and interest rate conditions and their related impact on the Plan's pension obligations, Trust investments and related assumptions. The change in method had no impact on surplus.

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In addition to the defined benefit plan, there is a nonqualified, unfunded supplemental pension plan. Benefits in this plan were frozen as of December 31, 2010. Assets have been set aside in a Rabbi Trust to informally fund the plan. These assets, which are subject to the claims of the Plan's creditors, are primarily invested in corporate owned life insurance, the cash surrender value of which is included in other than invested assets in the statutory financial statements.

The Plan also provides certain health care and life insurance benefits to eligible retired employees. Generally, the health care coverages pay a percentage of most medical expenses reduced for any deductibles and payments made by government programs and other group coverages. Life insurance payments are generally provided by insurance contracts. The Plan provides access-only to its health and life insurance products and networks to employees hired on January 1, 2006 and thereafter who meet retirement eligibility requirements. The Plan makes contributions to a Voluntary Employees Beneficiary Association ("VEBA") for the funding of the postretirement healthcare benefits.

In conjunction with the pension plan freeze, the Plan amended the postretirement plan effective December 31, 2010, such that employees with at least 65 points (employee's age plus years of service) will receive an annual subsidy toward the retiree medical plan. Those with less than 65 points (or hired on or after January 1, 2006) will have access-only to the retiree medical plan.

The Plan measures the assets and obligations of its pension and postretirement benefit plans as of December 31 of each year. A summary of assets, obligations and the associated activity and assumptions of the pension and other postretirement benefit plans is as follows as of and for the years ended December 31, 2012 and 2011:

	2012		2011	
	Qualified and nonqualified Pension Benefits	Post Retirement Benefits	Qualified and nonqualified Pension Benefits	Post Retirement Benefits
<i>(in millions of dollars)</i>				
Change in projected benefit obligation				
Benefit obligation at beginning of year	\$ 652	\$ 127	\$ 563	\$ 108
Service cost	-	7	-	6
Interest cost	31	5	32	6
Actuarial loss	65	(10)	113	16
Gross benefits paid	(55)	(10)	(9)	(13)
Participant contributions	-	4	-	4
Settlements	-	-	(47)	-
Projected benefit obligation - end of year	\$ 693	\$ 123	\$ 652	\$ 127
Accumulated benefit obligation	\$ 693	\$ -	\$ 652	\$ -
Projected benefit obligation for nonvested employees	-	27	-	32
Accumulated benefit obligation for nonvested employees	-	-	-	-
Change in plan assets				
Fair value of plan assets at beginning of year	501	117	459	112
Actual return on plan assets	69	17	45	4
Employer contributions	30	-	50	6
Benefits paid	(35)	(4)	(6)	(5)
Settlements	-	-	(47)	-
Fair value of plan assets - end of year	\$ 565	\$ 130	\$ 501	\$ 117

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	2012		2011	
	Qualified and nonqualified Pension Benefits	Post Retirement Benefits	Qualified and nonqualified Pension Benefits	Post Retirement Benefits
<i>(in millions of dollars)</i>				
Funded status	\$ (128)	\$ 6	\$ (151)	\$ (10)
Unrecognized prior service cost	-	(29)	-	(29)
Unrecognized net loss	-	22	232	43
Net amount recognized	<u>\$ (128)</u>	<u>\$ (1)</u>	<u>\$ 81</u>	<u>\$ 4</u>
Amounts recognized in the balance sheet				
Prepaid benefit cost	\$ -	\$ -	\$ -	\$ 4
Accrued benefit liability	(128)	(1)	(151)	-
Other additional minimum liability	-	-	232	-
Net amount recognized	<u>\$ (128)</u>	<u>\$ (1)</u>	<u>\$ 81</u>	<u>\$ 4</u>
Components of net periodic benefit cost				
Service cost	\$ -	\$ 7	\$ -	\$ 6
Interest cost	31	5	31	6
Expected return on plan assets	(27)	(6)	(28)	(5)
Amortization of transition obligation	-	-	-	-
Amortization of prior service costs	-	-	-	-
Amortization of actuarial loss	23	1	10	1
Settlement loss	-	-	14	-
Total net periodic benefit cost*	<u>\$ 27</u>	<u>\$ 7</u>	<u>\$ 27</u>	<u>\$ 8</u>

* Pension benefits included \$3 million of net periodic benefit cost from the Plan's subsidiaries for 2012 and 2011. These amounts are reimbursed to the Plan by the subsidiaries. In both 2012 and 2011, the Plan received less than \$1 million from Medicare as reimbursement for the Medicare Part D subsidy. This amount is netted from the employer contributions shown in the table above.

	2012		2011	
	Qualified and Nonqualified Pension Benefits	Post Retirement Benefits	Qualified and Nonqualified Pension Benefits	Post Retirement Benefits
Weighted-average assumptions used to determine benefit obligation as of December 31				
Discount rate	4.50 %	4.25 %	5.00 %	4.75 %
Rate of compensation increase	NA	3.00 - 6.50 %	NA	3.00 - 6.50 %
Healthcare cost trend for next year - pre 65		8.75 %		9.00 %
Healthcare cost trend for next year - post 65		8.00 %		9.25 %
Ultimate healthcare cost trend rate		5.00 %		5.00 %
Year that the rate reaches ultimate rate - pre 65		2022		2021
Year that the rate reaches ultimate rate - post 65		2022		2022
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31				
Discount rate	5.00 %	4.75 %	6.00 %	5.75 %
Expected return on plan assets	5.50 %	5.00 %	6.50 %	5.00 %
Rate of compensation increase	NA	3.00 - 6.50 %	NA	3.00 - 6.50 %
Healthcare cost trend for next year - pre 65		9.00 %		8.00 %
Healthcare cost trend for next year - post 65		9.25 %		8.00 %
Ultimate healthcare cost trend rate		5.00 %		5.00 %
Year that the rate reaches ultimate rate - pre 65		2021		2016
Year that the rate reaches ultimate rate - post 65		2022		2016

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The basis used to determine the overall expected long-term rate of return on pension assets assumption is a forward-looking approach based on the current long-term capital market outlook assumptions of the Trust's target asset allocation of 20% equity securities and 80% long duration debt securities. Using a mean-variance model to project returns over a 30 year horizon under the 2012 target asset allocation, the 35th to 65th percentile range of annual rates of return is 4.4% - 6.1%, net of investment related expenses. The Plan selected a rate from within this range of 5.5% for 2013, which reflects management's judgment of the best estimate for this assumption based on the process described above. This rate is net of both investment related expenses and a 0.10% reduction for other administrative expenses charged to the Trust.

The expected long-term rate of return on postretirement assets is estimated based on the development of a forecast of risk and return for each individual asset class using a variety of quantitative and statistical methodologies. Historical return patterns and correlation, consensus return forecasts and other relevant financial factors were analyzed to check for reasonableness and appropriateness.

The effect of a 1% increase in the assumed health care cost trend rate would increase the total service and interest costs by less than \$1 million at December 31, 2012 and 2011. The effect of a 1% decrease in the assumed health care cost trend rate would decrease the total service and interest costs by less than \$1 million at December 31, 2012 and 2011.

The effect of a 1% increase in the assumed health care cost trend rate would increase the Accumulated Postretirement Benefit Obligation ("APBO") by \$4 million and \$6 million at December 31, 2012 and 2011, respectively. The effect of a 1% decrease in the assumed health care cost trend rate would decrease the APBO approximately \$3 million and \$4 million at December 31, 2012 and 2011, respectively.

Fair Value Measurements of Benefit Plan Assets

The following is a description of the valuation methodologies used for benefit plan assets. There have been no changes in the methodologies used during the years ended December 31, 2012 and 2011.

Common stock, preferred stock, and fixed income securities including government and corporate debt securities traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Trust's investment manager's best estimates. In general, corporate debt securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in government debt securities are estimated using best available trade data. Investments in certain restricted common stock are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices. Investments in other equities are based on quoted market prices.

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Partnerships and joint ventures are valued at estimated fair value which, based on the appraised values, approximates market price and other market information pertaining to their underlying investments at December 31. Because of inherent uncertainty of valuing these investments and certain of the underlying investments, the Trust's estimate of fair value may differ from the values that would have been used had a ready market for the investment existed. The financial statements of these investments are audited annually by an independent public accounting firm.

Fair values of real estate investments are based on the quoted redemption values of the participation units in real estate funds owned by the Trust. Redemption values principally represent the appraised values of real estate investments held in the real estate funds.

Mutual funds are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities, and then divided by the number of shares outstanding.

Common and collective trusts represent investments with various investment managers. Units held in common and collective trusts, including stable value funds, are valued at the unit value as reported by the investment managers.

Hedge fund investments represent investments in hedge fund of funds and investments in portfolios investing in a range of stocks, bonds, distressed corporate debt, government debt, emerging market equities, currencies, commodities, commodity and financial futures, options, forwards, swaps and derivative instruments. Hedge fund of funds investments are valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund (including investments in a master fund that is primarily comprised of hedge funds) minus its liabilities and then divided by the number of shares outstanding. In general, portfolio securities for which market quotations are readily available, are valued at market value. If market quotations are not readily available, the fair value is determined based on other relevant factors, including deal price quotations, price activity for equivalent investment and valuation pricing models.

Money market funds are valued at amortized cost plus accrued interest, which approximates fair value.

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The fair values of financial assets and liabilities that are measured on a recurring basis are as follows:

Fair Value Measurements at December 31, 2012				
<i>(in millions of dollars)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Qualified pension benefit plan				
Government debt securities	\$ 48	\$ 60	\$ -	\$ 108
Corporate debt securities	-	4	-	4
Limited liability corporations	-	6	-	6
Mutual funds	21	318	-	339
Common and collective trusts	-	93	-	93
Hedge funds	-	-	4	4
Common stock	11	-	-	11
Money market funds	1	-	-	1
	<u>\$ 81</u>	<u>\$ 481</u>	<u>\$ 4</u>	<u>566</u>
Accrued income				1
Receivables				3
Payables				<u>(5)</u>
				<u>\$ 565</u>
Postretirement benefit plan				
Mutual fund investments				
Long-term tax-exempt funds	\$ 71	\$ -	\$ -	\$ 71
Total stock market index funds	20	-	-	20
Long-term investment grade funds	20	-	-	20
Tax managed funds	13	-	-	13
High yield funds	6	-	-	6
	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130</u>

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Fair Value Measurements at December 31, 2011				
<i>(in millions of dollars)</i>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Qualified pension benefit plan				
Government debt securities	\$ -	\$ 72	\$ 1	\$ 73
Corporate debt securities	-	18	1	19
Partnerships and joint ventures	-	5	5	10
Real estate	-	-	13	13
Mutual funds	17	246	-	263
Common and collective trusts	-	110	-	110
Hedge funds	-	-	4	4
Common stock	13	1	-	14
Preferred stock	1	-	-	1
Money market funds	2	-	-	2
	<u>\$ 33</u>	<u>\$ 452</u>	<u>\$ 24</u>	<u>509</u>
Accrued income				1
Receivables				3
Payables				<u>(12)</u>
				<u>\$ 501</u>
Postretirement benefit plan				
Mutual fund investments				
Long-term tax-exempt funds	\$ 46	\$ -	\$ -	\$ 46
Total stock market index funds	41	-	-	41
Tax managed funds	18	-	-	18
High yield funds	12	-	-	12
	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117</u>

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The table below sets forth a summary of changes in the fair value of the Level 3 investment assets for the years ended December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	Government Debt Securities	Corporate Debt Securities	Partnerships and Joint Ventures	Real Estate	Hedge Funds	Total
Ending balances at December 31, 2010	\$ 2	\$ -	\$ 6	\$ 13	\$ 5	\$ 26
Actual return on plan assets						
Relating to assets still held at the reporting date	-	-	(1)	-	(1)	(2)
Relating to assets sold during the period	-	-	-	-	-	-
Purchases, issuances and settlements	-	-	-	-	-	-
Transfers in and/or out of Level 3	(1)	1	-	-	-	-
Ending balances at December 31, 2011	1	1	5	13	4	24
Actual return on plan assets						
Relating to assets still held at the reporting date	-	-	-	-	-	-
Relating to assets sold during the period	-	-	-	1	-	1
Purchases, issuances and settlements	(1)	(1)	(5)	(14)	-	(21)
Transfers in and/or out of Level 3	-	-	-	-	-	-
Ending balances at December 31, 2012	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4

Qualified pension plan and postretirement plan asset allocations as of December 31, 2012 and 2011 are as follows:

	Pension Plan Assets		Postretirement Plan Assets	
	2012	2011	2012	2011
Asset category				
Equity securities	20 %	20 %	25 %	50 %
Fixed income securities	80	76	75	50
Real estate	0	4	0	0
	100 %	100 %	100 %	100 %

The Plan has developed guidelines for asset allocation of benefit plan assets. As of the December 31, 2012 and 2011 measurement dates, the range of target asset allocation percentages were as follows:

	2012			
	Pension Target Allocation		Postretirement Target Allocation	
	Minimum	Maximum	Minimum	Maximum
Asset category				
Equity securities	0 %	65 %	0 %	70 %
Fixed income securities	35	100	25	100
Real estate	0	12	0	0
Other	0	10	0	10

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Asset category	2011			
	Pension Target Allocation		Postretirement Target Allocation	
	Minimum	Maximum	Minimum	Maximum
Equity securities	0 %	65 %	0 %	70 %
Fixed income securities	35	100	25	100
Real estate	0	12	0	0
Other	0	10	0	10

The investment program for the Trust is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who, by definition, are long-term oriented investors. This philosophy holds that:

- (1) Increasing risk is rewarded with compensating returns over time and therefore, prudent risk taking is justifiable for long-term investors.
- (2) Risk can be managed through diversification of asset classes and investment approaches as well as diversification of individual securities.
- (3) Risk is reduced by time, and over time the relative performance of different asset classes is reasonably consistent. Over the long-term, equity investments have provided and should continue to provide superior returns over other security types. Fixed-income securities can dampen volatility and provide liquidity in periods of depressed economic activity. Lengthening duration of fixed income securities may reduce volatility.
- (4) The strategic or long-term allocation of assets among various asset classes is an important driver of long-term returns.
- (5) Relative performance of various asset classes is unpredictable in the short-term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Investments will be made for the sole interest of the participants and beneficiaries of the programs participating in the Trust. Accordingly, the assets of the Trust shall be invested in accordance with these objectives:

- (1) To ensure assets are available to meet current and future obligations of the participating programs when due.
- (2) To earn the maximum return that can be realistically achieved in the markets over the long-term at a specified and controlled level of risk in order to minimize future contributions.
- (3) To invest assets with consideration of the liability characteristics in order to better align asset and liabilities.
- (4) To invest the assets with the care, skill, and diligence that a prudent person with knowledge of such matters acting in a like capacity would undertake, with the further intent of controlling the costs involved with administering and managing the investments of the Trust.

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The primary investment objective for the VEBA for postretirement assets is to generate returns over three to five year periods consistent with pension assets and other long-term postretirement employee benefit plans. The current long-term target asset mix is 50% equities and 50% fixed income. The VEBA plan objectives incorporate both long-term expectations for individual asset class returns and projected growth rates of employee benefit expenses. Actual investment results may deviate from expectations over shorter time periods. The VEBA plan is willing to tolerate short-term volatility of investment returns to achieve its long-term investment objectives. The impact of taxation on the VEBA plan is also considered.

The expected benefit payments for the Plan's pension and postretirement plans for the years indicated are as follows:

(in millions of dollars)

Expected Benefit Payments	Pension	Postretirement Benefits
2013	\$ 56	\$ 9
2014	53	7
2015	54	8
2016	54	8
2017	54	8
2018–2022	250	40
	\$ 521	\$ 80

The Plan does not expect to make cash contributions in 2013 to the qualified pension plan or to the postretirement plan. Expected contributions are dependent on many variables, including the variability of the market value of the assets as compared to the obligation and other market or regulatory conditions. The Plan takes into consideration its business investment opportunities, and resulting cash requirements. Accordingly, actual funding may differ from current estimates.

The Pension Protection Act established certain minimum funding standards for defined benefit plans and the Plan is in compliance with these funding standards.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. The Plan did not apply for these federal subsidies during 2011 or 2012 and does not expect to apply for them in 2013.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as "PPACA") had no effect on the postretirement healthcare plan liability as of December 31, 2012 and 2011 as the plan's benefits are limited to an annual subsidy.

The Plan also provides certain postemployment benefits, such as disability coverage, to former or inactive employees during the time period following employment, but before retirement. The accrued liability for these benefits was \$11 million as of December 31, 2012 and 2011.

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Defined Contribution Plans

The Plan has a defined contribution savings plan under Section 401(k) of the Internal Revenue Code for eligible employees. For the years ended December 31, 2012 and 2011, the Plan recorded expense for employer contributions of approximately \$28 and \$27 million, respectively. This expense increased for 2011 due to the expansion of the enhanced Plan contribution to all employees instead of only to those who were new hires or rehires on or after January 1, 2007. This additional benefit has been provided due to the freezing of the defined benefit pension plan benefits effective December 31, 2010. The increase in the expense was partially offset by the spin-off of a subsidiary's portion of the defined contribution plan assets and related cost into its own plan.

The Plan offers a nonqualified deferred compensation plan to a certain group of participants to defer compensation within the meaning of Employee Retirement Income Security Act of 1974 Sections 201(2), 301(a)(3), and 401(a)(1). These assets are set aside in a Rabbi Trust to informally fund the plan. These assets, which are subject to the claims of the Plan's creditors, are primarily invested in corporate owned life insurance, the cash surrender value of which is included in other than invested assets in the statutory financial statements.

8. Leases

The Plan leases office, retail and warehouse space, data processing and office equipment, and vehicles under noncancelable leases. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Rental expense for 2012 and 2011 was \$23 million and \$26 million prior to cost allocation, as appropriate under written agreements.

The following is a schedule of future minimum rental payments due under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

<i>(in millions of dollars)</i>	Minimum Rental Commitments
Years Ending December 31,	
2013	\$ 20
2014	16
2015	11
2016	7
2017	4
Thereafter	11
	<hr/> \$ 69 <hr/>

9. Related Party Transactions

The Plan provides working and development capital as needed to its subsidiaries and affiliates. Pursuant to Florida Statutes 641.225 and 641.285, the Plan is a guaranteeing organization for HOI and CHP. The Plan also entered into an unconditional guarantee arrangement for COI related to its contractual obligations under the State of Florida Employees Workers' Compensation program. The Plan, through its subsidiary DHSI, and Amerihealth Mercy Health Plan each own 50% of FTH. The owners of FTH have committed to fund FTH adequately to comply with the requirements of the

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OIR, the Association, and any managed care contracts with the Agency for Health Care Administration. See Note 11 for a guarantee of a related party under government contracts.

In addition to cost and tax allocation arrangements, the Plan has a written agreement and informal agreements to provide certain services, including but not limited to administrative, managerial, professional and technical services to its subsidiaries, affiliates or both. At December 31, 2012 and 2011, \$20 million and \$12 million, respectively, was due from these subsidiaries and affiliates and included in the statutory financial statements. At December 31, 2012 and 2011, \$17 million and \$11 million, respectively, was due to these subsidiaries and affiliates and included in the statutory financial statements. These services were provided by the Plan to its subsidiaries periodically during each of the years presented. The Plan's subsidiaries and affiliates typically repay such amounts within 30 days.

The Plan has investments in three downstream noninsurance holding companies and looks through the downstream noninsurance holding company to the statutory value of insurance companies and the GAAP value of noninsurance companies under the limited exception to the audited financial statements requirement contained in SSAP No. 97. The carrying value of the investments in the downstream noninsurance holding companies as of December 31 was as follows:

<i>(in millions of dollars)</i>	2012	2011
DHSI	\$ 414	\$ 348
Navigy Holdings	122	125
DSO	47	37

These downstream noninsurance holding companies are not audited individually. The value of the downstream noninsurance holding companies is limited to the audited financial statements of the entities owned by the downstream noninsurance holding companies and valued in accordance with relevant statutory guidance.

All liabilities, commitments, contingencies, guarantees or obligations of the downstream noninsurance holding companies, which are required to be recorded as liabilities, commitments, contingencies, guarantees, or obligations under applicable accounting guidance, are reflected in the Plan's determination of the carrying value of the investment in the downstream noninsurance holding companies, if not already recorded in the financial statements of the downstream noninsurance holding companies.

The Plan received a 6% subordinated debenture surplus note of \$1 million from COI in exchange for cash. Principal and interest payments on the note are subject to the approval of the OIR. The terms include a maturity date of June 30, 2018, semi-annual interest payments on June 30th and December 31st and principal due at maturity, with a prepayment provision beginning after August 2005. At both December 31, 2012 and 2011, the surplus note receivable was \$1 million and was included in other than invested assets in the statutory financial statements. The Plan received interest of less than \$1 million in both 2012 and 2011.

The Plan contributed capital to DHSI of \$10 million in January 2012, \$4 million in February 2012, \$3 million in May 2012, \$1 million in September 2012, and \$53 million and \$13 million in December 2012. DHSI contributed capital of \$10 million in January 2012, \$4 million in February 2012, \$1 million in September 2012, and \$13 million in December 2012 to FTH. DHSI contributed capital of \$3 million to Comp Options in May 2012. DHSI purchased the stock of DCMG for \$53 million in

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December 2012. In May 2012, DHSI received a \$13 million dividend from FHCP. In turn, DHSI issued a \$13 million dividend to the Plan.

The Plan contributed equipment of less than \$1 million in January 2012 to Navigy Holdings. In turn, Navigy Holdings contributed the equipment of less than \$1 million to Navigy. The Plan contributed capital of \$9 million in February 2012 and \$2 million in December 2012 to Navigy Holdings. In turn, Navigy Holdings contributed capital of \$9 million in February 2012 and \$2 million in December 2012 to Navigy. Navigy contributed \$1 million to Availity, LLC and less than \$1 million in equipment to Incepture in January 2012. In December 2012, Navigy purchased a 1.5% interest in MTS Health Investors III, L.P. for \$2 million. In December 2012, Navigy received a return of capital of \$2 million from Informatics. In December 2012, Navigy issued a dividend of software of \$2 million to Navigy Holdings. Navigy Holdings then contributed \$2 million in software to GuideWell in December 2012.

The Plan contributed \$14 million in January 2012 and \$5 million in December 2012 to DSO. In turn, DSO contributed \$9 million for the acquisition of Novitas. DSO also contributed capital of \$2 million in January 2012, \$5 million and \$2 million in February 2012, and \$1 million in December 2012 to Novitas. DSO received a \$5 million dividend in February 2012 and a \$5 million dividend in May 2012 from FCSO.

The Plan contributed capital of \$7 million and less than \$1 million in December 2011 to DHSI. DHSI then contributed capital of \$7 million in December 2011 to COI. In addition, DHSI contributed capital of less than \$1 million for the formation of FTH in December 2011 for a 50% ownership interest. In December 2011, HOI paid ordinary dividends to DHSI of \$52 million. This amount was then paid as an ordinary dividend from DHSI to the Plan.

The Plan contributed capital of \$9 million in January 2011, \$70 million in April 2011, less than \$1 million in May 2011, and \$19 million in June 2011 to Navigy Holdings. In turn, Navigy Holdings contributed capital of \$9 million in January 2011, less than \$1 million in May 2011 and \$8 million in June 2011 to Navigy. In turn, Navigy contributed \$2 million to Incepture and \$1 million to Availity in January 2011, and less than \$1 million to Informatics during May 2011. In addition, Navigy Holdings contributed \$10 million in April 2011 to GuideWell. Also, Navigy Holdings acquired 15% of the outstanding shares of CareCentrix Holdings, Inc. during April 2011 for \$59 million. In September 2011, Navigy Holdings exchanged its ownership in CareCentrix Holdings, Inc. for a 15.3% ownership interest in NDES, with a fair value of \$79 million. The excess of the fair value of Navigy Holdings' ownership interest as determined in these transactions over the original purchase price of \$20 million was recorded as a deferred credit and is being amortized into investment income using the straight-line method over the contract period of seven years. Navigy Holdings also acquired a 25% ownership interest in New Directions during June 2011 for \$11 million. During 2011, Navigy dissolved its 50% joint venture, Novitas Health, LLC and received a return of capital of \$2 million in securities and less than \$1 million in cash.

In August 2011, DSO sold C2C and received a return of capital of \$3 million in cash. As discussed in Note 1, proceeds from the sale of C2C to an unrelated party of \$1 million generated a gain on sale of \$1 million. In December 2011, the Plan received a \$4 million dividend from DSO.

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The Plan contributed capital of less than \$1 million for the formation of Ventures in March 2011 for a 5.5% ownership interest. The investment is reported in other than invested assets in the statutory financial statements. In March 2012, June 2012, September 2012, November 2012, and December 2011, the Plan contributed capital of less than \$1 million to Ventures.

The Plan contributed capital of less than \$1 million to NIHCM in June and December 2011. The investment in NIHCM is reported in other than invested assets in the statutory financial statements.

In January 2013, the Plan contributed \$19 million of appreciated securities to the Foundation. In January 2012, the Plan contributed \$20 million of appreciated securities to the Foundation. In January 2011, the Plan contributed \$31 million of appreciated securities to the Foundation.

The Plan paid administration fees to Prime, the Plan's pharmacy benefit manager, which included a program management fee (retained by Prime out of the rebates) and other account service fees primarily related to Medicare Part D expenses. These service fees are billed monthly to the Plan and are typically paid within 30 days. The total administration fees paid to Prime during 2012 and 2011 were \$18 million and \$14 million, respectively. As of December 31, 2012 and 2011, the Plan recorded a rebate receivable of \$40 million and \$22 million, respectively.

Availity is a joint venture created to optimize information exchange between multiple health care stakeholders through a single, secure gateway. The Plan pays Availity for transaction fees on a per transaction basis for various electronic based transactions. Transactions are billed monthly to the Plan and are typically paid within 30 days. The total fees paid to Availity during 2012 and 2011 were \$16 million and \$15 million, respectively. The Plan had a payable due to Availity of \$3 million and \$1 million at December 31, 2012 and 2011, respectively.

NDES provides home health care benefits management services and sleep benefits management for managed care organizations and health benefit plans. New Directions provides and manages services for behavioral healthcare programs. Beginning in 2011, NDES and New Directions provided their respective services to the Plan on a capitated and fee for service basis. In addition to these fees, NDES and New Directions may be rewarded or penalized for meeting or not meeting certain performance goals, respectively. The Plan calculates and records performance bonuses or penalties on a quarterly basis which are typically paid or collected within 30 days of invoice. Capitation and fees for services are billed monthly to the Plan and are typically paid within 30 days. The capitation and fees incurred by the Plan for services provided by NDES during 2012 and 2011 were \$7 million and \$2 million, respectively. The capitation and fees incurred by the Plan for services provided by New Directions in 2012 and 2011 were \$14 million and \$1 million, respectively.

See Note 4 for reinsurance arrangements with related parties.

10. Income Taxes

SSAP No. 101, *Income Taxes – A Replacement of SSAP No. 10R* ("SSAP No. 101"), is a revised income tax accounting standard adopted by the NAIC and is effective for 2012 and future years. This guidance provides that the deferred tax asset ("DTA") admissibility guidance is no longer elective, and the reversal and surplus limitation parameters in the admissibility tests are determined based on the risk-based capital level. It also requires gross DTAs to be reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross DTAs will not be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need

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for a valuation allowance, the Plan considers many factors, including: (1) the nature of the DTAs and deferred tax liabilities (“DTLs”); (2) whether they are ordinary or capital; (3) the timing of their reversal; (4) taxable income in prior carry back years as well as projected taxable earnings exclusive of reversing temporary differences and carry forwards; (5) the length of time that carryovers can be utilized; (6) unique tax rules that would impact the utilization of the DTAs; and (7) any tax planning strategies that the Plan would employ to avoid a tax benefit from expiring unused. Finally, the guidance sets a more likely than not threshold for the recording of contingent tax liabilities. There was no cumulative effect of adopting this pronouncement during 2012.

Data as of and for the year ended December 31, 2011 has been revised to follow the SSAP No. 101 disclosure requirements to allow for better comparison. In revising the 2011 disclosures, no amounts have been recalculated or changed.

SSAP No. 10R, *Income Taxes* (“SSAP No. 10R”), was effective for 2009 through 2011 and was replaced by SSAP No. 101. The application of SSAP No. 10R required a company to evaluate the recoverability of a DTA and to establish a valuation allowance if necessary to reduce the DTA to an amount which was more likely than not to be realized. To the extent the Plan was eligible, SSAP No. 10R paragraph 10.e. provided for increased admissibility standards for DTAs.

All DTLs have been recognized for amounts described in SSAP No. 101 and SSAP No. 10R as of and for the years ended December 31, 2012 and 2011, respectively.

The components of the DTAs and DTLs were as follows at December 31, 2012 and 2011:

<i>(in millions of dollars)</i>	2012			2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$ 366	\$ 11	\$ 377	\$ 406	\$ 11	\$ 417	\$ (40)	\$ -	\$ (40)
Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
Adjusted gross deferred tax assets	366	11	377	406	11	417	(40)	-	(40)
Deferred tax liabilities	9	31	40	43	6	49	(34)	25	(9)
Subtotal - Net deferred tax assets	357	(20)	337	363	5	368	(6)	(25)	(31)
Deferred tax assets nonadmitted	181	(20)	161	143	5	148	38	(25)	13
Net admitted deferred tax asset	\$ 176	\$ -	\$ 176	\$ 220	\$ -	\$ 220	\$ (44)	\$ -	\$ (44)

The Plan met the necessary RBC levels to be able to admit the increased amount of DTAs under SSAP No. 10R and an election was made to admit DTAs pursuant to SSAP No. 10R for the year ended December 31, 2011.

The Plan has evaluated the admission of the DTAs under SSAP No. 101 at December 31, 2012 and 2011 as follows:

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(in millions of dollars)

	2012			2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission Calculation Components									
SSAP No. 101									
a) Federal income tax paid in prior years recoverable through loss carrybacks	\$ 138	\$ -	\$ 138	\$ 188	\$ -	\$ 188	\$ (50)	\$ -	\$ (50)
b) Adjusted gross DTAs expected to be realized (excluding the amount of DTAs from above) after application of the threshold limitation (lesser of (b).1) and (b).2) below)	38	-	38	32	-	32	6	-	6
1) Adjusted gross DTAs expected to be realized following the balance sheet date	38	-	38	32	-	32	6	-	6
2) Adjusted gross DTLs allowed per limitation threshold	N/A	N/A	385	N/A	N/A	351	N/A	N/A	34
Adjusted gross DTAs (excluding the amount of DTAs from SSAP No. 101, (a) and (b) above offset by gross DTLs)	9	31	40	44	5	49	(35)	26	(9)
DTAs admitted as a result of application of SSAP No. 101	\$ 185	\$ 31	\$ 216	\$ 264	\$ 5	\$ 269	\$ (79)	\$ 26	\$ (53)

	2012	2011
Ratio percentage used to determine recovery period and threshold limitation amount	1,138 %	1,148 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in SSAP No. 101 above	\$ 2,617	\$ 2,391

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Current and deferred income taxes consist of the following major components:

<i>(in millions of dollars)</i>	2012	2011	Change
Current income tax			
Federal	\$ 62	\$ 49	\$ 13
Federal income taxes incurred	62	49	13
Federal income tax on net capital gains	12	15	(3)
Total federal income taxes incurred	<u>\$ 74</u>	<u>\$ 64</u>	<u>\$ 10</u>
Gross deferred tax assets			
Ordinary			
Discounting of unpaid losses	\$ 3	\$ 3	\$ -
Policyholder reserves	144	152	(8)
Deferred acquisition costs	40	40	-
Fixed assets	8	5	3
Compensation and benefits accrual	62	68	(6)
Pension accrual	35	20	15
Receivables - nonadmitted	29	35	(6)
Guarantee fund accrual	-	34	(34)
Other	45	50	(5)
Total ordinary deferred tax assets	366	407	(41)
Statutory valuation allowance adjustment		-	-
Nonadmitted	181	143	38
Total admitted ordinary deferred tax assets	<u>185</u>	<u>264</u>	<u>(79)</u>
Capital			
Investments		-	-
Real estate	11	11	-
Total capital deferred tax assets	11	11	-
Statutory valuation allowance adjustment		-	-
Nonadmitted	(20)	6	(26)
Total admitted capital deferred tax assets	<u>31</u>	<u>5</u>	<u>26</u>
Total admitted deferred tax assets	<u>216</u>	<u>269</u>	<u>(53)</u>
Gross deferred tax liabilities			
Ordinary			
Investments	2	2	-
Policyholder reserves	-	1	(1)
Premium tax credit receivable	2	36	(34)
Incurred but not reported claims	4	4	-
Discounting of salvage and subrogation	1	-	1
Total ordinary tax liabilities	<u>9</u>	<u>43</u>	<u>(34)</u>
Capital			
Investments	31	6	25
Total capital deferred tax liabilities	<u>31</u>	<u>6</u>	<u>25</u>
Total gross deferred tax liabilities	<u>40</u>	<u>49</u>	<u>(9)</u>
Net deferred tax asset	<u>\$ 176</u>	<u>\$ 220</u>	<u>\$ (44)</u>

As of December 31, 2012 and 2011, the Plan had no investment tax credits. As of December 31, 2012 and 2011, no adjustments were made to DTAs or DTLs for enacted changes in tax laws or rates.

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The Plan's income tax expense and changes in DTAs and DTLs differ from the amount obtained by applying the federal statutory rate of 35% to pretax net income for the following reasons for the years ended December 31:

<i>(in millions of dollars)</i>	2012	2011
Expected federal income tax expense	\$ 81	\$ 93
Nondeductible expenses	6	3
Tax-exempt income	(19)	(33)
Change in nonadmitted assets	7	(3)
Change in unrealized gains and losses	25	(18)
Other surplus adjustments	6	4
Joint venture	-	(7)
Prior year adjustments	(1)	2
Total income tax expense	<u>\$ 105</u>	<u>\$ 41</u>

As of December 31, 2012 and 2011, the Plan had no operating loss or capital loss carryforwards.

As of December 31, 2012, the following income taxes incurred in the current and prior years will be available for recoupment in the event of future net losses:

<i>(in millions of dollars)</i>	Ordinary	Capital	Total
Years			
2011	\$ 71	\$ 10	\$ 81
2012	49	8	57
	<u>\$ 120</u>	<u>\$ 18</u>	<u>\$ 138</u>

The Plan does not have any protective tax deposits with the Internal Revenue Service ("IRS") under Section 6603 of the IRS Code as of December 31, 2012 or 2011.

With the exception of affirmative claims filed by the Plan, all outstanding issues have been settled with the IRS for the years prior to 2009. The IRS is currently examining the Plan's federal income tax returns for the years 2009 and 2010. In the opinion of management, the Plan has made adequate provision for income taxes that may become payable with respect to these years.

The Plan prepared and submitted refund claims with the IRS related to years 2002 through 2010. These refund claims relate to the special deduction granted to Blue Cross and Blue Shield companies under Internal Revenue Code Section 833(b). Amounts related to these refund claims have not been recorded in the statutory financial statements since the claims related to 2002-2008 remain at IRS Appeals and the claims related to 2009 and 2010 are currently being examined by the IRS. In total, these affirmative claims are valued at \$261 million.

Blue Cross and Blue Shield of Florida, Inc.

Notes to Statutory Financial Statements

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As of December 31, 2012 and 2011, respectively, \$265 million and \$215 million of unrecognized tax benefits, if recognized, would decrease the effective tax rate. The 2012 increase of \$50 million reflects the submission of the 2009 and 2010 Internal Revenue Code Section 833(b) refund claims. The 2011 increase of \$1 million from the December 31, 2010 amount of \$214 million reflects an additional year of interest. It is reasonably possible the total amount of unrecognized tax benefits could significantly increase or decrease within the next twelve months for various reasons including resolution of Joint Committee review of an IRS Appeals settlement related to the refund claim issue. As a result, the amount of unrecognized tax benefits could range from \$4 million to \$874 million.

The Plan recognizes interest and, if applicable, penalties which could be assessed related to unrecognized tax benefits in income tax expense. For the years ended December 31, 2012 and 2011, the Plan accrued and recognized less than \$1 million in interest related to unrecognized tax benefits.

11. Guarantees, Commitments and Contingencies

Guarantees

As a licensee of the Association, the Plan participates in the Bluecard® program which may result in an obligation to providers within the Plan's service area for certain covered services provided to members of other Blue Cross and/or Blue Shield organizations in the event the other Blue Cross and/or Blue Shield organizations do not pay timely. Under the BlueCard® program, the Plan is permitted to seek and promptly receive reimbursement from the other Blue Cross and/or Blue Shield organizations for all amounts paid for covered services provided on their behalf.

The Plan has entered into agreements with certain self-funded groups, Administrative Services Only ("ASO") customers, in which subcontractors make the claim payments. The Plan has in turn guaranteed payment under the terms of the agreement with its subcontractors for claim payments made on behalf of the Plan but not reimbursed by the ASO customer. In addition, the Plan may be subject to the payment of related late fees. The Plan or subcontractors hold deposits from certain of these ASO customers in order to mitigate such payment obligations. The Plan believes its maximum exposure under such guarantees, net of deposit amounts held, was \$35 million and \$38 million at December 31, 2012 and 2011, respectively. The liability recorded, approximating the fair value of such guarantees, was less than \$1 million at both December 31, 2012 and 2011.

The Plan has an agreement with a financial institution for the processing of claim payments for certain ASO customers. An account for each ASO customer is maintained at this financial institution in order to fund the ASO customer's claims. The customer is responsible for funding the account prior to the release of the claim payments made by the Plan. The Plan guarantees any claim check presented to and cleared by the financial institution in the event the ASO customer does not honor the check or fund the account. The Plan believes its aggregate maximum exposure under this guarantee is \$3 million and \$2 million at December 31, 2012 and 2011, respectively. The Plan believes it has limited its exposure to this guarantee by performing credit verification of these customers and also by utilizing its right to suspend the payment of claims for ASO customers that have not adequately funded their account.

In accordance with Association Guidelines, the Plan is required to offer Blue branded coverage to the customers of FCL in the event FCL ceases operations. Based on the historical operating results of FCL, no liability was recorded for this guarantee as of December 31, 2012 and 2011.

Blue Cross and Blue Shield of Florida, Inc.

Notes to Statutory Financial Statements

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In the ordinary course of business, the Plan contracts with numerous parties, including, for example, physicians, medical providers, vendors and consultants, and enters into agreements for other services, which contain indemnification provisions or payment terms, including payments contingent upon quality of service and effective case management. While the value of such guarantees, individually or in the aggregate are, in many instances, inherently impossible to predict, the Plan does not believe these obligations will likely have a material impact on its financial position, results of operations or cash flows.

Government Programs

The Plan serves as a Medicare Advantage organization and Medicare Prescription Drug Plan sponsor and also participates in the Federal Employees Health Benefits Program, through a nationwide contract with the U.S. Office of Personnel Management, to provide coverage to certain federal employees, retirees and dependents. The Plan provides health insurance coverage to low income children through the state of Florida's Healthy Kids program. Reimbursement for administrative costs and medical expenditures and payment for services as applicable under these programs are subject to review and, as such, the Plan is routinely audited by governmental entities and their respective agents for compliance with laws, regulations and program or contract terms and conditions.

The Plan has agreed to guarantee certain aspects of its wholly owned subsidiary's solvency related to the subsidiary's Association sublicense requirements. For the duration of the subsidiary's sublicense, unless otherwise modified, the Plan has agreed to a capitalization guarantee necessary to meet the net worth requirements of the Association, which requires that the subsidiary maintain capitalization at 8.33% of its annual net operating expenses.

Commitments

During 2012, the Plan, through its subsidiaries, made capital commitments to invest in three separately managed private equity funds. Of the total commitment of \$15 million, \$2 million was invested during 2012. These additional investments in the private equity funds will be made as required in the subscription agreements.

Litigation

In the ordinary course of business, the Plan is routinely involved in litigation with insureds, beneficiaries, healthcare providers and others. Management has evaluated such exposures, including consultation with legal counsel, and believes that the Plan's positions and defenses are meritorious. While there can be no assurance as to the outcome of such exposures, litigation is not expected to have a material adverse effect on the Plan's financial position, results of operations, or cash flows.

Regulatory Environment

In March 2010, the President signed PPACA into law which transforms the U.S. health care system and increases regulations within the U.S. health insurance industry. This legislation is intended to expand the availability of health insurance coverage. PPACA contains provisions that take effect from 2010 through 2018, with several important measures effective in 2014. The total impact of PPACA is still being determined through additional clarification and guidance provided by the Department of Health and Human Services, the Department of Labor, the Department of the Treasury, the OIR and NAIC. As a result of this and other market factors, the full impact of PPACA will not be known for several years. Certain provisions of the new legislation are likely to have significant impacts on the Plan's future operations, including fees assessed on companies in the insurance industry, potential rebates on certain insurance contracts and certain new taxes on high premium insurance policies.

Blue Cross and Blue Shield of Florida, Inc.

Notes to Statutory Financial Statements

December 31, 2012 and 2011

PPACA requires issuers of individual and group health insurance policies to satisfy MLR requirements and have premium rate increases above a certain level subject to disclosure and review ("Rate Review"). These rules apply to insurers and will impact insured plans, but will not apply to self-funded plans. The MLR regulations require issuers, beginning on January 1, 2011, to provide rebates to plans and individuals purchasing insurance if the issuer does not spend a minimum amount of the premium on medical claims, as defined by such regulations and related guidance. Health insurance issuers are required to spend at least 80% of premium received from selling policies and plans in the individual and small employer markets and at least 85% of premiums for the large employer market on a combination of medical care claims and activities to improve health care quality. In effect, the MLR provision limits the amount that insurers can spend on administrative expenses, overhead, profit, commissions, and other nonclaim expenses to 20% or 15% of the premium. Rebates to policyholders and enrollees are to be provided annually if the insurer fails to meet the MLR requirements in a market for the prior year. Rebates due for the 2012 reporting year are required to be paid by August 2013. Rebates due for the 2011 reporting year of \$27 million were paid in July 2012. Management's best estimate of the rebate liability at the balance sheet date is included in aggregate health policy reserves and is recorded as a premium adjustment. The liability was determined using a process which conforms to the latest guidance. As of and for the years ended December 31, 2012, MLR rebate reserves and premium adjustments totaled \$0 million and \$18 million, respectively. As of and for the year ended December 31, 2011, MLR rebate reserves and premium adjustments totaled \$45 million and \$(45) million, respectively.

The Rate Review regulations subject insurance carrier rate increases to a higher level of review and visibility. The rate review process requires that health insurance issuers submit a justification for an "unreasonable premium increase." This process does to preempt any existing state laws or processes for review or approval of rates. Proposed rate increases that exceed a defined threshold will be subject to review. For 2011, the regulations set the threshold at 10%. Generally, in 2012 and in future years, state-specific thresholds based on the cost of health insurance coverage in the state will be developed. For 2012, a state-specific rate for Florida was not established, so the national threshold of 10% was applicable for the Plan. If rate increases exceed the annual threshold, the insurer must provide detailed justification for the rate increase. The rate review process only applies to issuers in the individual and small group markets and does not apply to self-funded plans.

12. Line of Credit

In April 2011, the Plan renewed its one-year revolving facility with Bank of America and increased the borrowing limit from \$10 million to \$50 million. In August 2011, the agreement was amended to reflect a re-negotiated floating rate based on one-month London Interbank Offering Rate ("LIBOR") plus 0.70% per annum. In September 2011, the agreement was further amended to increase the borrowing limit to \$100 million, change the floating rate to LIBOR plus 0.75% per annum, and revise the term to three years. In December 2012, the agreement was again amended to increase the borrowing limit to \$200 million and to identify the Plan and HOI as co-borrowers for the facility.

The Plan had borrowings outstanding on this facility of \$150 million and \$90 million at December 31, 2012 and 2011, respectively, which have been reflected as borrowed money in the statutory financial statements. The interest rates at December 31, 2012 and 2011 were 0.96% and 1.04%, respectively. The interest and fees paid by the Plan in 2012 and 2011 were \$1 million and less than \$1 million, respectively. Agreements governing borrowings include covenants, which serve to limit asset acquisitions and dispositions and any material changes in general lines of

Blue Cross and Blue Shield of Florida, Inc.
Notes to Statutory Financial Statements
December 31, 2012 and 2011

business. Commitment and facility fees are paid quarterly based on the unused and used portions of the facility.

13. Surplus

The Plan is subject to RBC requirements as specified by the NAIC. Under these requirements, the amount of surplus maintained by an insurer is to be determined based on the amounts and types of risk inherent in the product mix, investment portfolio, and general business, underwriting and credit risk. As of December 31, 2012 and 2011, the Plan exceeded the RBC requirements.

The Plan is required by the OIR to maintain statutory surplus of at least 10% of total liabilities (less taxes, expenses, and other obligations due or accrued) or \$231 million and \$234 million as of December 31, 2012 and 2011, respectively. The Plan's surplus at December 31, 2012 and 2011 exceeded these requirements.

Except as otherwise provided by state and federal law, there are no restrictions on distributions of surplus.

14. Retrospectively Rated Contracts

The Plan estimates accrued retrospective premium adjustments for its group business through a mathematical approach using an algorithm of the Plan's underwriting rules and experience rating practices. The Plan records accrued retrospective premium as an adjustment to earned premium. The amount of premiums written by the Plan for the years ended December 31, 2012 and 2011 that are subject to retrospective rating features was \$587 million and \$472 million, respectively. These amounts represented 22.2% and 18.1% of total premiums written for group business in 2012 and 2011, respectively.

15. Uninsured Plans

ASO Plans

Certain ASO plans fund claims directly through their own bank accounts. The Plan processes and adjudicates claims using the ASO plan's check stock. In return, the Plan charges the ASO plan an administrative fee. The Plan is responsible for advising the ASO plan on the amount of claims paid so that the ASO plan can adequately fund the bank account.

A schedule of the total net loss from operations from ASO uninsured plans for the years ended December 31, 2012 and 2011 is shown below:

	2012		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
<i>(in millions of dollars)</i>			
Net reimbursement for administrative expenses in excess of actual expenses*	\$ 99	\$ -	\$ 99
Total net other expenses**	(123)		(123)
Net loss from operations	<u>\$ (24)</u>	<u>\$ -</u>	<u>\$ (24)</u>
Total claim payment volume	\$ 2,107	\$ -	\$ 2,107

Blue Cross and Blue Shield of Florida, Inc.
Notes to Statutory Financial Statements
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	2011		
	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
<i>(in millions of dollars)</i>			
Net reimbursement for administrative expenses in excess of actual expenses*	\$ 106	\$ -	\$ 106
Total net other expenses**	(133)	-	(133)
Net loss from operations	<u>\$ (27)</u>	<u>\$ -</u>	<u>\$ (27)</u>
Total claim payment volume	\$ 2,201	\$ -	\$ 2,201

* Represents gross administrative fees accrued.

** Administrative expenses for ASO uninsured plans are based on an allocation of total administrative expenses to gross fees.

Administrative Service Contract (“ASC”) Plans

ASC plans fund claims retrospectively. The Plan processes, adjudicates and pays the ASC plan's claims. In return, the Plan seeks reimbursement from the ASC plan for its claims and charges the ASC plan an administrative fee.

A schedule of the total net (loss) gain from operations from ASC uninsured plans for the years ended December 31, 2012 and 2011 is shown below:

	2012		
	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
<i>(in millions of dollars)</i>			
Gross reimbursement for medical costs incurred	\$ 5,453	\$ 172	\$ 5,625
Gross administrative fee income	257	13	270
Gross expenses incurred, to adjudicate and pay claims*	(5,771)	(188)	(5,959)
Net loss from operations	<u>\$ (61)</u>	<u>\$ (3)</u>	<u>\$ (64)</u>

	2011		
	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
<i>(in millions of dollars)</i>			
Gross reimbursement for medical costs incurred	\$ 5,301	\$ 152	\$ 5,453
Gross administrative fee income	255	15	270
Gross expenses incurred, to adjudicate and pay claims*	(5,622)	(170)	(5,792)
Net (loss) gain from operations	<u>\$ (66)</u>	<u>\$ (3)</u>	<u>\$ (69)</u>

Blue Cross and Blue Shield of Florida, Inc.
Notes to Statutory Financial Statements
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* Expenses incurred for the administration of ASC uninsured plans are based on an allocation of total administrative expenses to gross fees.

16. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

The Plan, with the permission of the OIR, retains an agent to manage a securities lending collateral portfolio. Under the Plan's securities lending policy, certain securities from its portfolio are loaned to other institutions for short periods of time. Initial collateral, consisting primarily of cash, is required at a rate of 102% of the fair value of a loaned domestic security and 105% of the fair value of a loaned foreign security. The fair value of the loaned securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned securities fluctuates. The collateral is deposited by the borrower with an independent lending agent, and retained and invested by the lending agent according to the Plan's guidelines to generate additional income.

As of December 31, 2012 and 2011, the Plan had \$18 million and \$66 million, respectively, in securities loaned under this policy with open collateral positions at a market value of \$18 million and \$67 million and securities lending collateral portfolio with investments with a fair value of \$18 million and \$67 million, with unrealized losses of less than \$1 million and less than \$1 million, respectively.

The aggregate amount of contractually obligated open collateral positions and the corresponding liabilities that represented the Company's obligations to return the collateral were \$18 million and \$66 million at December 31, 2012 and 2011, respectively. There were \$18 million and \$0 million in open collateral positions and under 30-day repayment terms, respectively, at December 31, 2012. There were \$66 million and \$0 million in open collateral positions and under 30-day repayment terms, respectively, at December 31, 2011.

The aggregate fair values of all securities acquired from the sale, trade or use of accepted collateral were \$18 million and \$66 million at December 31, 2012 and 2011, respectively.

The aggregate amount of reinvested cash collateral by maturity term at December 31, 2012 and 2011 was as follows:

<i>(in millions of dollars)</i>	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Due in less than 30 days	\$ 16	\$ 16	\$ 64	\$ 64
Due after 30 days through 60 days	-	-	-	-
Due after 60 days through 90 days	1	1	-	-
Due after 90 days through 120 days	-	-	-	-
Due after 120 days through 180 days	-	-	-	-
Due after 180 days through one year	-	-	3	3
Due after one year through two years	1	1	-	-
Due after two years through three years	-	-	-	-
Due after three years	-	-	-	-
Total collateral reinvested	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ 67</u>	<u>\$ 67</u>

To the extent the maturity dates of the securities lending obligations as of December 31, 2012 and 2011 exceed the invested assets; the Plan has sufficient unrestricted securities that would satisfy the return of the collateral.

Blue Cross and Blue Shield of Florida, Inc.
Notes to Statutory Financial Statements
December 31, 2012 and 2011

17. Fair Value of Financial Instruments

The following methods and assumptions were used by the Plan in estimating its fair value disclosures for financial instruments in the statutory financial statements and notes thereto:

Cash, Cash Equivalents, and Short-Term Investments

The carrying amounts reported in the statutory financial statements for these financial instruments approximate their fair values.

Investment Securities

The fair values for bonds were based on market prices prescribed by the SVO or quoted market prices, where available. For bonds not actively traded, fair values were estimated using values obtained from independent pricing services. The fair values for common stock and preferred stock were based on values prescribed by the SVO. The carrying amounts and fair values of investments are included in Note 3.

Securities Lending Collateral

The carrying amount of cash equivalents held in securities lending reinvested collateral approximates fair value. The fair value of bonds held in securities lending reinvested collateral was based on quoted market prices, where available, or values obtained from independent pricing services.

Receivables

The carrying amount of the Plan's receivables approximates fair value.

The fair value of the Plan's financial instruments at December 31, are summarized below:

<i>(in millions of dollars)</i>	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash, cash equivalents, and short-term investments	\$ 95	\$ 95	\$ (17)	\$ (17)
Securities lending collateral	18	18	67	67
Receivables	1,099	1,099	1,133	1,133

18. Pharmaceutical Rebates

The Plan uses Prime to administer its pharmaceutical benefits program. As of December 31, 2012 and 2011, pharmaceutical rebates receivables have been recorded under the agreement for \$46 million and \$32 million, respectively.

Blue Cross and Blue Shield of Florida, Inc.
Notes to Statutory Financial Statements
December 31, 2012 and 2011

The quarterly activity related to the pharmaceutical rebates for the years ended December 31, 2012, 2011, and 2010 is summarized as follows:

Quarter-Ended	Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 180 Days of Invoicing/ Confirmation	Rebates Collected More Than 180 Days After Invoicing/ Confirmation
December 31, 2012	\$ 46	\$ 29	\$ 3	\$ 2	\$ 1
September 30, 2012	39	41	4	2	2
June 30, 2012	33	36	31	1	1
March 31, 2012	29	36	31	2	2
December 31, 2011	\$ 32	\$ 23	\$ -	\$ -	\$ -
September 30, 2011	36	35	14	-	-
June 30, 2011	32	32	29	2	1
March 31, 2011	32	30	26	4	1
December 31, 2010	\$ 31	\$ 30	\$ 26	\$ 3	\$ 1
September 30, 2010	34	32	27	4	-
June 30, 2010	34	34	26	7	1
March 31, 2010	38	37	29	7	1

19. Surplus Notes

In 2001, the Plan marketed \$150 million in surplus notes series pursuant to Rule 144A under the Securities Act of 1933, which was fully completed in 2002. The terms of the surplus notes included a ten-year maturity with a coupon rate of 8.25%, semi-annual interest payments scheduled on May 15th and November 15th, and principal due at maturity in November 2011.

In November 2011, with the express written approval of the OIR, the Plan repaid the \$150 million of surplus notes upon maturity along with the related accrued interest. Interest expense for the surplus notes was \$11 million during 2011. Annual interest paid was \$12 million for 2011.

The surplus notes were expressly subordinated in right of payment to all existing and future claims and senior indebtedness. They were also subject to provisions of the Liquidation Act whereby the holders of claims and senior indebtedness could be afforded greater priority under Section 631.271 of the Florida Statutes. Payments of interest and repayment of principal were subject to the prior approval of the OIR.

Supplemental Schedules

Blue Cross and Blue Shield of Florida, Inc.

Summary Investment Schedule

December 31, 2012

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total	Percentage
<i>(in millions of dollars)</i>						
1. Bonds						
1.1 US treasury securities	\$ 338	8.3 %	\$ 338	\$ -	\$ 338	8.3 %
1.2 US government agency obligations (excluding mortgage-backed securities)						
1.: Issued by U.S. Government Agencies	-	0.0	-	-	-	0.0
1.: Issued by U.S. Government Sponsored Agencies	-	0.0	-	-	-	0.0
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	-	0.0	-	-	-	0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.						
1.: States, territories and possessions general obligations	50	1.2	50	-	50	1.2
1.: Political subdivisions of states, territories, and possessions and political subdivisions general obligations	60	1.5	60	-	60	1.5
1.: Revenue and assessment obligations	323	7.9	323	-	323	7.9
1.: Industrial development and similar obligations	-	0.0	-	-	-	0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS)						
1.: Pass-through securities						
1.: Issued or guaranteed by GNMA	820	20.1	820	-	820	20.1
1.: Issued or guaranteed by FNMA and FHLMC	-	0.0	-	-	-	0.0
1.: All other	-	0.0	-	-	-	0.0
1.: CMOs and REMICs						
1.: Issued or guaranteed by GNMA, FNMA, FHLMC or VA	-	0.0	-	-	-	0.0
1.: Issued by non U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	-	0.0	-	-	-	0.0
1.: All other	14	0.3	14	-	14	0.3
2. Other debt and other fixed income securities (excluding short-term)						
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	673	16.5	673	18	691	16.9
2.2 Unaffiliated foreign securities	136	3.3	136	-	136	3.3
2.3 Affiliated securities	-	0.0	-	-	-	0.0
3. Equity Interests:						
3.1 Investments in mutual funds	538	13.2	538	-	538	13.2
3.2 Preferred stocks						
3.: Affiliated	-	0.0	-	-	-	0.0
3.: Unaffiliated	144	3.5	144	-	144	3.5
3.3 Publicly traded equity securities (excluding preferred stocks)						
3.: Affiliated	-	0.0	-	-	-	0.0
3.: Unaffiliated	3	0.1	3	-	3	0.1
3.4 Other equity securities						
3.: Affiliated	606	14.9	583	-	583	14.3
3.: Unaffiliated	-	0.0	-	-	-	0.0
3.5 Other equity interests including tangible personal property under lease						
3.: Affiliated	-	0.0	-	-	-	0.0
3.: Unaffiliated	-	0.0	-	-	-	0.0
4. Mortgage loans						
4.1 Construction and land development	-	0.0	-	-	-	0.0
4.2 Agricultural	-	0.0	-	-	-	0.0
4.3 Single family residential properties	-	0.0	-	-	-	0.0
4.4 Multifamily residential properties	-	0.0	-	-	-	0.0
4.5 Commercial loans	-	0.0	-	-	-	0.0
4.6 Mezzanine real estate loans	-	0.0	-	-	-	0.0
5. Real estate investments						
5.1 Property occupied by the company	212	5.2	212	-	212	5.2
5.2 Property held for the production of income	-	0.0	-	-	-	0.0
5.3 Property held for sale	-	0.0	-	-	-	0.0
6. Contract loans	-	0.0	-	-	-	0.0
7. Derivatives	-	0.0	-	-	-	0.0
8. Receivables for securities	9	0.2	9	-	9	0.2
9. Securities Lending	18	0.4	18	xxx	xxx	xxx
10 Cash, cash equivalents and short-term investments	95	2.3	95	-	95	2.3
11 Other invested assets	40	1.0	40	-	40	1.0
12. Total invested assets	\$ 4,079	100.0%	\$ 4,056	\$ 18	\$ 4,056	100.0%

Blue Cross and Blue Shield of Florida, Inc.
Supplemental Investment Risks Interrogatories
December 31, 2012

1. Reporting entity's total admitted assets as reported on Page 2 of the annual statement: \$5,583 million.

2. Ten largest exposures to a single issuer/borrower/investment:

(in millions of dollars)

	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Diversified Health Services, Inc.	Common Stock	\$ 431	7.7 %
2.02	ISHares S&P 500 Index Fund - ETF	Common Stock	252	4.5
2.03	Vanguard FTSE International Equity ETF	Common Stock	177	3.2
2.04	Navigy Holdings, Inc.	Common Stock	122	2.2
2.05	Ridgeworth Seix Floating Rate	Common Stock	63	1.1
2.06	Diversified Service Options, Inc.	Common Stock	53	0.1
2.07	ISHares S&P Midcap 400 Fund - ETF	Common Stock	30	0.5
2.08	Prime Therapeutics, LLC	Other	25	0.4
2.09	JP Morgan, Chase & Co.	Bond Preferred Stock	15	0.3
2.10	Ishare Barclays 1-3 Year Bond ETF	Bond	15	0.3

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating:

(in millions of dollars)

	Bonds	Amount	Percentage of Total Admitted Assets	Preferred Stock	Amount	Percentage of Total Admitted Assets	
3.01	NAIC - 1	\$ 1,927	34.5 %	3.07	P/RP - 1	\$ 1	0.0 %
3.02	NAIC - 2	244	4.4	3.08	P/RP - 2	128	2.3
3.03	NAIC - 3	154	2.8	3.09	P/RP - 3	15	0.3
3.04	NAIC - 4	172	3.1	3.10	P/RP - 4	-	0.0
3.05	NAIC - 5	11	0.2	3.11	P/RP - 5	-	0.0
3.06	NAIC - 6	-	0.0	3.12	P/RP - 6	-	0.0

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? √(yes)__(no)

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

(in millions of dollars)

	Amount	Percentage of Total Admitted Assets
4.02	Total admitted assets held in foreign investments	\$ - 0.0 %
4.03	Foreign-currency denominated investments	- 0.0
4.04	Insurance liabilities denominated in that same foreign currency	- 0.0

Blue Cross and Blue Shield of Florida, Inc.
Supplemental Investment Risks Interrogatories
December 31, 2012

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

<i>(in millions of dollars)</i>		Amount	Percentage of Total Admitted Assets
5.01	Countries rated NAIC - 1	\$ -	0.0 %
5.02	Countries rated NAIC - 2	-	0.0
5.03	Countries rated NAIC - 3 or below	-	0.0

6. Two largest foreign investment exposures in a single country, categorized by the country's NAIC sovereign rating:

<i>(in millions of dollars)</i>		Amount	Percentage of Total Admitted Assets
	Countries rated NAIC - 1		
6.01	Country	\$ -	0.0 %
6.02	Country	-	0.0
	Countries rated NAIC - 2		
6.03	Country	-	0.0
6.04	Country	-	0.0
	Countries rated NAIC - 3 or below		
6.05	Country	-	0.0
6.06	Country	-	0.0

7. Aggregate unhedged foreign currency exposure:

<i>(in millions of dollars)</i>		Amount	Percentage of Total Admitted Assets
		\$ -	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

<i>(in millions of dollars)</i>		Amount	Percentage of Total Admitted Assets
8.01	Countries rated NAIC - 1	\$ -	0.0 %
8.02	Countries rated NAIC - 2	-	0.0
8.03	Countries rated NAIC - 3 or below	-	0.0

Blue Cross and Blue Shield of Florida, Inc.
Supplemental Investment Risks Interrogatories
December 31, 2012

9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

<i>(in millions of dollars)</i>		Amount	Percentage of Total Admitted Assets
	Countries rated NAIC - 1		
9.01	Country	\$ -	0.0 %
9.02	Country	-	0.0
	Countries rated NAIC - 2		
9.03	Country	-	0.0
9.04	Country	-	0.0
	Countries rated NAIC - 3 or below		
9.05	Country	-	0.0
9.06	Country	-	0.0

10. Ten largest nonsovereign (i.e. nongovernmental) foreign issues:

<i>(in millions of dollars)</i>			Percentage of Total Admitted Assets
	Issuer	NAIC Rating	Amount
10.01			\$ - 0.0 %
10.02			- 0.0
10.03			- 0.0
10.04			- 0.0
10.05			- 0.0
10.06			- 0.0
10.07			- 0.0
10.08			- 0.0
10.09			- 0.0
10.10			- 0.0

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? (yes) ___(no)

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? (yes) ___(no)

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

Blue Cross and Blue Shield of Florida, Inc.
Supplemental Investment Risks Interrogatories
December 31, 2012

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? ___ (yes) (no)

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

(in millions of dollars)

	Issuer	Amount	Percentage of Total Admitted Assets
13.02	Diversified Health Services, Inc.	\$ 431	7.7 %
13.03	IShares S&P 500 Index Fund - ETF	252	4.5
13.04	Vanguard FTSE International Equity ETF	177	3.2
13.05	Navigy Holdings, Inc.	122	2.2
13.06	Ridgeworth Seix Floating Rate	63	1.1
13.07	Diversified Service Options, Inc.	53	1.0
13.08	IShares S&P Midcap 400 Fund - ETF	30	0.5
13.09	Prime Therapeutics, LLC	25	0.4
13.10	Gulf Power Co.	12	0.2
13.11	Southern California Edison Co.	11	0.2

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? (yes) ___ (no)

If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? (yes) ___ (no)

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? (yes) ___ (no)

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16.

17. If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 17.

Blue Cross and Blue Shield of Florida, Inc.
Supplemental Investment Risks Interrogatories
December 31, 2012

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? (yes) (no)

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans.

19.01 Are assets held in investments held in mezzanine real estate less than 2.5% of the reporting entity's admitted assets? (yes) (no)

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

<i>(in millions of dollars)</i>	<u>At Year-End December 31, 2012</u>		<u>At End of Each Quarter During 2012</u>		
	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ 18	0.3 %	\$ 12	\$ 15	\$ 15
20.02 Repurchase agreements	-	0.0	-	-	-
20.03 Reverse repurchase agreements	-	0.0	-	-	-
20.04 Dollar repurchase agreements	-	0.0	-	-	-
20.05 Dollar reverse repurchase agreements	-	0.0	-	-	-

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

<i>(in millions of dollars)</i>	<u>Owned</u>		<u>Written</u>	
	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>	<u>Amount</u>	<u>Percentage of Total Admitted Assets</u>
21.01 Hedging	\$ -	0.0 %	\$ -	0.0 %
21.02 Income generation	-	0.0	-	0.0
21.03 Other	-	0.0	-	0.0

Blue Cross and Blue Shield of Florida, Inc.
Supplemental Investment Risks Interrogatories
December 31, 2012

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps and forwards:

<i>(in millions of dollars)</i>	At Year-End December 31, 2012		At End of Each Quarter During 2012		
	Amount	Percentage of Total Admitted Assets	1st Qtr	2nd Qtr	3rd Qtr
22.01 Hedging	\$ -	0.0 %	\$ -	\$ -	\$ -
22.02 Income generation	-	0.0	-	-	-
22.03 Replications	-	0.0	-	-	-
22.04 Other	-	0.0	-	-	-

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

<i>(in millions of dollars)</i>	At Year-End December 31, 2012		At End of Each Quarter During 2012		
	Amount	Percentage of Total Admitted Assets	1st Qtr	2nd Qtr	3rd Qtr
23.01 Hedging	\$ -	0.0 %	\$ -	\$ -	\$ -
23.02 Income generation	-	0.0	-	-	-
23.03 Replications	-	0.0	-	-	-
23.04 Other	-	0.0	-	-	-

NEWCO MIHC
STATEMENT OF ACQUISITION OF
BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
D/B/A FLORIDA BLUE AND AFFILIATES

Section II-3 Statutory Statements (continued)

A detailed statement of the information requested in Section 628.461 (3)(b) through 628.461 (3)(e). Each of these paragraphs should be responded to on a point by point basis.

(e) Information as to any contract, arrangement, or understanding with any party with respect to any of the securities of the insurer or controlling company, including, but not limited to, information relating to the transfer of any of the securities, option arrangements, puts or calls, or the giving or withholding of proxies, which information names the party with whom the contract, arrangement, or understanding has been entered into and gives the details thereof.

See the transaction documents found in Section II-7 for the details of the transaction

NEWCO MIHC

STATEMENT OF ACQUISITION OF

**BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
D/B/A FLORIDA BLUE AND AFFILIATES**

Section II-3 Statutory Statements (continued)

A detailed statement of the information requested in Section 628.461 (3)(b) through 628.461 (3)(e). Each of these paragraphs should be responded to on a point by point basis.

(b) The source and amount of the funds or other consideration used, or to be used, in making the acquisition;

No funds are required for this reorganization.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

June 5, 2013

Gwen Chick, Application Coordination Section
FL Office of Insurance Regulation
200 East Gaines St., Larson Bldg.
Tallahassee, Florida 323299

Filed Via I-Apply

Re: Acquisition of Blue Cross Blue Shield of Florida, Inc., d/b/a Florida Blue, by NEWCO MIHC Initial Letter of Notification of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes.

Dear Ms. Chick:

The following information is the composite Initial Notification by NEWCO MIHC of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, and the Initial Letter of Notification of the Statement of Acquisition, Merger or Consolidation of a Specialty Insurer per §628.4615(2)(a), Florida Statutes:

1. Acquiring Entity or Person

NEWCO MIHC

(Name)

4800 Deerwood Campus Parkway, DC1-7

(Address)

Jacksonville

(City)

FL

(State)

32246

(ZIP)

(904) 905-4035

(Telephone Number)

TBD

(Federal Identification Number)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

John F. Black, President, Meridian Consulting, Inc. (850) 386-9898
(Contact Person) (Telephone Number)

P.O. Box 14989, Tallahassee, FL 32317-4989
(Contact Person and Address)

2. FL Domestic Insurer Affected:

HMO / L&H Insurer / P&C Insurer See Below for Co. Code
(Type of Authority and Florida Company Code)

Blue Cross and Blue Shield of Florida, Inc.
FEIN # 59-2015694, FL Co. Code 06020
(Name)

Florida Combined Life Insurance Company, Inc.
FEIN #59-2876465, FL Co. Code 05687
(Name)

Comp Options Insurance Company, Inc.
FEIN # 593433503, FL Co. Code 03018

Health Options, Inc.
FEIN 59-2403696; FL Co. Code 87022
(Name)

Florida Health Care Plan, Inc.
FEIN 26-3238817; FL Co. Code 87111
(Name)

Florida True Health, Inc.
FEIN 45-4088232; FL Co. Code 12492
(Name)

Capital Health Plan, Inc.
FEIN 95-1830622; FL Co. Code 87001
(Name)

4800 Deerwood Campus Pkwy, DC1-7
(Address)

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

- c) Number and percentage of shares or ownership interests to be acquired by each entity or person.

100% of the stock, 100% of membership interest, or control of the Board of Directors.

2. A statement outlining material changes in the operation or business operations of the FL Domestic Insurer or a statement citing no material change in operations.

There will be no change in the operation or business operations of the domestic insurers or HMOs.

3. An organizational chart indicating the ownership structure of the acquiring entity and the seller, which reflects all affiliated entities prior to and subsequent to the transaction.

Enclosed is a Corporate Organization Chart showing pre and post organization structure.

4. A Management Information Form (OIR-C1-921) for the FL Domestic Insurer and each entity, directly or indirectly, owning or controlling 5% or more of the FL Domestic Insurer.

Enclosed are copies of the Management Information Form (OIR-C1-921) for each entity.

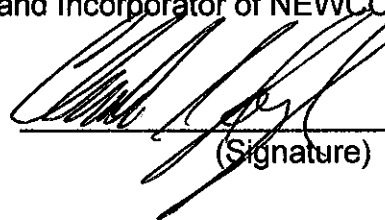
NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

The Following Attestation Form Shall Be Used:

I, the undersigned, of NEWCO MIHC (acquiring entity) do hereby affirm that all the responses, information, exhibits and documentary evidence submitted with and in support of this Letter of Notification are true and correct.

(Corporate Seal)

**Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel**
Blue Cross and Blue Shield of Florida, Inc.
and Incorporator of NEWCO MIHC



(Signature)

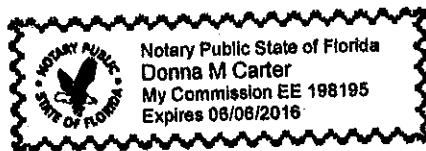
State of Florida

County of Duval

Sworn to and subscribed before me

this 5th day of June, 2013

Donna M. Carter
(Notary Public)



(Seal)

My Commission Expires 6/6/2016

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 1(a)

Summary of Transaction

Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue intends to convert its corporate structure from a not-for-profit mutual insurance company to a stock insurer organized as a subsidiary of NEWCO MIHC, a newly created mutual insurance holding company pursuant to Part III, Chapter 628, Florida Statutes. The principal effects of the reorganization will be to convert Florida Blue into a stock insurance company that is controlled by a mutual insurance holding company whose members are policyholders of Florida Blue. The Reorganization will involve "the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, transfer of assets and liabilities among two or more companies, issuance, acquisition or transfer of capital stock of one or more companies" within the meaning of Section 628.709(1), Florida Statutes.

See Section II-7 of the Acquisition of Controlling Interest of a Domestic Insurer per §628.461(1)(a), Florida Statutes, for a complete description of the transaction as well as copies of the transaction documents.

NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

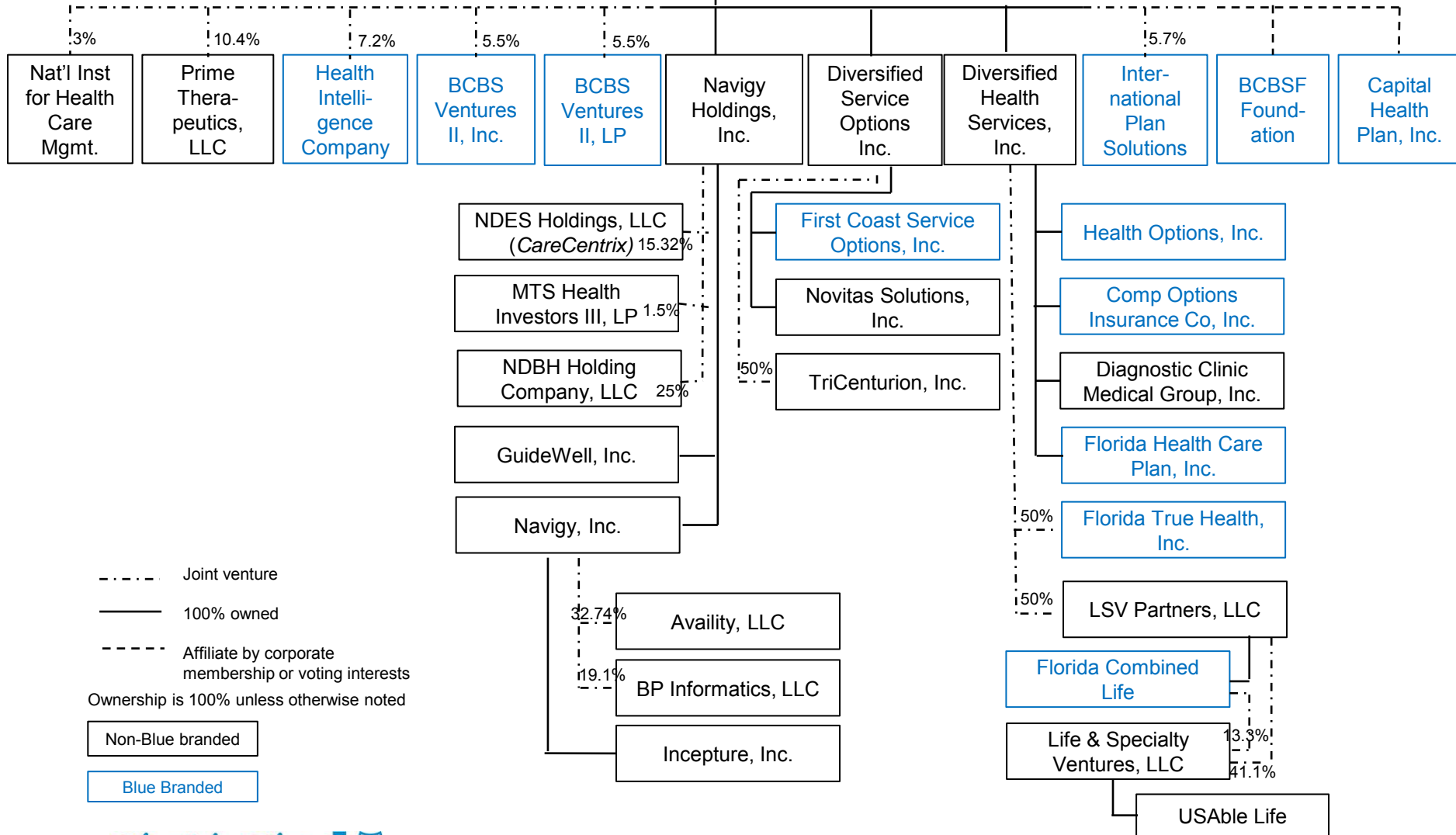
Exhibit 3

Pre and Post Transaction Corporate Organization Chart

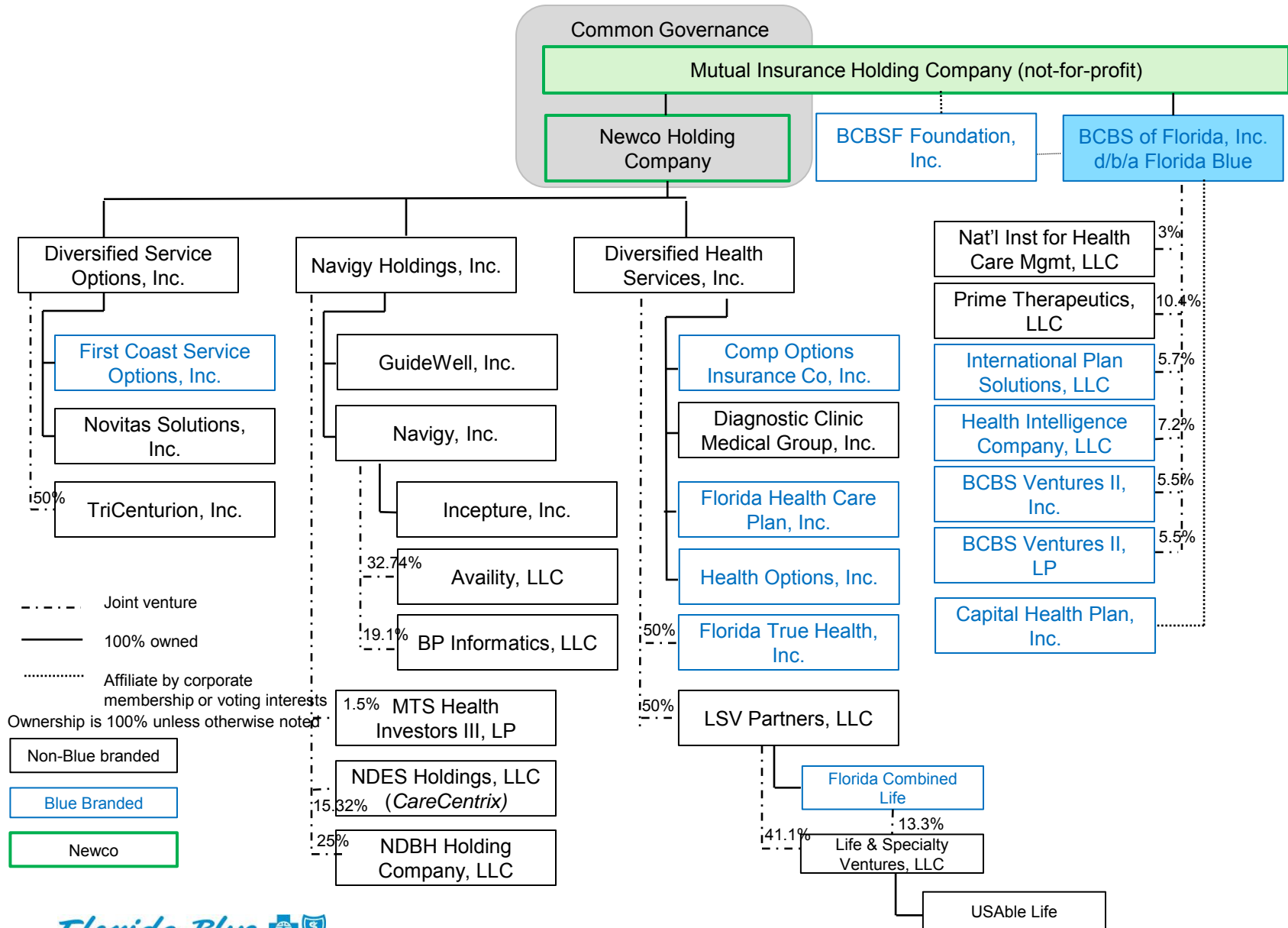
Enclosed is a Corporation Organization Chart showing pre and post organization structure.

Florida Blue Current Structure

BCBS of Florida, Inc.
d/b/a Florida Blue



Post Reorganization Organizational Structure



NEWCO MIHC
4800 Deerwood Campus Pkwy, DC1-7
Jacksonville, Florida 32246

Exhibit 4

Management Information Form (OIR-C1-921) for each entity

Enclosed are Management Information Forms, OIR-C1-921 for each entity.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Blue Cross and Blue Shield of Florida, Inc.

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wallace Kenneth Boutwell, Jr.	President, Chairman
Thomas Arnold Barron	Secretary
David Keith Coburn	Treasurer
Winifred Schmeling	Vice-Chairman
John Hogan	Chief Executive Officer
Sabin Baass	Chief Financial Officer

DIRECTORS (MANAGERS):

Dubose Ausley
John Tom Herndon
Issac Moore, M.D.
James Brian Sheedy, M.D.
Patricia Hayward
Joyce Kramzer
Lillie Bogan
W. Kenneth Boutwell, Jr.
Stephen McArthur
Thomas A. Barron

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Capital Health Plan, Inc.

DIRECTORS (MANAGERS): Continued

David K. Coburn

Winifred H. Schmeling

SHAREHOLDERS (MEMBERS):

Blue Cross and Blue Shield of Florida, Inc. d/b/a Florida Blue	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Comp Options Insurance Company, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Joseph Christopher Santore, Jr.

CEO & President

Deanna Marie McDonald

Treasurer

Jarrod Wendell Harmon

Secretary

DIRECTORS (MANAGERS):

Charles (NMN) Divita, III

James Carl Modaff

Elana Gail Schrader

Darnell (NMN) Smith

Jon Richard Urbanek

Deanna Marie McDonald

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Diversified Health Services, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

R. Chris Doerr

President, Treasurer

Seth Phelps

Secretary

DIRECTORS (MANAGERS):

R. Chris Doerr

Chairman

Joyce Kramzer

SHAREHOLDERS (MEMBERS):

NEWCO Holding Company

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Health Care Plan, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Wendy Ann Myers, M.D.

President and CEO

David Carl Schandel

CFO and Assoc. CEO

Pamela J. Thomas

Asst. Secretary

Arezou C. Jolly

Secretary

DIRECTORS (MANAGERS):

Joyce A. Kramzer

R. Chris Doerr

Jon Urbanek

Deanna M. McDonald

William Andrew Coats

Wendy Ann Myers, M.D.

David Carl Schandel

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida Combined Life Insurance Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Jason Dennis Mann

President & CEO

Mark Alan Langston

Treasurer

William Creasman

Secretary

DIRECTORS (MANAGERS):

L. Joseph Grantham

Jason D. Mann

Mark A. Langston

James Casey

George Mitchell, M.D.

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.

100.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Florida True Health, Inc.

(Post MIHC Restructure)

OFFICERS:

TITLES:

Dwight David Chenette

President

Debi Gavras

Executive Director

Steven Harvey Bohner

V.P. & Treasurer

Robert Howard Gilman

V.P. & Secretary

DIRECTORS (MANAGERS):

Robert Chris Doerr

Joyce Ann Kramzer

Anne Maureen Morrissey

Steven Harvey Bohner

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.
AmeriHealth Mercy Health Plan

50.00%
50.00%

Total

100.00%

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: Health Options, Inc.
(Post MIHC Restructure)

OFFICERS:

TITLES:

Robert Chris Doerr	Chief Executive Officer
Seth Matthew Phelps	Secretary
William Andrew Coats	Treasurer
Joyce Ann Kramzer	President

DIRECTORS (MANAGERS):

Robert Chris Doerr
Joyce Ann Kramzer
Jonathan Gavras

SHAREHOLDERS (MEMBERS):

Diversified Health Services, Inc.	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

Robert Emile Wall

Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

Patrick Joseph Geraghty

Chairman

Catherine Pombier Bessant

Gonzalo Francisco Valdes-Fauli

Frank Parker Scruggs, Jr.

Tracy Ann Leinbach

Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO Holding Company

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC	<u>100.00%</u>
Total	<u>100.00%</u>

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC
(Post MIHC Restructure)

OFFICERS:

TITLES:

Patrick Joseph Geraghty

President & CEO

Robert Chris Doerr

CFO and Executive VP

Charles Stephen Joseph

Sr. V.P., Secretary &
General Counsel

William Andrew Coats

V.P., Treasurer & Chief
Investment Officer

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Sr. V.P. - Human
Resources, Chief Human
Resource Officer

Doug Lynch

V.P. & Chief Actuary

DIRECTORS (MANAGERS):

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Barbara Susan Thomas

Robert Matthews Beall, II

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSURANCE REGULATION

MANAGEMENT INFORMATION
COMPLETE LIST OF ACQUIRING ENTITY OFFICERS, DIRECTORS, AND
SHAREHOLDERS (5% OR MORE)

COMPANY NAME: NEWCO MIHC

DIRECTORS (MANAGERS) - Continued:

Leerie Thurman Jenkins, Jr.

John Braulio Ramil

Steven Thomas Halverson

SHAREHOLDERS (MEMBERS):

NEWCO MIHC is a Mutual Insurance Holding Company and as such has no shareholders.

Application Info

WorkLogNumber: 3876

Applicant Name:

Status Date: 6/8/2013

Submit Date:

Accepted Date:

Application Status: STARTED

Application Type: ACQUISITION

Filing Name: BCBSFL

FEIN:

Acquisition Type ACQUISITION

First Name: John

Middle Name:

Last Name: Black

Prefix:

Email Address: jblack@merid-consulting.com

Title Address:

Professional Address:

Organization Address:

Department Address:

Main Administrative Office Address Information

Address:1 1809 MICCOSUKEE COMMONS DRIVE, SUITE 110

Address:2

City: TALLAHASSEE

County:

State: FL

Country: US

Zip: 32308

Postal code:

Province:

Non-US postal code:

Phone: 8503869898

Fax:

Toll free:

Non-US phone:

Company Info

FEIN: 592015694

Legal Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.

Fictitious Name:

US Based: False

Company Email: jblack@merid-consulting.com

Phone Number: 9049054035

Subsidiary: False

Domicile Place:

NAIC Code:

Domicile Date:

NAIC Class:

Commence Business Date:

Organization:

Organization Date:

Non Profit: False

Assessable: False

Percent Owned:

Acquired In:

Officer Info

First Name: PATRICK JOSEPH

Middle Name:

Last Name: GERAGHTY

SSN: [REDACTED]

Date of Birth: [REDACTED]

Officer: IMMED_PARENT

Percent Owns: 0%

Company Name: NEWCO MIHC

Affidavit Expiration Date:

Finger Print Expiration Date:

Investigation Report Date:

Officer Info

First Name: ROBERT CHRIS

Middle Name:

Last Name: DOERR

SSN: [REDACTED]

Date of Birth: [REDACTED]

Officer: APP_COMPANY

Percent Owns: 0%

Company Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.

Affidavit Expiration Date:

Finger Print Expiration Date:

Investigation Report Date:

Officer Info

First Name: CHARLES STEPHEN

Middle Name:

Last Name: JOSEPH

SSN: [REDACTED]

Date of Birth: [REDACTED]

Officer: APP_COMPANY

Percent Owns: 0%

Company Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.

Affidavit Expiration Date:

Finger Print Expiration Date:

Investigation Report Date:

Officer Info

First Name: PATRICK JOSEPH

Middle Name:

Last Name: GERAGHTY

SSN: [REDACTED]

Date of Birth: [REDACTED]

Officer: APP_COMPANY

Percent Owns: 0%

Company Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.

Affidavit Expiration Date:

Finger Print Expiration Date:

Investigation Report Date:

Officer Info

First Name: WILLIAM ANDREWS

Middle Name:

Last Name: COATS

SSN: [REDACTED]

Date of Birth: [REDACTED]
Officer: APP_COMPANY
Percent Owns: 0%
Company Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.
Affidavit Expiration Date:
Finger Print Expiration Date:
Investigation Report Date:

Officer Info

First Name: DOUGLAS
Middle Name:
Last Name: LYNCH
SSN: [REDACTED]
Date of Birth: [REDACTED]
Officer: APP_COMPANY
Percent Owns: 0%
Company Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.
Affidavit Expiration Date:
Finger Print Expiration Date:
Investigation Report Date:

Officer Info

First Name: ROBERT EMILE
Middle Name:
Last Name: WALL
SSN: [REDACTED]
Date of Birth: [REDACTED]
Officer: APP_COMPANY
Percent Owns: 0%
Company Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.
Affidavit Expiration Date:
Finger Print Expiration Date:
Investigation Report Date:

Interrogatory Info

Are there any agreements referred to in the application whereby the acquiring company accepts obligations, debts 1 and encumbrances which would affect the domestic insurer? If "Yes", attach all applicable agreements under the component titled "Other Contracts/Agreements".: Yes

Does the Applicant have someone other than company personnel or the company-sponsoring agent representing 2 them to the Office regarding this applicant? If "Yes", attach a letter of authorization designating the named individual to represent the Applicant under the component titled "Authorization Letter". The authorization letter must be on the Applicant's letterhead and signed by an officer of the Applicant.: Yes

Will the organizational documents (Articles of Incorporation or similar documents) for the domestic insurer change 3 as a result of this proposed transaction? If "Yes", attach a copy of the proposed revised organizational documents under the component titled "Organizational Documents".: Yes

Is the acquiring entity a member of an insurance holding company system? If "Yes", attach the most recent holding 4 company registration statement under the component titled "Holding Company Registration Statement". The statement should include all attachments, exhibits, and referenced appendices. If the acquiring entity is not a member of a holding company system, click "No" and attach an attestation statement to that effect under the component titled "Attestation Statement". The statement should be signed by two executive officers and sealed by the company.: Yes

5 Will the Bylaws (or similar rules and regulating documents) change as a result of this proposed transaction? If "Yes", attach a copy of the proposed revised documents under the component titled "Bylaws (Rules, Regulations)":
Yes

6 Is the contact information for the individual designated for service of process on behalf of the domestic insurer changing as a result of this transaction? If "Yes", attach a copy of the updated UCAA Uniform Consent to Service of Process form (Form 12) under the component titled "Uniform Consent to Service of Process": No

7 Is the domestic insurer going to be merged into any other entity? If "Yes", attach a copy of the Plan of Merger under the component titled "Plan of Merger": No

8 Has the domestic insurer's Board of Directors (or similar body) voted to approve the proposed acquisition? If "Yes", attach a confirmation of the voting results under the component titled "Confirmation of Voting Results". If "No", in the memo field provided, explain why the voting has not occurred.: Yes

9 Has the acquiring entity issued an annual financial statement? If "Yes", attach a copy of the most recent annual statement of the acquiring entity under the component titled "Current Annual Financial Statement (Parent)". If the acquiring entity or its ultimate parent is publicly traded, click "No" and attach a copy of the notice for the latest annual financial statement filed with the Securities and Exchange Commission under the component titled "SEC Filing (Most Recent Annual Statement)". If the insurer is not a member of a holding company system, click "N/A.":
No

10 Has the acquiring entity issued a quarterly financial statement? If "Yes", attach a copy of the most recent quarterly statement of the acquiring entity under the component titled "Current Quarterly Financial Statement (Parent)". If the acquiring entity or its ultimate parent is publicly traded, click "No" and attach a copy of the notice for the latest financial statement filed with the Securities and Exchange Commission under the component titled "SEC Filing (Most Recent Statement)". If the insurer is not a member of a holding company system, click "N/A.": No

11 Will the business plan of the insurer change as a result of the proposed transaction? If "Yes", submit the revised Plan of Operations, consisting of a brief narrative and Pro Forma financial statements/projections (UCAA Application Form 13) under the component titled "Plan of Operations". The narrative should include significant information in support of the application. Projections must support all aspects of the proposed Plan of Operation, including reinsurance arrangements and delegated function agreements. Include the assumptions used to arrive at these projections.: No

12 Does the acquiring entity have any history in Florida concerning withdrawing from Florida as a whole or discontinuing a particular line of business? If "Yes", attach the acquiring company's previous Florida business history under the component titled " Previous Florida Business History (including parent or affiliate)": No

13 Are there any other pertinent financial or operational documents or information that the Applicant wants to provide with this application? If "Yes", attach the information and/or documents under the component titled "Miscellaneous Financial Documents": Yes

14 Are there any other pertinent legal documents that the Applicant wants to provide with this application? If "Yes", attach those documents under the component titled "Miscellaneous Legal Documents":

Letter of Notification
Acquisition, Merger or Consolidation
Pursuant to
Sections 628.461 or 628.4615, Florida Statutes

This letter serves as notification of the acquisition of the company named herein pursuant to the requirements of Section 628.461, Florida Statutes or Section 628.4615, Florida Statutes, whichever is applicable. The information contained in this letter is based solely on information provided to the Florida Office of Insurance Regulation.

Work Log Number: 3876

Date of Notification: 06/08/2013

Name of Contact Person: John Black

Email: jblack@merid-consulting.com

Address: 1809 Miccosukee Commons Drive, Suite 110, Tallahassee, FL 32308

Name of Acquiring Entity or Person: NEWCO MIHC

Email: Ari.Jolly@bcbsfl.com

Address: 4800 DEERWOOD CAMPUS PKWY, DC1-7, JACKSONVILLE, FL 32246

Telephone: (904) 905-4035

Date of Transaction: 01/01/2014

Company/Licensee Name: BLUE CROSS & BLUE SHIELD OF FLORIDA, INC.

Address: 4800 DEERWOOD CAMPUS PARKWAY, JACKSONVILLE, FL 32246

NAIC Code: 98167

FEIN: 592015694

Florida Company Code: 06020

Contact Name: Pat Joseph Geraghty

Telephone: (904) 905-4035

Contact Email: jblack@merid-consulting.com

Request for Waiver: NO

Request for Disclaimer in lieu of filing: NO

Attachments:

Exhibit One: Description of the Transaction

Exhibit Two: Material Changes in the Operation or Business Operations

AUTO-GENERATED BASED ON INFORMATION FILED VIA IAPPLY
FLORIDA OFFICE OF INSURANCE REGULATION • COMPANY ADMISSIONS • 200 EAST GAINES STREET
TALLAHASSEE, FL 32399-0332 • Email: iapply@floir.com

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NEWCO MIHC

STATEMENT OF ACQUISITION OF

**BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.
D/B/A FLORIDA BLUE AND AFFILIATES**

Section II-6 Tender or Exchange offer Documents

Furnish a copy of any tender or exchange offer and offering documents associated with the acquisition/merger.

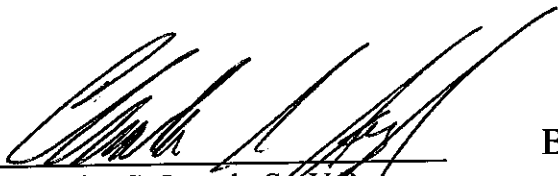
There are no Tender or Exchange offer documents.

WAIVER OF HEARING FROM SELLER

We the undersigned, on behalf of Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue hereby waive our right to a public hearing on the proposed acquisition of Comp Options Insurance Company, Inc., d/b/a OptaComp by NEWCO MIHC, a Florida Corporation, as outlined in the documents submitted pursuant to Florida Statutes S. 628.461, and we respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Dated: 6/5/13

Attest:



Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc.
& Incorporator of NEWCO MIHC

By: 

R. Chris Doerr, Exec. V.P.,
Chief Financial Officer
Blue Cross and Blue Shield of Florida, Inc.
& Incorporator of NEWCO MIHC

Corporate Seal

WAIVER OF HEARING FROM SELLER

We the undersigned, on behalf of Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue hereby waive our right to a public hearing on the proposed acquisition of Florida Combined Life Insurance Company, Inc. by NEWCO MIHC, a Florida Corporation, as outlined in the documents submitted pursuant to Florida Statutes S. 628.461, and we respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Dated: 6/5/13

Attest:

By: 

Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc.

By: 

R. Chris Doerr, Exec. V.P.,
Chief Financial Officer
Blue Cross and Blue Shield of Florida, Inc.

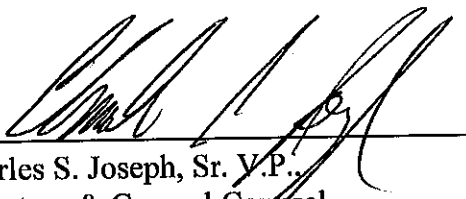
Corporate Seal

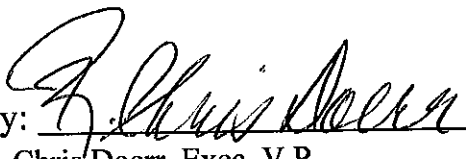
WAIVER OF HEARING FROM SELLER

We the undersigned, on behalf of Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue hereby waive our right to a public hearing on the proposed acquisition of Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue by NEWCO MIHC, a Florida Corporation, as outlined in the documents submitted pursuant to Florida Statutes S. 628.461, and we respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Dated: 6/5/13

Attest:

By: 
Charles S. Joseph, Sr. V.P.,
Secretary & General Counsel
Blue Cross and Blue Shield of Florida, Inc.
& Incorporator of NEWCO MIHC

By: 
R. Chris Doerr, Exec. V.P.,
Chief Financial Officer
Blue Cross and Blue Shield of Florida, Inc.
& Incorporator of NEWCO MIHC

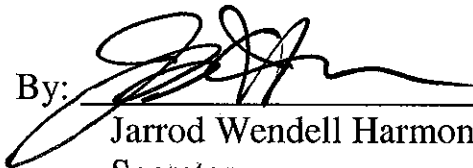
Corporate Seal

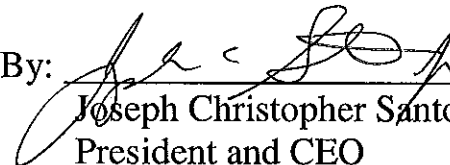
WAIVER OF HEARING FROM SELLER

We the undersigned, on behalf of Comp Options Insurance Company, Inc., d/b/a OptaComp hereby waive our right to a public hearing on the proposed acquisition of Comp Options Insurance Company, Inc., d/b/a OptaComp by NEWCO MIHC, a Florida Corporation, as outlined in the documents submitted pursuant to Florida Statutes S. 628.461, and we respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

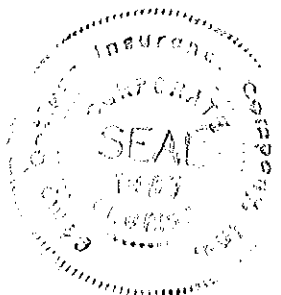
Dated: 6/10/13

Attest:

By: 
Jarrod Wendell Harmon
Secretary

By: 
Joseph Christopher Santore, Jr.
President and CEO

Corporate Seal

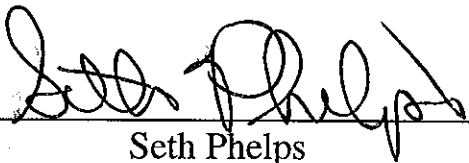


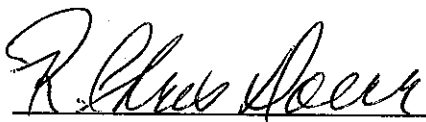
WAIVER OF HEARING FROM SELLER

We the undersigned, on behalf of Diversified Health Services, Inc. hereby waive our right to a public hearing on the proposed acquisition of Comp Options Insurance Company, Inc., d/b/a OptaComp by NEWCO MIHC, a Florida Corporation, as outlined in the documents submitted pursuant to Florida Statutes S. 628.461, and we respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Dated: 6/7/13

Attest:

By: 
Seth Phelps
Secretary

By: 
R. Chris Doerr
President

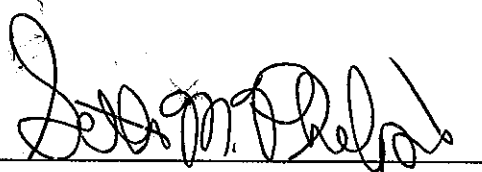
Corporate Seal

WAIVER OF HEARING FROM SELLER

We the undersigned, on behalf of Diversified Health Services, Inc. hereby waive our right to a public hearing on the proposed acquisition of Florida Combined Life Insurance Company, Inc. by NEWCO MIHC, a Florida Corporation, as outlined in the documents submitted pursuant to Florida Statutes S. 628.461, and we respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Dated: June 7, 2013

Attest:



Seth Phelps
Secretary

By: 

R. Chris Doerr
President & Treasurer

Corporate Seal

WAIVER OF HEARING FROM SELLER

We the undersigned, on behalf of Florida Combined Life Insurance Company, Inc. hereby waive our right to a public hearing on the proposed acquisition of Florida Combined Life Insurance Company, Inc. by NEWCO MIHC, a Florida Corporation, as outlined in the documents submitted pursuant to Florida Statutes S. 628.461, and we respectfully request that the Director of the Office of Insurance Regulation approve the acquisition immediately.

Dated: 6/7/13

Attest:


William Creasman
Secretary

By: 
Jason Dennis Mann
President and CEO

Corporate Seal

