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1440 NEW YORK AVENUE, N.W.  
WASHINGTON, D.C. 20005-2111

TEL: (202) 371-7000  
FAX: (202) 393-5760  
www.skadden.com

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DIRECT DIAL  
202-371-7007  
DIRECT FAX  
202-371-7956  
EMAIL ADDRESS  
KENNETH.GROSS@SKADDEN.COM

August 8, 2014

Lisa J. Stevenson  
Deputy General Counsel  
Office of the General Counsel  
Federal Election Commission  
999 E Street, N.W.  
Washington, D.C. 20463

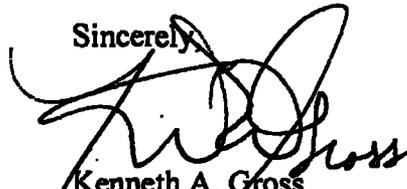
Dear Ms. Stevenson:

Enclosed please find a request for an Advisory Opinion submitted on behalf of Health Care Service Corporation Employees' Political Action Committee. In response to requests by Federal Election Commission staff, we have enclosed along with the request the following documents:

- (1) the Amended and Restated Articles of Incorporation of Health Care Service Corporation ("HCSC");
- (2) the Amended and Restated By-Laws of HCSC; and
- (3) Parts I and IA of Schedule Y of HCSC's 2013 Annual Filing with the Insurance Department of the State of Illinois, illustrating HCSC's organizational structure.

Please let us know if you have any questions.

Sincerely,



Kenneth A. Gross  
Charles M. Ricciardelli

Enclosures

Cc: Cheryl Hemsley

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RE: Health Care Service Corporation Advisory Opinion Request

Dear Ms. Stevenson:

On behalf of Health Care Service Corporation Employees' Political Action Committee ("HCSC PAC"), the separate segregated fund of Health Care Service Corporation, a Mutual Legal Reserve Company ("HCSC"), we seek an Advisory Opinion finding that HCSC PAC is not affiliated with the Blue Cross and Blue Shield Association Political Action Committee ("BluePAC"), the separate segregated fund of the Blue Cross and Blue Shield Association ("BCBSA").

HCSC is a licensed health insurance company, headquartered in Chicago, Illinois, that offers a variety of product lines, both directly and through several of its subsidiaries. HCSC's main product is health insurance marketed under licensing agreements between HCSC and BCBSA. These license agreements grant HCSC the exclusive rights to market and sell products under the Blue Cross and Blue Shield names and marks in Illinois, Montana, New Mexico, Oklahoma, and Texas (the "Agreements"). However, as discussed in more detail below, HCSC's business is operated and governed independently of BCBSA, with the Agreements setting forth the terms of the relationship between HCSC and BCBSA. While these Agreements require HCSC to meet certain standards and requirements, they do not grant BCBSA formal or informal control or influence over the operations or governance of HCSC's overall business operations.

Historically, HCSC and BCBSA have treated HCSC PAC and BluePAC as affiliated PACs for the purposes of the Federal Election Campaign Act of 1971, as amended ("FECA"). However, as set forth later in this letter, HCSC's business diversification, and the relationship between HCSC and BCBSA, have evolved over time. HCSC has gradually and dramatically expanded its investment into non-BCBSA related activities. While HCSC's Blue plan business remains its primary source of revenue, over the past decade, HCSC has invested and continues to invest, hundreds of millions of dollars into new ventures as it diversifies its business lines. As

HCSC's interests have multiplied and expanded into new geographic areas with their own unique business and policy environments, the factors indicative of affiliation between HCSC PAC and BluePAC have significantly diminished. Accordingly, we believe that the current relationship no longer requires affiliation and we ask the Federal Election Commission ("FEC" or "Commission") to find that, on these facts, HCSC PAC and BluePAC are not affiliated under FECA. Please note, as reflected in the attached, that BCBSA remains neutral as to this request.

## **I. Prior Advisory Opinions Regarding Affiliation with BCBSA**

The FEC has previously addressed the relationship between BCBSA and its licensees. First, in FEC Advisory Opinion ("AO") 1990-22, BCBSA sought permission to solicit the executive and administrative personnel of its licensees for BluePAC, arguing that the licensees were in the nature of members, subsidiaries, or affiliates of BCBSA. The FEC found that the unique nature of the relationship allowed the conclusion that all of the member licensees were "affiliates of BCBSA, functioning in effect as local units of BCBSA," and allowed BCBSA to solicit the executive and administrative personnel of the licensees as BCBSA had requested.

Then, in AO 1999-39 (the "WellPAC Opinion"), WellPoint Health Networks PAC ("WellPoint PAC"), the separate segregated fund of a BCBSA licensee, asked the FEC to find that WellPoint PAC and BluePAC were no longer affiliated for the purposes of FECA. After examining the relationship between WellPoint and BCBSA, which had evolved from the general relationship between BCBSA and its licensees that the FEC had reviewed in AO 1990-22, the Commission agreed with the requestor that WellPoint PAC was no longer affiliated with BluePAC.

We believe that the relevant facts underlying the WellPAC Opinion are similar to those relevant to the analysis of the relationship between HCSC PAC and BluePAC and, therefore, that the FEC should conclude that HCSC PAC and BluePAC no longer need to be treated as affiliated PACs.<sup>1</sup>

## **II. The FEC's Rules on Affiliation**

FECA and Commission regulations recognize two types of affiliation. The first is "automatic" affiliation, which provides that committees established by the same corporation; person; or group of persons, including any parent; subsidiary; branch; division; department; or local unit thereof are affiliated. 2 U.S.C. §441a(a)(5); 11 CFR 100.5(g)(2) and 110.3(a)(1)(ii). The regulations further provide that the term "local unit" can include a franchisee or licensee where appropriate. 11 CFR 100.5(g)(2) and 110.3(a)(1)(ii).

In the absence of a legal relationship that gives rise to automatic affiliation, such as that between a parent corporation and its subsidiary, Commission regulations provide for an examination of various factors in the context of an overall relationship to determine whether one

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<sup>1</sup> Consequently, as HCSC PAC's affiliation with other Blue Cross and Blue Shield licensee PACs is due to its affiliation with BluePAC, HCSC PAC would no longer be affiliated with any of the PACs of such licensees.

company is an affiliate of another and, therefore, whether their respective PACs are affiliated with each other. 11 CFR 100.5(g)(4)(i) and (ii)(A)-(J), 11 CFR 110.3(a)(3)(i) and (ii)(A)-(J). Included in these factors are: (A) whether a sponsoring organization owns a controlling interest in the voting stock or securities of another sponsoring organization; (B) whether a sponsoring organization has the authority or ability to direct or participate in the governance of another sponsoring organization through provisions of constitutions, by-laws, contracts or other rules, or through formal or informal practices or procedures; (C) whether a sponsoring organization has the authority or ability to hire, appoint, demote or otherwise control the officers or other decision-making employees of another sponsoring organization; (D) whether a sponsoring organization or committee has a common or overlapping membership with another sponsoring organization or committee which indicates a formal or ongoing relationship between the sponsoring organizations or committees; (E) whether a sponsoring organization has common or overlapping officers or employees with another sponsoring organization which indicates a formal or ongoing relationship between the organizations; (F) whether a sponsoring organization has any members, officers, or employees who were members, officers, or employees of another sponsoring organization which indicates a formal or ongoing relationship or the creation of a successor entity; (G) whether a sponsoring organization provides funds or goods in a significant amount or on an ongoing basis to another sponsoring organization; (H) whether a sponsoring organization causes or arranges for funds in a significant amount or on an ongoing basis to be provided to another sponsoring organization; (I) whether a sponsoring organization had an active or significant role in the formation of another sponsoring organization; and (J) whether the committees have similar patterns of contributions which indicates a formal or ongoing relationship between the committees. 11 CFR 110.3(a)(3)(ii)(A)-(J). The list of ten circumstantial factors set out at 11 CFR 110.3(a)(3)(ii) is not an exclusive list as other factors may be considered. See AO 1995-36.

### **III. Application of the Affiliation Rules to HCSC and BCBSA**

As HCSC PAC and BluePAC are not sponsored by a single corporation or its subsidiaries, they are not automatically affiliated. Therefore, the Commission may examine certain factors that exist in the relationship between the two sponsoring entities and PACs in order to determine whether such PACs are affiliated. Accordingly, following the discussion of the factors listed in the regulations, we discuss additional facts that demonstrate HCSC's independence from BCBSA.

#### **A. Controlling Interest**

BCBSA and HCSC do not have shareholders and neither BCBSA nor HCSC maintain any form of equity ownership in the other.

#### **B. Governance**

BCBSA enters into license agreements with a network of independent and locally operated licensed insurance companies to operate Blue Cross and Blue Shield plans. Five of these plans: Blue Cross and Blue Shield of Illinois, Blue Cross and Blue Shield of Montana, Blue Cross and Blue Shield of New Mexico, Blue Cross and Blue Shield of Oklahoma, and Blue Cross and Blue Shield of Texas, are divisions of HCSC. BCBSA makes clear that each of these

plans is owned and operated independently of BCBSA. This assertion is supported by an examination of the relationship between BCBSA and HCSC. In fact, one of the BCBSA Membership Standards requires an "independence" disclaimer be attached to a licensee's advertising.

(1) Voting Rights

As noted above, BCBSA maintains no voting rights in HCSC by virtue of ownership of securities. Additionally, BCBSA maintains no seats on any HCSC board or governing body and is not entitled to appoint any individuals to such positions. While it is technically possible for an officer of BCBSA to be elected to the HCSC board, no BCBSA officer currently holds such a position and has not for at least the past twenty years. Additionally, even if a BCBSA officer were to be elected to a position on the HCSC board, he or she would be entitled to no greater rights, powers, or privileges than any other board member.

(2) The Agreements

Since BCBSA has no equity ownership of, or voting rights within, HCSC, the formal relationship between the companies is limited to that of a licensor-licensee with respect to HCSC's use of the Blue Cross and Blue Shield names and marks. We note that, in the past, the Commission has found certain licensor-licensee relationships to be sufficiently extensive and entangling to justify affiliation. However, in such cases, the Commission cited a level of oversight and control of the operations of the licensee by the licensor that does not exist as a result of the Agreements. In the WellPAC Opinion, the Commission states that situations in which "one entity exercises pervasive supervision and direction over another entity" or where a franchisee was only permitted to sell one brand of product or provide services only under a franchisor's name and marks suggest affiliation. See AO 1999-39, p. 7. Similar to the relationship between WellPoint and BCBSA as found in the WellPAC Opinion, here the relationship between HCSC and BCBSA, as governed by the Agreements, exhibits no such level of control. While the Agreements impose restrictions and obligations on HCSC's operations as a condition of HCSC's use of the Blue Cross and Blue Shield names and marks, the Agreements do not give BCBSA the ability to supervise, manage, or direct the operation of HCSC's business. HCSC is responsible for how it conducts its business and for the decisions and operations related thereto. In fact, the BCBSA amended Articles of Incorporation and By Laws require that member Plans are and should be autonomous. The relevant restrictions and obligations contained in the Agreements, the BCBSA Membership Standards (the "Standards"), and the Guidelines to Administer Membership Standards (the "Guidelines") are outlined below:

(a) the Agreements restrict the geographic areas in which HCSC is permitted to utilize the Blue Cross and Blue Shield names and marks; however, HCSC is free to offer non-Blue Cross and Blue Shield branded products and services in any location and does, in fact, operate multiple subsidiaries including Dearborn National Life Insurance Company ("Dearborn National") (a licensed life and disability insurer in all fifty states) and numerous other businesses with an employee base stretching over multiple states beyond HCSC's health plan states, including Colorado, Pennsylvania, and Michigan;

(b) to the extent that HCSC offers Blue Cross and Blue Shield branded products and services through its subsidiaries, the Agreements require that HCSC maintain definitive control over such subsidiaries; however, the Agreements do not impact HCSC's relationships with other subsidiaries and affiliates not engaged in Blue Cross and Blue Shield branded business;

(c) HCSC may not cause or permit an entity other than another BCBSA licensee to obtain control of HCSC or to acquire a substantial portion of its assets related to Blue Cross and Blue Shield licensed services;

(d) HCSC must pay its BCBSA dues and maintain its status as a member in good standing of BCBSA;

(e) HCSC may only display the Blue Cross and Blue Shield names and marks in the form, style, and manner prescribed by BCBSA;

(f) HCSC must maintain a governing board that is composed of a majority of members who are: (1) independent from HCSC and any entity controlled by HCSC<sup>2</sup>, (2) neither employees of, nor holders of financial interests in, a health care provider, (3) not members of a profession which provides health care services, and (4) not directors, officers, partners, or employees of an organization that primarily sells health care services; however, apart from these limited qualifications, HCSC has discretion over all board appointments and BCBSA has no authority to influence the selections;

(g) HCSC is required to implement compliance and ethics policies and procedures applicable to directors, officers, and employees. The Guidelines specify the elements that must be addressed by these policies, and, in some instances, require certain substantive measures be implemented, but largely leave the details of implementation to HCSC<sup>3</sup>;

(h) HCSC must maintain adequate financial resources to operate effectively and demonstrate this by satisfying certain capital and liquidity requirements. HCSC is required to engage an independent CPA to conduct an annual audit and provide an opinion expressing no doubts as to HCSC's ability to continue as a going concern;

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<sup>2</sup> Note, however, that HCSC is given the discretion under the Agreements to define "independence" as it relates to directors.

<sup>3</sup> For example, the Guidelines at their most specific require that standards of conduct for directors, officers, and employees include prohibitions on using corporate resources and opportunities for personal gain, the obligation to maintain the confidentiality of certain information, etc. In other instances, the Guidelines mandate only that certain systems be put in place by HCSC – *i.e.*, requiring a system to respond to allegations of improper/illegal activities and the development and implementation of compliance training programs – without mandating the details of such systems.

(i) HCSC must operate in a manner responsive to customer needs and requirements as measured by enrollment thresholds and other metrics that HCSC must meet or exceed;

(j) HCSC must permit BCBSA access to its books and records, as well as provide certain reports and audits regarding HCSC's compliance with the Agreements, Standards, and Guidelines and its finances;

(k) HCSC is required to participate in national programs that are adopted by the various members of BCBSA and designed to provide portability of membership between the members' plans and to facilitate claims-processing for customers receiving benefits outside of HCSC's service area;

(l) when contracting with third parties or making public statements, HCSC must disclose (i) the independent nature of HCSC and every other BCBSA member plan, (ii) the structure of the Blue Cross and Blue Shield System, and (iii) if HCSC falls below certain financial standards, its financial condition;

(m) HCSC must cooperate with the BCBSA board and a BCBSA committee to address certain performance problems if they arise;

(n) HCSC must obtain a rating of its financial strength from a BCBSA-approved independent rating agency;

(o) HCSC must use its best efforts to promote and build the value of the Blue Cross and Blue Shield names and marks;

(p) at least (i) 80% of the revenue generated by HCSC (and its controlled subsidiaries) attributable to health care plans and related services and hospital services offered within HCSC's designated service area and (ii) 66 2/3% of the revenue generated by HCSC (and its controlled subsidiaries) attributable to health care plans and related services offered nationally must be sold, marketed, administered, or underwritten under the Blue Cross and Blue Shield names and marks<sup>4</sup>; and

(q) HCSC may not rent or otherwise make available any provider network (or portion thereof) to a national competitor if the Blue Cross and Blue Shield names and marks are used in any way with such network.

The fact that HCSC is permitted to, and does in fact, engage in various other businesses, separate and apart from its Blue Cross and Blue Shield branded businesses, is indicative of HCSC's independence from BCBSA as a separate business entity. This fact further

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<sup>4</sup> In compliance with the Agreements, nearly all of HCSC's medical and dental business revenue is derived from Blue Cross and Blue Shield branded products; however, HCSC maintains a number of other, unrelated business lines that are not subject to BCBSA oversight. Please see Section 11 for a more detailed discussion.

distinguishes this situation from those of franchisees required by their franchisor to conduct business solely under the marks of the franchisor, which the Commission described as suggestive of an affiliate relationship in the WellPAC Opinion.

While HCSC must comply with the above restrictions in order to continue to offer Blue Cross and Blue Shield branded products and services, as noted above, HCSC directs its operations and is responsible for how it conducts its business. The central purpose of these provisions is to protect the integrity and value of the Blue-Cross and Blue Shield names and marks, rather than to control specific aspects of HCSC's business operations. As such, the relationship between BCBSA and HCSC is unlike those licensee-licensor or franchisee-franchisor relationships referenced in the WellPAC Opinion which involved "pervasive supervision and direction" and were thus found by the Commission to create an affiliation.

(3) Hiring Authority

BCBSA does not have the authority to hire, appoint, demote, or otherwise control the officers or other decision-making employees of HCSC.

(4) Common Membership

HCSC and BCBSA do not have common members.

(5) Common Officers or Employees

HCSC and BCBSA do not have common officers or employees. HCSC does maintain a position on the board of directors of BCBSA, as does each other Blue Cross and Blue Shield licensee. The total number of BCBSA board members is thirty-eight, each with a single vote. The President & Chief Executive Officer of HCSC is the officer entitled to sit on the BCBSA board and is a member of the following board committees: Brand Enhancement and Protection Committee; Health Policy and Advocacy Committee; and Organization and Governance Committee. The HCSC President and CEO enjoys the same voting rights and privileges as each other member of the board and maintains no special positions with respect to the BCBSA board.

Neither BCBSA nor any other Blue Cross and Blue Shield licensee maintains a position on the board of directors of HCSC.

(6) Former Officers or Employees

HCSC employs a limited number of former BCBSA employees. BCBSA maintains its corporate headquarters and significant operations in Chicago, IL, where HCSC is also headquartered. Given the geographical proximity of their offices and the fact that they both operate in the same sector of the health care industry, it is not unexpected that employees of one organization might seek employment with the other from time to time. As noted above, HCSC and BCBSA do not share any employees and there is no formal arrangement by which employees are transferred or seconded from one to the other.

Out of the twenty-three executives that comprise the senior leadership of HCSC, only Paula Steiner is a former employee of BCBSA, having been a BCBSA employee from 1983 until 1987 and then joining HCSC in 1997. Ms. Steiner is currently Executive Vice President and Chief Strategy Officer at HCSC. In this role, Ms. Steiner is responsible for corporate strategy, marketing and external affairs, including federal government relations, corporate media relations, public affairs, and advertising. Ms. Steiner has served in several other positions at HCSC, including Chief Marketing Executive and Senior Vice President, Emerging Markets. Before that, she served eight years as Divisional Senior Vice President of Marketing and Sales and two years as Vice President of Marketing for Blue Cross and Blue Shield of Illinois ("BCBSIL"). Before joining BCBSIL, she was employed at BCBSA from 1983 - 1987 and held numerous positions including Consultant, Senior Consultant, Director, Vice President, and Senior Vice President.

**(7) Providing Funds or Goods**

BCBSA provides no uncompensated administrative services to HCSC. BCBSA does provide very limited administrative services to HCSC, such as serving as the master contractor for two large-scale contracts with the federal government and a few other clients. However, BCBSA is compensated for these services as well as for HCSC's use of the Blue Cross and Blue Shield names and marks. The agreements governing the provision of these services are negotiated between the parties and the rates of compensation reflect fair market value. All other payments of funds between HCSC and BCBSA are subject to discussion and acceptance by HCSC. This suggests an arm's length relationship between the two corporations. In past AOs, the Commission determined that two corporations engaging in arm's length transactions after a spinoff were not providing significant funds or goods to each other. *See* AO 1996-23; AO 1995-36.

Also, although BCBSA hires lobbyists to represent the association, HCSC and BCBSA do not share registered lobbyists in Washington. HCSC does not rely on BCBSA for its lobbying activities and, in fact, maintains its own office in Washington, D.C., employing its own lobbyists to communicate with policymakers on its behalf. At times these lobbyists will strategize with BCBSA lobbyists on certain issues.

**(8) Arranging for the Provision of Funds or Goods**

BCBSA offers HCSC and other membership plans certain voluntary contractual arrangements with vendors such as AT&T, IBM, and United Airlines. These services are insubstantial and do not constitute the provision of funds or goods in a significant amount or on an ongoing basis. Furthermore, these arrangements are available to all Blue Cross and Blue Shield licensees.

**(9) Formation**

In AO 1990-22, the Commission noted that "BCBSA seems to have an active or significant role in the formation of the Member Plans. In order for the Member Plans to function

as Blue Cross and/or Blue Shield Plans, under those names, the Plans must be admitted for membership and granted the license to operate as such by BCBSA." FEC Advisory Opinion 1990-22. HCSC was initially formed in 1936 as a licensed health insurance company operating for approximately two years prior to adopting the Blue Cross symbol in 1939, followed by its adoption of the Blue Shield symbol in 1947. While the bulk of HCSC's business today is conducted under the Blue Cross and Blue Shield names and marks, HCSC was not formed by BCBSA or with the intent of becoming a BCBSA licensee. Indeed, the current BCBSA entity was not even formed until 1982. Furthermore, HCSC currently operates a variety of other businesses that are not affiliated in any way with Blue Cross and Blue Shield and that are not governed by HCSC's licensing relationship with BCBSA.

#### (10) Contribution Patterns

As HCSC and BCBSA have been complying with the restrictions applicable to affiliated organizations for the purpose of FECA, such as sharing a common contribution limit, it would have been lawful for each to coordinate its activities with the other and cross-solicit the restricted class of the other for PAC contributions. However, BluePAC does not solicit or receive contributions from HCSC's restricted class and HCSC PAC does not solicit or receive contributions from BCBSA's restricted class. In addition, HCSC PAC does not consult or coordinate with BluePAC regarding the committee's contributions or on any other matters, other than to ensure compliance with campaign finance laws and regulations, given the fact that the committees are currently characterized as affiliated. HCSC PAC and BluePAC may occasionally contribute to the same candidates; however, this overlap is most likely the result of both corporations' interest in insurance and health care issues and does not indicate a formal or ongoing relationship between the committees.

#### (11) Evolution of Diversity of Business and Competition

In the WellPAC Opinion, the Commission cited AOs suggesting that a relationship requiring a licensee to conduct business only under the licensor's name or to sell only the licensor's products would tend to be viewed as one indicative of affiliation. See AO 1999-39, p. 7. While the majority of HCSC's health insurance business is conducted under BCBSA names and marks, HCSC maintains a number of other business operations that are entirely disassociated from BCBSA and, in some instances, are in direct competition with BCBSA licensees. As further detailed below, HCSC continues to focus its efforts on such expansion and diversification.

HCSC is a member-owned, non-public mutual legal reserve company that operates as a not-for-profit health care service plan. As such, HCSC does not have the traditional means of access to capital markets that its for-profit, publicly traded competitors do. Because of these limitations, diversification (including geographic, investment, and product diversity) is important to HCSC's ability to achieve favorable ratings from ratings agency, which, in turn, protects HCSC's positioning should it have need to access capital.

HCSC's corporate transactions strategy likewise focuses on ongoing diversification of its business. Seeking out strategic investments, particularly in health and

insurance technology platforms, is critical to HCSC's ability to compete in today's health insurance business and to satisfy the changing demands of its customers for innovative technology tools and solutions. As such, HCSC has committed over \$720,000,000 since 2004 in acquisitions and strategic transactions, including the acquisition of subsidiaries tasked with developing new products and platforms to both support HCSC's business and to independently serve existing and current market needs independent of HCSC's core business. Additionally, these recent acquisitions and strategic transactions have added to HCSC's geographic diversity by accessing a nationwide customer base and also by virtue of new business locations, including headquarters in Pennsylvania, Florida, and Minnesota. This business and geographic diversification also serves to diversify HCSC's policy interests as each of these additional states presents its own unique policy issues and strategy concerns.

As noted above in Section 2(p), pursuant to the Agreements, a significant portion of HCSC's health insurance revenue is required to be derived from Blue Cross and Blue Shield branded products and, in fact, substantially all of HCSC's health insurance product line revenue is derived from such products. However, a better indication of the direction and manner in which HCSC's business has grown in the past ten years and will continue to grow are the investments and capital commitments made by the company detailed above. As an example of the impact of such commitments, during 2013 total revenues generated by HCSC's non-health insurance subsidiaries was in excess of \$2.1 billion. This expansion includes numerous HCSC subsidiaries that do not offer Blue Cross and Blue Shield branded products. A prime example of HCSC's operations outside of BCBSA activities is HCSC's group and individual life and other insurance subsidiaries, organized under the Dearborn National brand. Additionally, HCSC owns a number of non-insurance companies that provide services to the healthcare industry. For example, HCSC is the sole owner of TMG Health, Inc. and Medecision, Inc., two companies headquartered in Pennsylvania, which offer business process outsourcing and medical management services as well as technology solutions to multiple participants in the health care industry.

HCSC's subsidiaries include well over 2,000 employees throughout the United States and several are supported in whole or in part by HCSC enterprise employees in various administrative areas including but not limited to human resources, government relations, tax, legal, and treasury. In addition, HCSC maintains numerous subsidiary service providers that are in direct competition with other BCBSA licensees and/or their joint-ventures in several industries including life insurance and health information technology markets. A list of these entities and their BCBSA-affiliated competitors is attached hereto as Exhibit A. Taken together, HCSC's growing subsidiary business consists of significant operations with a wide employee base in multiple states beyond those in which HCSC operates under BCBSA names and marks. The existence of varied business operations and investments that are unrelated to and in competition with BCBSA licensees is further evidence of HCSC's independence and unique business and policy interests.

It is important to note that HCSC is still in the early stages of realizing a return on the investments and commitments described above, and the impact of such businesses on the whole picture cannot be expressed as a percentage of revenue. When viewed with an eye toward HCSC's future business model and activities, these revenue figures are expected to become much

more significant. Consequently, it is essential to take into account these investments, and similar commitments HCSC continues to make, in order to understand the nature of the enterprise and the unique political issues it currently faces and that it will face in the near future.

To help demonstrate HCSC's diversifying business, below is a brief description of a number of subsidiaries and other investments HCSC has acquired over the past ten years.<sup>5</sup> Please note that ownership percentages, where listed, are accurate as of December 31, 2013.

#### Academic HealthPlans, Inc.

HCSC's wholly owned subsidiary, Academic HealthPlans, Inc., brokers accident and health insurance for college and university students. These plans are offered under both Blue Cross and Blue Shield branded carriers and "non-Blue" carriers.

#### Availity, LLC

HCSC maintains a 32.73% ownership interest in Availity, LLC ("Availity"), a health information technology company providing Internet based e-health information services, including revenue cycle management and practice management systems. This entity serves both Blue Cross and Blue Shield branded business customers and "non-Blue" business customers, and is co-owned by Florida Blue Cross Blue Shield, Humana Inc., WellPoint, Inc., and Blue Cross Blue Shield of Minnesota.

#### RealMed Corporation

HCSC maintains a 32.73% interest in RealMed Corporation through Availity, the sole owner of RealMed. RealMed is an award-winning provider of revenue cycle management services. The acquisition positioned the combined enterprise to deliver health information solutions to a nationally expanding network of providers, health plans, and vendor partners.

#### Bloom Health Corporation

HCSC owns 34.36% of Bloom Health Corporation ("Bloom Health"), a nationwide private exchange and defined contribution platform for employers to manage employee health benefit offerings. Bloom Health currently works primarily with Blue Cross and Blue Shield insurers, in addition to partnering with "non-Blue" insurers.

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<sup>5</sup> Beginning in 1992, third-party administrator Hallmark Services Corporation ("Hallmark") administered HCSC's individual policies. In 1996, Hallmark became a wholly owned subsidiary of HCSC. In 2013, HCSC began administering this business and Hallmark was dissolved by HCSC as its sole shareholder in November, 2013.

### Dearborn National

As mentioned above, HCSC maintains a group of wholly owned subsidiaries organized under the Dearborn National brand offering life, disability, dental, worksite, and other voluntary insurance products.

In 2003, Dearborn National acquired Omaha Life Insurance Company. Other subsidiaries in the Dearborn National family include Colorado Bankers Life Insurance Company ("Colorado Bankers"), which underwrites individual life, accident, and critical illness products; its parent company, Preferred Financial Corporation, which acts as an insurance agency for the producers selling Colorado Bankers products; and Dearborn National Life Insurance Company of New York.

### Dental Network of America, LLC

HCSC's wholly owned subsidiary, Dental Network of America LLC ("DNoA"), is a third-party administrator for HCSC dental programs, including Blue Cross and Blue Shield branded programs and Dearborn National programs. DNoA also owns DenteMax, LLC ("DenteMax"), located in Southfield, Michigan. DenteMax operates a PPO network of dental professionals, which it leases to insurance companies, third party administrators and self-funded groups.

### GHS Property & Casualty Insurance Company

HCSC's wholly owned subsidiary, GHS Property & Casualty Insurance Company, offers automobile, health, home, boat, airplane, business, fire, and casualty insurance to a variety of customers, including "non-Blue" entities and individuals.

### Health-e-Web, Inc.

HCSC's wholly owned subsidiary, Health-e-Web, Inc. ("HeW") contracts with health insurers (both Blue and non-Blue) and medical providers to provide electronic data interchange, revenue cycle management, claims processing and other related services. HCSC sold HeW to Availity on April 30, 2014.

### Health Intelligence Company, LLC

HCSC has a 10.32% ownership interest in Health Intelligence Company, LLC dba Blue Health Intelligence, an independent licensee of BCBSA which provides access to the industry's largest and most comprehensive conformed healthcare database of integrated medical and pharmacy claims to clients including hospital systems, physicians, pharmaceutical companies, medical device manufacturers, research organizations, and governmental agencies.

### Innovista, LLC

In January 2014, HCSC formed a wholly owned subsidiary Innovista, LLC. Innovista is a management services organization providing physician networks with the tools and processes to efficiently manage care and achieve quality outcomes.

### Medecision, Inc.

HCSC's wholly owned subsidiary, Medecision, Inc. ("Medecision"), is a health information technology company providing case, disease, and utilization management; secure health information access; and exchange capabilities. Medecision has clients in every U.S. state, including large health plans, local and regional health insurers, Medicare Advantage plans, independent physician groups, hospitals, integrated delivery networks, and Accountable Care Organizations.

### Prime Therapeutics LLC

HCSC maintains a 37.74% ownership interest in Prime Therapeutics LLC ("Prime"), a pharmacy benefit management company owned by thirteen Blue Cross and Blue Shield plans. While Prime partners mostly with BCBSA branded businesses, it does have relationships with "non-Blue" businesses.

### Third Coast Insurance

In 2005, HCSC made a significant investment in Third Coast Insurance, a provider of worker's compensation insurance. This investment was subsequently sold in 2007.

### TMG Health, Inc.

HCSC's wholly owned subsidiary, TMG Health, Inc., is a leading national provider of expert business process solutions for Medicare Advantage, Medicare Part D, and Managed Medicaid plans and serves with both Blue Cross and Blue Shield branded customers and "non-Blue" customers.

### Tri-Serve Alliance

HCSC maintained a 20% ownership interest in Tri-Serve Alliance until the relationship was dissolved in 2007. While HCSC maintained its interest, Tri-Serve Alliance served as the administrator for TRICARE, a healthcare program maintained by the U.S. Department of Defense.

Finally, HCSC owns and operates its own headquarters building in Chicago, Illinois, a large parcel of commercial real estate. HCSC also operates as a landlord with respect to unaffiliated tenants that lease space in the same building.

Each of these ventures, whether wholly owned subsidiaries or minority investments, reflect the fact that HCSC's business model has changed significantly over the past decade and, accordingly, the company's interests have diversified and diverged from those of BCBSA.

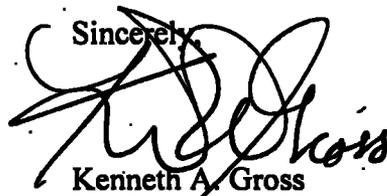
Conclusion

In order to continue their use of the Blue Cross and Blue Shield names and marks, HCSC and its controlled divisions operating as BCBSA licensees are contractually obligated to operate within certain parameters which BCBSA and HCSC have agreed are necessary to protect the Blue Cross and Blue Shield brands. Within these guidelines, HCSC is free to operate its Blue Cross and Blue Shield businesses, while, at the same time, it can and does pursue other lines of business.

As permitted under the terms of the Agreements, and as driven by the growing business and geographic diversity of its interests, as described in detail herein, HCSC maintains a business that is distinct and autonomous in material operational respects from BCBSA and BCBSA's other licensees. These facts demonstrate that BCBSA does not maintain the level of control over HCSC's operations, business policies, and practices that would require HCSC PAC and BluePAC to be characterized as affiliated.

Please let us know if you have any questions regarding this request.

Sincerely,



Kenneth A. Gross  
Charles M. Ricciardelli

Enclosures

Cc: Cheryl Hemsley

**EXHIBIT A**

<b><u>Market Sector</u></b>	<b><u>HCSC Entity</u></b>	<b><u>BCBSA Affiliated Competitor</u></b>
<b>Life Insurance</b>	<b>Dearborn National Life Insurance Company Colorado Bankers Life Insurance Company</b>	<b>Florida Combined Life Insurance Company, Inc. (BCBS of Florida) Life and Specialty Ventures, LLC (BCBS of Florida) Antem Life Insurance Company (Wellpoint) Blue Shield of California Life and Health Ins. Co. (Blue Shield of California) Advance Insurance Company of Kansas (BCBS of Kansas) Southern National Life Insurance Co. (BCBS of Louisiana) Bluebonnet Life Insurance Company (BCBS of Mississippi) Companion Life Insurance Company (BCBS of South Carolina) Niagara Life and Health Insurance Company (BCBS of South Carolina)</b>
<b>Health Insurance</b>	<b>Blue Cross Blue Shield of Texas (Texas Medicaid)</b>	<b>Amerigroup (Wellpoint)</b>

<p><b>Health Information Technology</b></p>	<p><b>Meddecision, Inc.</b></p>	<p><b>AHIN (Advanced Health Information Network) (BCBS of Arkansas)</b></p> <p><b>Topaz (a joint venture among various entities, including BCBS of North Carolina and BCBS of Kansa City)</b></p> <p><b>Lumeris (owned in part by Horizon, Independence Blue Cross and Highmark)</b></p> <p><b>Trizetto (owned by BCBS of Tennessee and Regence)</b></p> <p><b>CareTeam Connect (currently owned by Humana but recently owned by Cambia)</b></p>
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**BlueCross BlueShield  
Association**

**An Association of Independent  
Blue Cross and Blue Shield Plans**

**Scott P. Serota  
President and  
Chief Executive Officer**

**1510 G Street, N.W.  
Washington, DC 20005  
202.626.4809  
Fax 202.626.4855  
scott.serota@bcbsa.com**

October 4, 2013

Lisa Stevenson,  
Deputy General Counsel  
Office of the General Counsel  
Federal Election Commission  
999 E Street, NW  
Washington, DC 20463

RE: **Health Care Service Corporation Employees' Political Action  
Committee's Advisory Opinion Request**

Dear Ms. Stevenson:

I have reviewed the attached letter from Health Care Service Corporation Employees' Political Action Committee ("HCSC PAC") seeking an Advisory Opinion finding that HCSC PAC is not affiliated with the Blue Cross and Blue Shield Political Action Committee ("BluePAC"), the separate segregated fund of the Blue Cross and Blue Shield Association ("BCBSA"). BCBSA takes no position on the facts and law contained therein and consequently remains neutral as to the merits of this request.

Sincerely,

A handwritten signature in black ink that reads "Scott P. Serota" with a stylized flourish at the end.

Scott P. Serota

**AMENDED AND RESTATED ARTICLES OF  
INCORPORATION**

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
HEALTH CARE SERVICE CORPORATION,  
a Mutual Legal Reserve Company**

**(As filed October 1, 1936 and as amended by Articles of Amendment dated December 18, 1973; by the Articles of Merger with Illinois Medical Service dated October 1, 1975 and on December 20, 1982; and by the Plan and Agreement of Merger with Blue Cross and Blue Shield of Texas, Inc. dated July 9, 1996 as amended)**

- 1. The name of the corporation is HEALTH CARE SERVICE CORPORATION, a Mutual Legal Reserve Company.**
- 2. The object for which the Corporation is founded is to do all things necessary, proper or convenient for the purpose of promoting, establishing, maintaining and operating a non-profit health care service plan as authorized by the laws of the State of Illinois for the provision of the types of benefits authorized in Section 5/4 of chapter 215 of the Illinois Compiled Statutes (Class 1, Clause b). The Corporation will continue to provide health care and related services to subscribers or members by health care contracts or policies and may make provision for the payment for such health care services directly to hospitals or other agencies or institutions or natural persons rendering such health care service or related services or may make direct payment to the member or subscriber. The Corporation will also engage in programs directed toward favorably affecting cost, quality and accessibility of health care.**

3. The management of the Corporation shall be vested in a Board of Directors. The number of said Directors to be shall be not less than three nor more than twenty-one persons, all of whom shall be at least the age of twenty-one years. At all times at least three Directors will be residents and citizens of the State of Illinois. The number of directors immediately after the merger of Blue Cross and Blue Shield of Texas, Inc. with and into the Corporation shall be sixteen (16), and thereafter the number shall be determined in the manner set forth in the By-Laws of the Corporation. The Board of Directors shall be elected by the policyholder members of the Corporation in conformance with the By-laws of the Corporation and in conformance with the laws of the State of Illinois, except that any vacancy occurring during the term of any director may be filled in the manner set forth in the By-laws of the Corporation. The Board of Directors shall be divided into three classes, as nearly equal in number as possible. The term of office of each Director shall be three years, except for those directors who are elected to serve terms of less than three years beginning immediately after the merger of Blue Cross and Blue Shield of Texas, Inc. into the Corporation.

4. The vote of a majority of the votes cast at a meeting at which a quorum is present shall be the act of the Board of Directors, provided, however, that the By-Laws of the Corporation may provide that one or more specified actions may not be taken by the Corporation without the prior approval of directors holding a greater number of votes.

5. Subject to any express provisions or restrictions contained in these Articles of Incorporation, the Corporation reserves the right to amend, alter or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter

prescribed by statute and the By-Laws of the Corporation, and all rights conferred upon the policyholders or other parties or persons are granted subject to this reservation.

6. The principal office of the Corporation shall be located in the County of Cook, State of Illinois. The address of the principal office of the Corporation within the County of Cook in the State of Illinois may be changed by resolution of the Board of Directors.

7. The period of duration of the Corporation is perpetual.

Date: November 16, 1998

*James F. McCaskey*  
President

Date: November 16, 1998

*Bruce Keithberger*  
Secretary

[Corporate Seal]

Approved	<u>12/30/99</u>
State of Illinois Department of Insurance	
by:	<u><i>Nat Shapiro</i></u> Director of Insurance

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**AMENDED AND RESTATED BY-LAWS**

**AMENDED AND RESTATED BY-LAWS ("BY-LAWS")**

**OF**

**HEALTH CARE SERVICE CORPORATION,  
a Mutual Legal Reserve Company**

**ARTICLE I**

**NAME, LOCATION AND CORPORATE SEAL**

**Section 1.1. Name**

The name of the Corporation shall be Health Care Service Corporation, a Mutual Legal Reserve Company.

**Section 1.2. Location**

The location of the principal office of the Corporation shall be in the City of Chicago, County of Cook, State of Illinois. The Corporation may, in addition to said principal office, establish and maintain an office or offices in such other places as the Board of Directors may from time to time determine.

**Section 1.3. Seal**

The Corporate Seal of the Corporation shall have inscribed thereon the name of the Corporation and the words "CORPORATE SEAL", "ILLINOIS" and "1936". The same may be used by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

**ARTICLE II**

**PURPOSES**

In accordance with the statement of the object for which the Corporation was founded, as set forth in Article 2 of the Corporation's Amended and Restated Articles of Incorporation, and in accordance with and subject to Article III of the Illinois Insurance Code, the purposes of the Corporation are the following:

(a) To do all things necessary, proper or convenient for the purpose of promoting, establishing, maintaining and operating a mutual health care insurance company as authorized by applicable laws, including, without limitation, promoting the betterment of public health by providing and operating a financing mechanism for health care services and developing and implementing methods for health care delivery and financing whereby hospital service, medical service or other health care services may be provided by qualified institutions, by licensed physicians or by other qualified persons, to those persons who become subscribers or Members of the plan and their qualified beneficiaries, under contracts or policies which entitle or

indemnify said subscribers and Members and their qualified beneficiaries to certain hospital care, medical service and/or other health care services in accordance with applicable laws;

(b) To do all things necessary, proper or convenient for the purpose of promoting, establishing, maintaining and operating said mutual health care insurance company and any other business activity reasonably complementary or supplementary to its insurance business; and

(c) To engage in any lawful act or activity in which a mutual insurance company may engage under applicable laws.

## **ARTICLE III**

### **MEMBERS**

#### **Section 3.1. Members Defined**

The Members of the Corporation shall be its Individual Policyholders and its Group Policyholders, as follows:

a. An "Individual Policyholder" is any individual who holds a contract of insurance issued by the Corporation (an "Individual Policy"); and

b. A "Group Policyholder" is (i) any holder of a contract of insurance issued by the Corporation on a group basis (a "Group Policy"), or (ii) any employer or group that is party to a contract with the Corporation whereby the Corporation agrees to furnish administrative services in support of such employer's or group's health care benefit program (an "ASO contract").

Each Individual Policy, Group Policy and ASO contract, shall be referred to as a "Member Contract".

The term of membership shall begin upon the effective date of the Member Contract and shall terminate automatically upon the cancellation, expiration or surrender of such Member Contract. Each Member shall be entitled to vote in accordance with Section 3.3 of this Article III.

For the avoidance of doubt, individuals or entities that have health care service contracts with another health insurer or entity and that are provided services by the Corporation pursuant to a contract or subcontract between the Corporation and such other health insurer or entity shall not be considered Members of the Corporation for any purpose.

#### **Section 3.2. Determination of Members**

All questions concerning the eligibility of Members to vote, the amount of votes to which each Member is entitled, and the validity of the votes cast at any meeting shall be determined by the officer of the Corporation presiding at any meeting of Members on the basis of the records of the Corporation.

### **Section 3.3. Voting Rights**

Each Member shall at each meeting of the Members be entitled to vote in person or by proxy the number of votes equal to the aggregate premium or other amounts attributable to such Member for the calendar month immediately preceding the record date of the meeting, except that no Member shall be entitled to votes in excess of one-fourth of one percent (0.25%) of the total votes available to all Members, but in no event shall any Member have less than one vote.

### **Section 3.4. Specific Premium and Assessment**

Provision shall be made for a specific premium or charge and there shall be no assessment or contingent liability on the part of Members for any Member Contract, except as expressly provided in the policy or contract.

## **ARTICLE IV**

### **MEETINGS OF MEMBERS**

#### **Section 4.1. Annual Meeting**

The Annual Meeting of the Members of the Corporation for the election of Directors and for the transaction of such other business as may come before the meeting, shall be held on the last Tuesday in October in each year at the hour of 12:30 p.m., or on such other date as soon thereafter as may be convenient, as determined by action of the Board of Directors. At each Annual Meeting, the Members shall elect Directors to hold office for the term provided in Section 5.1 of these By-Laws.

#### **Section 4.2. Special Meeting**

Special Meetings of the Members of the Corporation may be called at any time by order of the Chair of the Board, the President and Chief Executive Officer, the Board of Directors or by the written request of Members holding at least fifty percent (50%) of the votes of the membership as of such date, as determined in accordance with Section 3.3. The call for a Special Meeting shall set forth the purpose or purposes thereof. The date, time and place of a Special Meeting shall be as designated by the caller of the meeting in accordance with Sections 4.3 and 4.4 below.

#### **Section 4.3. Notice of Meetings**

Notice of the date, time and place of the Annual Meeting of Members may be specified in each Member Contract, or by rider or endorsement thereto, or each assumption certificate and no other notice shall be required.

Notice of Annual Meetings, if not given in a Member Contract or any rider or endorsement thereto, or in any assumption certificate, and notice of Special Meetings, stating the date, time and place thereof, and, in the case of Special Meetings, the purposes thereof, shall be given to each Member by mail or as otherwise permitted by law to such Member not less than thirty (30) nor more than sixty (60) days prior to such meeting. If mailed, such notice shall be

deemed to be delivered when deposited in the United States mail addressed to the Member at the address appearing in the Corporation's records, with postage thereon prepaid. If notice is provided other than by mailing, the notice shall be deemed to be delivered when receipt is confirmed. No business shall be transacted at any Special Meeting except as stated in the notice of such meeting. When a meeting is adjourned to another date, time or place, notice need not be given of the adjourned meeting if the date, time and place thereof are announced at the meeting at which the adjournment is approved.

#### **Section 4.4. Place of Meeting**

All of the meetings of the Members, whether Annual or Special Meetings, shall be held at the principal office of the Corporation or at such other place within the State of Illinois, as may be designated in the notice of such meeting.

#### **Section 4.5. Quorum**

At any meeting of the Members of the Corporation, the Members present, in person or by proxy, shall constitute a quorum.

#### **Section 4.6. Proxies**

All Members shall be entitled to vote by proxy. The designation of a proxy in the form appearing in an application for a policy, or which is incorporated in any agreement or other document under which a Member obtains, holds or evidences the Member's membership, or in any other written document acceptable to the Corporation, shall be a valid proxy. All proxies must be filed with the Secretary of the Corporation at least twenty (20) days before the meeting to be valid. All proxies in acceptable form shall remain in effect until revoked, and to the extent provided therein, shall be effective with respect to all meetings of Members of the Corporation or any successor of the Corporation. Proxies may be revoked by attendance and vote by a Member at any meeting of the Members as to that meeting only. In addition, proxies to be used at any meeting may be revoked by a written revocation received by the Corporation not less than twenty (20) days prior to the date of the meeting. Any proxies to be voted by any Director or officer of the Corporation shall be voted as directed by the Board of Directors.

#### **Section 4.7. Record Date**

For the purpose of determining Members entitled to notice or to vote at any meeting of Members, or in order to make a determination of Members for any other purpose, the Board of Directors may fix a date as the record date for any such determination of Members, such date, if being set with respect to a meeting of Members, to be not more than sixty (60) days immediately preceding such meeting and, if being set with respect to any other matter, to be set as the Board of Directors may reasonably determine. When a determination of the Members entitled to vote at any meeting has been made as provided in this Section 4.7, such determination shall apply to any adjournment thereof.

#### **Section 4.8. Voting**

All elections shall be determined by plurality vote and, with respect to all other matters, the affirmative vote of a majority of the votes cast by the Members present, in person or by

proxy, shall prevail, unless a greater number is required by these By-Laws or the laws of the State of Illinois.

#### **Section 4.9. Nominations and Proposals**

A Member may nominate any person for election as a Director or submit any proposal that may properly come before a meeting of Members for the vote of Members, if such Member shall have delivered to the Secretary of the Corporation written notice thereof (including the name of the nominee or form of proposal, as the case may be) at least forty-five (45) days, before the meeting. The Board of Directors may, at or before the meeting of Members at which the election shall be held, nominate persons for election by Members to the Board of Directors. Any person nominated for election as a Director must satisfy the requirements set forth in Section 5.1 as of the date such person commences service as a Director.

#### **Section 4. 10. Postponement of Meeting**

The Board of Directors may postpone any Annual or Special Meeting of the Members for a period not to exceed sixty (60) days by resolution adopted no later than ten (10) days before the meeting. Notice of such postponement and the date, time and place of the rescheduled meeting shall be given in the manner provided in Section 4.3 of these By-Laws.

### **ARTICLE V**

#### **BOARD OF DIRECTORS**

#### **Section 5.1. Number, Tenure and Qualifications**

The corporate powers, property, business and affairs of the Corporation shall be vested in, managed and controlled by a Board of Directors consisting of thirteen (13) persons. The Directors shall all be natural persons at least twenty-one (21) years of age and Members of the Corporation. No person shall be elected as a Director after attaining the age of seventy (70) years. A directorship held by a person who attains the age of seventy (70) years during his or her term of election shall be considered vacant immediately upon adjournment of the Annual Meeting of Members next following the individual's seventieth (70th) birthday and shall be subject to the vacancy processes as stated in Section 5.7 of these By-Laws. At all times, at least three (3) of the Directors shall be residents and citizens of the State of Illinois.

At least fifty percent (50%), but not less than one (1), of the Directors, shall be persons who are not officers or employees of the Corporation. A person convicted of a felony may not be a Director, and all Directors shall be of good character and known professional, administrative or business ability, such business ability to include a practical knowledge of insurance, finance or investment.

The term of office of each Director shall be three (3) years and shall commence upon adjournment of the Annual Meeting of Members at which the Director was elected (if such person was elected at an Annual Meeting of the Members), or at such other date as shall be designated by the Board of Directors (if such person is elected other than at an Annual Meeting of the Members). Except as otherwise provided in these By-Laws, the term of each Director

shall expire immediately upon adjournment of the Annual Meeting of Members which is approximately three (3) years after the commencement of such Director's term, or upon his/her earlier death, resignation or removal (or upon his directorship being considered vacant pursuant to these By-Laws).

The Directors shall be divided into three (3) classes, as nearly equal in number as possible. At each Annual Meeting of Members, successors to the class of Directors whose term expires upon the adjournment of that Annual Meeting of Members shall be elected for a three (3) year term.

The Board of Directors may compensate Directors, Directors-elect, Board Committee Members and others for service to the Corporation on terms that the Board, by resolution, deems appropriate.

#### **Section 5.2. Annual Meeting**

An Annual Meeting of the Board of Directors shall be held, without further notice than this By-Law, at 10:00 a.m. on the last Tuesday of November of each year at the principal office of the Corporation, or on such other date, time or place as the Board of Directors shall have previously directed.

#### **Section 5.3. Regular Meetings**

A regular meeting of the Board of Directors shall be held, without further notice than this By-Law, at 10:00 a.m. on the last Tuesday in the months of January, February, March, May, July, and September at the principal office of the Corporation or at such other place as provided by action of the Board of Directors. By resolution, the Board of Directors may dispense with the holding of any such regular meeting, or change the date, time or place of any such regular meeting. If the date, time or place of any such meeting is so changed, written notice of the new date, time and/or place shall be given to each Director at least ten (10) days before the date of such meeting.

#### **Section 5.4. Special Meetings**

Special Meetings of the Board of Directors may be called by or at the request of the Chair of the Board, the President and Chief Executive Officer, any five (5) Directors (or, if there are fewer than five (5) Directors at any time, by a majority of the Directors then serving), or by the written request of Members holding at least fifty percent (50%) of the votes of the Membership as of such date, as determined in accordance with Section 3.3. Such request shall be made to the Secretary.

#### **Section 5.5. Quorum**

A majority of the duly elected Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors and a majority of the actual number of members of a committee shall constitute a quorum of a committee, provided that if less than a quorum is present at any meeting, a majority of the Directors present may adjourn the meeting without further notice.

## **Section 5.6. Manner of Acting**

**a. In General.** The act of the majority of the Directors or, in the case of committees, committee members, present at a meeting at which a quorum is present shall be the act of the Board of Directors or the committee, as the case may be, unless the act of a greater number is required by the Amended and Restated Articles of Incorporation, these By-Laws or by the laws of the State of Illinois.

**b. Telephonic Meetings.** Members of the Board of Directors or of any committee of the Board of Directors may participate in and act at any meeting of such board or committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting of the person or persons so participating.

**c. Informal Action.** Any action required to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors or any committee member thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors or all of the committee members, as the case may be, entitled to vote with respect to the subject matter thereof. Any such consent signed by all the Directors or all the members of the committee shall have the same effect as a unanimous vote at a meeting of Directors at which a quorum was present, and may be stated as such in any document filed with the Secretary of State of the State of Illinois, the Director of the Illinois Department of Insurance, or with anyone else. The consent shall be evidenced by one or more written approvals, each of which sets forth the action taken and bears the signature of one or more Directors. All the approvals evidencing the consent shall be delivered to the Secretary of the Corporation to be filed in the corporate records. The action taken shall be effective when all the Directors have approved the consent unless the consent specifies a different effective date.

**d. Actions Requiring the Approval of Two-Thirds (2/3) of the Directors.** The Corporation may not take any one or more of the following actions without the prior approval of Directors holding not less than two-thirds (2/3) of the votes entitled to be cast by all Directors:

(i) any merger, consolidation, reorganization, recapitalization, or similar transaction involving the Corporation, or entering into any contract or agreement relating to the foregoing;

(ii) any sale, lease, transfer, pledge or mortgage of all, or substantially all, of the assets of the Corporation in one transaction or a series of related transactions, or entering into any contract or agreement relating to the foregoing;

(iii) any significant transfer of business operations from the Corporation to another business entity, any acquisition by the Corporation of any business for more than an amount equal to ten percent (10%) of the Corporation's statutory net worth as of the preceding December 31, or the making of any investment in excess of such amount by the Corporation in any subsidiary or other entity other than commercial paper, certificates of deposit, governmental obligations, money market instruments and other similar obligations and securities;

- (iv) any conversion of the Corporation from an Illinois mutual insurance company into any other form of legal entity;
- (v) any dissolution or liquidation of the Corporation;
- (vi) any amendment to the Amended and Restated Articles of Incorporation or the By-Laws of the Corporation;
- (vii) the appointment or removal of, or any change in duties or the compensation of, or the execution of any employment or similar contract with, the President and Chief Executive Officer or the Chair of the Board of the Corporation;
- (viii) any filing for protection by the Corporation under bankruptcy, insolvency or similar laws;
- (ix) the relocation of the principal and executive offices of the Corporation from Chicago, Illinois; and
- (x) the removal of any Director of the Corporation.

#### **Section 5.7. Vacancies**

Any vacancy occurring in the Board of Directors by the death, resignation, removal or withdrawal of a Director or pursuant to the provisions of these By-Laws may be filled by Members at an Annual Meeting or at a Special Meeting called for that purpose; provided that the person elected shall have been nominated in accordance with these By-Laws. Each Director so chosen shall hold office for a term expiring at the same time at which the original term of office of the class of the vacancy to which he or she has been elected expires. No decrease in the number of authorized Directors constituting the entire Board shall shorten the term of any incumbent Director. If a Director is absent for more than one-half (1/2) of the regularly scheduled Board meetings in a consecutive twelve (12) month period, that directorship shall be considered to be vacant and subject to the vacancy processes stated in this Section 5.7. The Secretary shall, in writing, notify any Director whose absence at a regularly scheduled meeting would cause a vacancy determination, because of absence, to be made and such notification shall be made prior to the occurrence of such regularly scheduled meeting.

#### **Section 5.8. Removal**

A Director may be removed from office (a) by the Board of Directors by a vote as provided in Section 5.6, or (b) at the Annual Meeting or at a Special Meeting of Members called to consider such removal, in each case only by a majority of all votes entitled to be cast by all Members of the Corporation whether present at the meeting or not.

#### **Section 5.9. Committees of the Board of Directors**

The Board of Directors may, by the affirmative vote of a majority of the Board, designate one (1) or more committees, each committee to consist of three (3) or more Directors of the Corporation, which, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Directors in the management of the property, business and

affairs of the Corporation. Each such committee shall have such name or names as may be determined from time to time by resolution adopted by the Board. A majority of all the members of such committee may fix its rules of procedure, determine its manner of acting and fix the date, time and place of its meetings and specify what notice thereof, if any, shall be given unless the Board shall provide otherwise by resolution. The Board shall have the power to change the members of any such committee at any time, to fill vacancies therein, and to discharge any such committee or to remove any member thereof at any time. Subject to the foregoing provisions of this Section 5.9, as of the date of these By-Laws, there shall be the following committees of the Board of Directors:

- a. **Executive Committee.** During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and exercise the authority of the Board of Directors in the management of the Corporation in all matters not specifically delegated to another committee or person.
- b. **Audit and Compliance Committee.** The Audit and Compliance Committee shall assist the Board of Directors in fulfilling its oversight functions relating to internal control systems, the quality and integrity of the Corporation's financial reporting, external and internal audit, corporate compliance matters, and information technology.
- c. **Compensation Committee.** The purpose of the Compensation Committee is to assist the Board of Directors with its responsibilities relating to compensation of the Corporation's elected officers and key employees, and to assist the Board of Directors relating to other benefit programs offered to Corporation employees in general.
- d. **Finance Committee.** The Finance Committee shall have authority to inquire into and evaluate the overall financial strength and operating results of the Corporation and certain employee benefit plans sponsored by the Corporation. The Committee shall also assist the Board in fulfilling its oversight functions relating to the supervision of the investments and capital structure of the Corporation, the Corporation's purchase and sale of securities, including compliance with applicable laws and the financial impact of potential business combinations. During the intervals between the meetings of the Board of Directors, the Finance Committee shall have and exercise all of the powers of the Board of Directors in (i) the supervision of the investments of the Corporation, (ii) the purchase and sale of securities, and (iii) approving contracts or agreements that the Board may from time to time by resolution authorize the Finance Committee to review and approve.
- e. **Governance and Nominating Committee.** The Governance and Nominating Committee shall assist the Board of Directors and its committees in their oversight functions related to corporate governance matters, Board compensation, and the nomination of directors, Affiliate Board members and elected officers.
- f. **Public Policy Committee.** The Public Policy Committee shall assist the Board in its oversight function of management's efforts with respect to understanding, interpreting and shaping public policy as it relates to the Corporation and its subsidiaries. This includes regulatory, legislative, federal and state government affairs, community relations, community responsibility programs, and health care quality matters.

Each committee may have a committee charter which shall set forth the size, responsibilities and authority of the committee. Committee charters or amendments thereto shall be reviewed and approved by the Governance and Nominating Committee, and such Committee shall then submit the approved charters to the Board of Directors for approval. In addition to the responsibilities, powers and functions described above, each committee shall have such other authority and duties as are specified in its charter and as may be delegated to it from time to time by the Board of Directors. Each committee may have ex officio members: provided; however, that such members will not have the right to vote on any committee matters.

Each committee shall keep regular minutes of its proceedings or preserve evidence of the written approval of all members of the committee of informal action taken by the committee. All action by any committee shall be reported to the Board of Directors.

Notwithstanding the foregoing provisions of this Section 5.9, unless specifically authorized by the Board of Directors no committee of the Board of Directors shall exercise the authority of the Board of Directors and in no event shall any committee exercise authority in reference to:

- (i) electing, appointing or removing any member of any such committee or any Director or officer of the Corporation; or
- (ii) acting on a matter which requires the approval of two-thirds (2/3) of the votes entitled to be cast by all Directors under Section 5.6 of these By-Laws.

Committees established by the Board but not consisting solely of Directors shall not have or exercise any of the powers or authority of the Board of Directors.

#### **Section 5.10. Affiliate Boards**

The Board of Directors shall have the power to establish one (1) or more Affiliate Boards. At the request of the Board of Directors, the President and Chief Executive Officer, or a Division President, an Affiliate Board shall advise, consult and make recommendations to the Board of Directors, the President and Chief Executive Officer, or a Division President regarding such matters as may be delegated to it by the Board of Directors, the President and Chief Executive Officer, or Division President. At the request of the Board of Directors, the President and Chief Executive Officer, or a Division President, an Affiliate Board may establish one or more sub-committees, consisting of Affiliate Board members, to study specific issues requiring specialized demographic, community relations or marketplace knowledge or insight. Matters referred to an Affiliate Board shall be resolved on an issue by issue basis, with each member having full authority to address each of the issues and each member of an Affiliate Board shall be entitled to vote in all matters that require a vote by such Affiliate Board.

The Board of Directors shall have the power to: (i) establish the number of Affiliate Board members and to change such number from time to time; (ii) appoint such persons to membership on an Affiliate Board who shall be both willing to serve and acceptable to the Board of Directors; and (iii) remove any person from membership on an Affiliate Board with or without cause. Any person's membership on an Affiliate Board shall automatically terminate at the next

Annual Meeting of the Board of Directors unless such person shall be reappointed to such membership by the Board of Directors.

**Section 5.11. Notice**

Notice of any Special Meeting of the Board of Directors and of all meetings of any committee of the Board of Directors shall be given at least two (2) business days prior thereto by written notice delivered to each Director or committee member, as the case may be, at his business address personally or by certified mail, express courier, facsimile, telegram or e-mail. Notice shall be deemed to be delivered (i) if delivered personally, on the date of delivery, (ii) if delivered by facsimile, on the date sent by facsimile, (iii) if delivered by express courier, on the first business day after it is delivered to the express courier, (iv) if delivered by mail, on the date of actual receipt, (v) if delivered by telegram, on the day the telegram is delivered to the telegram company, or (vi) if sent by e-mail, when receipt is confirmed. The attendance of a Director or committee member at any meeting shall constitute a waiver of notice of such meeting except where a Director or committee member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual, regular or Special Meeting of the Board of Directors or of any meeting of a committee of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

**ARTICLE VI**

**WAIVER OF NOTICE**

Whenever any notice whatever is required to be given under the provisions of the statutes of the State of Illinois, the Amended and Restated Articles of Incorporation or these By-Laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

**ARTICLE VII**

**OFFICERS**

**Section 7.1 Officers**

The officers of the Corporation shall be a Chair of the Board of Directors, a President and Chief Executive Officer, one (1) or more Executive Vice Presidents (the number thereof to be determined by the Board of Directors), one (1) or more Division Presidents (as determined by the Board of Directors), one (1) or more Senior Vice Presidents (the number thereof to be determined by the Board of Directors), one (1) or more Vice Presidents (the number thereof to be determined by the President and Chief Executive Officer), a Treasurer, and a Secretary and such other officers as may be appointed in accordance with the provisions of this Article VII. The President and Chief Executive Officer may appoint such other officers as he or she deems wise. Any two (2) or more offices may be held by the same person except the offices of (i) President and Chief Executive Officer, and (ii) Secretary.

## **Section 7.2. Election or Appointment and Term of Office**

The Chair of the Board of Directors, the President and Chief Executive Officer, each Executive Vice President, each Division President, each Senior Vice President, the Secretary and the Treasurer of the Corporation shall be elected annually by the Board of Directors. Such election shall be held at the Annual Meeting of the Board of Directors held after each Annual Meeting of the Members. If election of the officers named above is not held at such meeting, such election shall be held as soon thereafter as is convenient. Vacancies in said offices may be filled in like manner at any meeting of the Board of Directors for the unexpired portion of the term. The President and Chief Executive Officer may appoint other officers from time to time and shall report such appointment to the Board of Directors at its meeting next following such appointment. The Chair of the Board of Directors, the President and Chief Executive Officer, each Executive Vice President, each Division President, each Senior Vice President, the Secretary and the Treasurer of the Corporation shall each hold office until the next Annual Meeting of the Board of Directors and until his or her successor shall have been duly elected and shall have qualified or until his or her death, resignation or removal. Each other officer shall hold office until his or her successor shall have been duly elected or appointed and shall have qualified or until his or her death, resignation or removal.

## **Section 7.3 Removal**

The Chair of the Board or the President and Chief Executive Officer may be removed by the Board of Directors by a vote as provided in Section 5.6 of these By-Laws. Any other officer elected by the Board of Directors may be removed by the Board of Directors or the President and Chief Executive Officer. Any officer appointed by the President and Chief Executive Officer may be removed by the President and Chief Executive Officer. Such removals may be made whenever the best interest of the Corporation will be served thereby in the sole judgment of the removing person or persons, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

## **Section 7.4. Chair of the Board of Directors**

The Chair of the Board of Directors shall preside at all meetings of Members and Directors. The Chair of the Board of Directors may not be an employee of the Corporation or hold any other position as an officer of the Corporation.

## **Section 7.5. President and Chief Executive Officer**

The President and Chief Executive Officer, in the absence of the Chair of the Board, shall preside at all meetings of the Members or the Board of Directors. He or she shall be given notice of and entitled to be present at all meetings of the Board of Directors and all committees of the Board of Directors, other than executive sessions. He or she shall be the chief executive officer of the Corporation and shall, in general, supervise and control all of the business and affairs of the Corporation. Except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation or shall be required by the law to be otherwise signed or executed, the President and Chief Executive Officer may sign on behalf of the Corporation any documents or instruments necessary or proper to be executed in the course of the Corporation's regular business or which the Board of Directors has authorized to be executed and may authorize any other officer or

agent of the Corporation to sign in his or her place and stead. In general, he or she shall perform all duties incident to the office of President and Chief Executive Officer and such other duties as may properly be required by the Board of Directors from time to time. If the President and Chief Executive Officer is elected a Director of the Corporation, he or she shall hold such directorship only for so long as he or she remains in the office of President and Chief Executive Officer. Any directorship becoming vacant due to the death, resignation, removal, or termination of office for any reason of the President and Chief Executive Officer shall be subject to the vacancy processes as stated in Section 5.7 of these By-Laws.

#### **Section 7.6. Executive Vice President**

In the absence or disability of the President and Chief Executive Officer, the Executive Vice President (or, in the event there be more than one (1) Executive Vice President, the Executive Vice Presidents in the order designated by the Board of Directors) shall perform the duties of the President and Chief Executive Officer and when so acting shall have all the powers of and be subject to all the restrictions upon the President and Chief Executive Officer, except that the Executive Vice President shall not, without the prior approval of the Board of Directors, remove any officer from office. Each Executive Vice President shall perform such other duties as may from time to time be assigned to him or her by the President and Chief Executive Officer or the Board of Directors.

#### **Section 7.7. Division President**

A Division President shall have such powers, and shall perform such duties, with respect to the operations of a state, regional or other division as from time to time shall be assigned to him or her by the President and Chief Executive Officer or the Board of Directors.

#### **Section 7.8. Senior Vice Presidents**

The Senior Vice Presidents shall respectively have such powers and perform such duties as shall from time to time be assigned to them by the President and Chief Executive Officer or the Board of Directors.

#### **Section 7.9. Vice Presidents**

The Vice Presidents shall respectively have such powers and perform such duties as shall from time to time be assigned to them by the President and Chief Executive Officer or the Board of Directors.

#### **Section 7.10. Treasurer**

The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these By-Laws; and, in general, he or she shall perform all duties incident to the office of the treasurer and all other duties as from time to time may be assigned to him or her or her by the President and Chief Executive Officer or the Board of Directors.

**Section 7.11. Secretary**

The Secretary shall: (a) keep the minutes of the meetings of Members, the Board of Directors and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws; (c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed, when appropriate, to all instruments and documents, the execution of which has been authorized by the Board of Directors or these By-Laws; and (d) in general, perform all duties incident to the office of Secretary, and such other duties as from time to time may be assigned to him or her by the President and Chief Executive Officer or the Board of Directors.

**Section 7.12. Other Officers**

All other officers shall perform such duties as the President and Chief Executive Officer or the Board of Directors shall prescribe.

**Section 7.13. Compensation**

Subject to Section 5.6 of these By-Laws, the compensation of the President and Chief Executive Officer, any Executive Vice President, any Division President, any Senior Vice President, the Secretary and the Treasurer shall be fixed from time to time by the Board of Directors, and no officer named above shall be prevented from receiving such compensation by reason of the fact that he or she is also a Director or Member of the Corporation. The President and Chief Executive Officer shall fix the compensation of all other officers subject to compensation policies approved by the Compensation Committee of the Board of Directors or such other committee as may be directed by the Board of Directors.

**Section 7.14. Bond**

The Board of Directors may require any officer to give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine, in conformance with applicable laws.

**ARTICLE VIII**

**CONTRACTS, LOANS, CHECKS AND DEPOSITS**

**Section 8.1. Contracts**

Subject to the provisions of the Amended and Restated Articles of Incorporation, these By-Laws and applicable law, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any policy or other instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

**Section 8.2. Loans**

No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors.

**Section 8.3. Checks**

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 a resolution of the Board of Directors, in conformance with the laws of the State of Illinois and other applicable laws.

**Section 8.4 Deposits**

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select, in conformance with the laws of the State of Illinois and other applicable laws.

**ARTICLE IX**

**NOT-FOR-PROFIT OPERATIONS**

**Section 9.1. Not-For-Profit Operations**

The Corporation shall operate on a not-for-profit basis for the mutual benefit of its Members. No person or entity shall receive, directly or indirectly, any profits from the Corporation. Compensation for services performed or reimbursement for reasonable expenses shall not be considered profit.

**Section 9.2. Distributions on Dissolution or Liquidation**

Upon dissolution or liquidation of the Corporation, all assets of the Corporation that remain after paying the costs, expenses and claims described in 215 ILCS 5/205(1)(a) through (h) of the Illinois Insurance Code (or any successor provision) shall be distributed to the Members of the Corporation as provided in 215 ILCS 5/205(1)(i) of the Illinois Insurance Code (or any successor provision).

**ARTICLE X**

**FISCAL YEAR**

The fiscal year of the Corporation shall begin on the first day of January in each year and end on the last day of December in each year.

## **ARTICLE XI**

### **INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS**

#### **Section 11.1. Indemnified Persons**

Each person who was or is made a party, or is threatened to be made a party to, or is involved in, any action, suit, investigation, inquiry, arbitration, controversy or other proceeding, whether civil, criminal, administrative or investigative (each, a "Proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative,

- (a) is or was a:
  - (i) Director,
  - (ii) Affiliate Board member,
  - (iii) officer, or
  - (iv) employee

of the Corporation; or

- (b) is or was serving at the request of the Corporation:
  - (i) as a director, officer or employee of another corporation, or
  - (ii) in a similar capacity with respect to a partnership, limited liability company, joint venture, trust or other enterprise, including service with respect to employee benefit plans

shall be an "Indemnified Person" for purposes of this Article XI, whether the basis of such Proceeding is alleged action in an official capacity as an Indemnified Person or in any other capacity while serving as an Indemnified Person.

Any person nominated by the Corporation or any of the Corporation's subsidiaries to serve as a director, officer or employee of another corporation, or in a similar capacity with respect to a partnership, limited liability company, joint venture or other enterprise shall be conclusively presumed to be serving in such capacity at the request of the Corporation. For purposes hereof, "subsidiary" means any corporation, partnership, limited liability company, joint venture or other enterprise at least fifty percent (50%) of whose equity interests are owned, directly or indirectly, by the Corporation.

#### **Section 11.2. Indemnification**

Each Indemnified Person shall be indemnified and held harmless by the Corporation to the fullest extent authorized by Illinois law, the Corporation's Amended and Restated Articles of Incorporation, this Article XI, any agreement with the Corporation, any policy of the Corporation or otherwise, as the same exists or may hereafter be amended (but, in the case of any such

amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior to such amendment) against all expenses, liability and loss (including, but not limited to, attorneys' fees, judgments, fines, ERISA excise taxes or penalties, amounts paid or to be paid in settlement, and amounts expended in seeking indemnification granted to such person under applicable law, the Corporation's Amended and Restated Articles of Incorporation, this Article XI, any agreement with the Corporation, any policy of the Corporation or otherwise) (collectively, "Losses") reasonably incurred or suffered by the Indemnified Person in connection therewith, and such indemnification shall continue as to a person who has ceased serving as an Indemnified Person and shall inure to the benefit of each Indemnified Person's heirs, executors and administrators; provided, however, that, except as provided in Section 11.4, below, the Corporation shall indemnify any Indemnified Person seeking indemnity in connection with a Proceeding (or part thereof, including any counter-claim) initiated by such Indemnified Person only if such Proceeding (or part thereof, including any counter-claim) was authorized by the Board of Directors of the Corporation.

### **Section 11.3. Advancement of Expenses**

Expenses incurred by any Indemnified Person in defending any Proceeding or in bringing a Proceeding against the Corporation as provided in Section 11.4, below, shall be paid by the Corporation in advance of the final disposition of such Proceeding, unless otherwise determined by the Board of Directors in the specific case; provided, however, that if and to the extent Illinois law, the Corporation's Amended and Restated Articles of Incorporation, this Article XI, any agreement with the Corporation or any policy of the Corporation then so requires, the payment of such expenses incurred in advance of the final disposition of such Proceeding shall be made only upon receipt of an undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it should be determined ultimately by final judicial decision from which there is no further right to appeal, that such Indemnified Person is not entitled to be indemnified by the Corporation under Section 11.2 of these By-Laws and otherwise; and provided, further, that except as provided in Section 11.4, below, the Corporation shall advance expenses of any Indemnified Person in connection with a Proceeding (or part thereof, including any counter-claim) initiated by such Indemnified Person only if such Proceeding (or part thereof, including any counter-claim) was authorized by the Board of Directors of the Corporation.

### **Section 11.4. Actions for Indemnification**

Any indemnification of an Indemnified Person under Section 11.2 or advancement of expenses under Section 11.3 shall be paid promptly, and in any event within twenty (20) days, upon the written request of the Indemnified Person. If any claim under Section 11.2 or Section 11.3 is not paid in full by the Corporation within twenty (20) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if such suit is not found by the court to be frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to this Corporation) that the claimant has engaged in willful misconduct of a culpable nature in the performance of his or her duties to the Corporation, but the burden of proving such defense shall be on the Corporation and the Corporation shall be required to prove such defense by clear and convincing evidence. Neither the failure of the Corporation (including its Board of Directors, independent legal

counsel, or its Members) to have made a determination prior to the commencement of any such Proceeding that indemnification of the claimant is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its Members) that the claimant has not 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, or, with respect to any criminal Proceeding, had reasonable cause to believe his or her conduct was unlawful, shall be a defense to the action or create a presumption that the claimant is not entitled to indemnification under this Article XI.

The termination of any Proceeding by any judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person was engaged in willful misconduct in the performance of his or her duties.

If a claimant is successful in whole or in part in defending a Proceeding brought by the Corporation to recover advancement of expenses pursuant to an undertaking, the claimant shall be entitled to be paid also the expenses of defending such Proceeding.

#### **Section 11.5. Additional Indemnification**

The rights conferred on any Indemnified Person in Sections 11.2 and 11.3 shall not be exclusive of any other right which such Indemnified Person may have or hereafter acquire under any statute, provision of the Amended and Restated Articles of Incorporation or the By-Laws, agreement, vote of Members or disinterested Directors, policy of the Corporation, insurance or otherwise.

#### **Section 11.6. Reliance on Indemnification**

Persons who after the date of the adoption of this provision become or remain Indemnified Persons shall be conclusively presumed to have relied on the rights to indemnification (including advancement of expenses) contained in this Article XI in entering or continuing such service. The rights conferred on any Indemnified Person in this Article XI shall apply to claims made against the Indemnified Person arising out of facts or omissions which occurred prior to the adoption hereof as well as those which occur after such adoption.

#### **Section 11.7. Contract Rights; Individual Indemnification Contracts and Corporate Policies**

The rights to indemnification and to advancement of expenses conferred in this Article XI shall be contract rights. Any amendment, repeal or modification of any provision of this Article XI by the Directors of the Corporation shall not adversely affect any right or protection of an Indemnified Person existing at the time of such amendment, repeal or modification, whether the Proceeding is then pending or is commenced thereafter.

The Board of Directors is authorized to enter into a contract with any Indemnified Person or agent of the Corporation, or any person serving at the request of the Corporation as an agent of another corporation or a partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for rights to indemnification or to advancement of expenses or other rights equivalent to or, if the Board of Directors so determines, greater than or in addition to those provided for in this Article XI.

The Board of Directors is authorized to establish and implement policies on behalf of the Corporation providing for rights to indemnification or to advancement of expenses or other rights equivalent to or, if the Board of Directors so determines, greater than or in addition to those provided for in this Article XI, for the Indemnified Persons.

**Section 11.8. Insurance**

The Board of Directors may authorize the Corporation to purchase and maintain insurance on behalf of any and all of its Indemnified Persons (including, without limitation, persons who formerly served as Indemnified Persons) against any Loss incurred by any such person by reason of being or having been an Indemnified Person, whether or not the Corporation would have power to indemnify them against such liability or settlement.

The Board of Directors also may authorize the Corporation to purchase and maintain insurance on behalf of any and all of its employees or agents or former employees or agents of any person who has served at the Corporation's request as an employee or agent of another corporation, a partnership, trust or other enterprise against any Loss, incurred by them by reason of being or having been an employee or agent of the Corporation, or of such other corporation, partnership, trust or other enterprise, whether or not the Corporation would have power to indemnify them against such liability or settlement.

**Section 11.9. Constituent Corporations**

For the purposes of this Article XI, reference to "the Corporation" shall include, in addition to the resulting Corporation, each constituent corporation (including each constituent of a constituent) absorbed in a purchase, consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article XI with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate corporate existence had continued.

**ARTICLE XII**

**SEVERABILITY**

The provisions of these By-Laws are severable and, in the event that a court of competent jurisdiction shall finally adjudge any portion hereof to be invalid, such judgment or decree shall not affect, invalidate or nullify the remainder hereof or any action theretofore taken under such portion found to be invalid.

## **ARTICLE XIII**

### **AMENDMENT OF BY-LAWS**

These By-Laws may be altered, amended or repealed and new by-laws may be adopted only at any meeting of the Board of Directors of the Corporation at which a quorum is present by a vote as provided in Section 5.6 of these By-Laws.

**PARTS 1 AND 1A OF SCHEDULE Y OF  
2013 ANNUAL FILING**

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

COMPANY	NAIC CODE	FEDERAL ID NUMBERS	DOMICILED STATE	PERCENTAGE OWNED BY PARENT - 12/31/2013
HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	76570	36-1256410	IL	100.00%
DEARBORN NATIONAL LIFE INSURANCE COMPANY	71129	36-2399892	IL	100.00%
DEARBORN NATIONAL LIFE INSURANCE COMPANY OF NEW YORK	83090	23-3026143	NY	100.00%
PROFESSIONAL FINANCIAL CORPORATION		84-0207411	CO	100.00%
COLORADO BANKERS LIFE INSURANCE COMPANY		84-0294827	CO	100.00%
DENTAL NETWORK OF AMERICA, LLC		36-3394483	DE	100.00%
DENTAL SOLUTIONS, INC.		36-3412298	DE	100.00%
HCS PURCHASING, LLC		36-1087299	MI	100.00%
HCS INSURANCE SERVICES COMPANY		36-1086601	DE	100.00%
PRIME THERAPEUTICS LLC	76511	73-1302770	LA	100.00%
PRIME THERAPEUTICS SPECIALTY PHARMACY LLC		90-0771186	DE	100.00%
AVAILITY, LLC		96-3719444	DE	33.77%
REALMED CORPORATION		35-1900399	DE	100.00%
REALMED, L.P.		35-2091331	DE	94.00%
REALMED HOLDING COMPANY		35-2091332	IN	100.00%
REALMED, L.P.		35-2091331	IN	1.00%
GIS PROPERTY AND CASUALTY INSURANCE COMPANY	26718	73-1374969	OK	100.00%
GIS GENERAL INSURANCE AGENCY, INC.		73-1314691	OK	100.00%
GIS HEALTH MAINTENANCE ORGANIZATION, INC. DBA: BLUELINKS HMO	11814	73-1918433	OK	100.00%
AHS-TULSA OKLAHOMA HEALTH PLAN, INC.	14635	27-4183576	OK	100.00%
ILP, INFORMATIX, LLC		26-0289473	DE	14.71%
MEDIRECTION, INC.		23-2300889	PA	100.00%
COLLABORATIVE CONSULTING, LLC		84-1081303	PA	100.00%
MAGNUSON INVESTMENTS, INC.		26-8902016	DE	100.00%
OPTIMED MEDICAL SYSTEMS, LLC		23-2300889	PA	100.00%
IKX TECHNOLOGIES, INC.		11-3644814	DE	100.00%
UNLIMITED INNOVATIONS, INC.		33-0711260	CA	100.00%
BLUESOBS BLUEFIELD VENTURES, INC.		26-2807337	DE	21.53%
BLUESOBS BLUEFIELD VENTURE PARTNERS, L.P.		26-2808339	DE	1.00%
BLUESOBS BLUEFIELD VENTURE PARTNERS, L.P.		26-2808339	DE	11.34%
THE HEALTH, INC.		23-2364972	DE	86.00%
BLOOM HEALTH CORPORATION		27-1000714	DE	34.30%
BLOOM HEALTH INSURANCE AGENCY LLC		27-2261799	DE	100.00%
BLOOM HEALTH SERVICES LLC		86-0783087	DE	100.00%
ACADEMIC HEALTHPLANS, INC.		43-0246817	TX	100.00%
HEALTH INTELLIGENCE COMPANY, LLC DBA: BLUE HEALTH INTELLIGENCE		27-4289034	DE	89.33%
INTELMEDIX, LLC		41-2205994	DE	100.00%
HEALTH-B-WELL, INC.		81-0283733	MT	100.00%
ELECTRONIC TRANSLATIONS AND TRANSMITTALS CORPORATION		33-0468408	AZ	100.00%

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**

**MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 - ORGANIZATIONAL CHART**

INNOVISTA, LLC	34-002612	DE	HOLDERS
CARING FOR CHILDREN FOUNDATION OF TEXAS, INC.	71-339311	TX	0.00%
OKLAHOMA CARING FOUNDATION, INC.	71-147286	OK	0.00%
PLANNED CREDIT UNION	34-005472	IL	0.00%
BLUE CROSS TEXAS FEDERAL CREDIT UNION	14-000171	TX	0.00%
CIRCUIT SERVICE EMPLOYEES FEDERAL CREDIT UNION	71-099109	OK	0.00%

**SCHEDULE Y**  
**PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAC Comp- any Code	Federal ID Number	FEDERAL RSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Name of Parent, Subsidiary or Affiliates	Domestic Entity Location	Relationship to Reporting Entity	Decay Co-velled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies) / Percent(s)	
917	HCSC GROUP	70670	36-1236810		0000350793		HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	IL	UDP	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
917	HCSC GROUP	71125	36-2599992	00387522			DEARBORN NATIONAL LIFE INSURANCE COMPANY	IL	DS	DEARBORN NATIONAL LIFE INSURANCE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
917	HCSC GROUP	85099	22-3026745				DEARBORN NATIONAL LIFE INSURANCE COMPANY OF NEW YORK	NY	DS	DEARBORN NATIONAL LIFE INSURANCE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
917	HCSC GROUP	00000	04-0586741				PREFERRED FINANCIAL CORPORATION	CO	DS	PREFERRED FINANCIAL CORPORATION	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
917	HCSC GROUP	84768	04-0674637				COLORADO BARRERS LIFE INSURANCE COMPANY	CO	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	36-3394413				DENTAL NETWORK OF AMERICA, LLC	DE	DS	DEARBORN NATIONAL LIFE INSURANCE COMPANY	Board of Directors, Management		HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	000000
		00000	36-3339443				DENTAL NETWORK OF AMERICA, LLC	DE	DS	DENTAL NETWORK OF AMERICA, LLC	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	000000
		00000	26-1087299				DENTEMAX, INC.	MI	DS	DENTEMAX, LLC	Ownership, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	000000
		00000	36-4186491				HCSC PURCHASING, LLC	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	000000
917	HCSC GROUP	78117	75-1350270				HCSC INSURANCE SERVICES COMPANY	IL	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	26-0078600				PRIME THERAPEUTICS LLC	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors	37.7	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	

**SCHEDULE Y**  
**PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAC Company Code	Federal ID Number	FEDERAL RSSD		Name of Securities Exchange if Publicly Traded (U.S. or International)	Name of Parent, Subsidiaries or Affiliates	Decision Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Insurance, Other)	If Controlling Ownership Provide Percentage	Ultimate Controlling Entity(ies) / Percent(s)	
		00000	90-0777106		CK		PRIME THERAPEUTICS SPECIALTY PHARMACY LLC	DE	DS	FRIME THERAPEUTICS LLC	Ownership, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	59-3719944				AVAILITY, LLC	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors	37.7	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	35-1570369	00306196	0001'00112		REALMED CORPORATION	DE	DS	AVAILITY, LLC	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	35-2611331				REALMED, LP	IN	DS	REALMED CORPORATION	Ownership, Board of Directors, Management	91.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	35-2091332				REALMED HOLDING COMPANY	IN	DS	REALMED CORPORATION	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	0000003
		00000	35-2091331				REALMED, LP	IN	DS	REALMED HOLDING COMPANY	Ownership, Board of Directors, Management	0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	0000003
917	HCSC GROUP	28718	73-1907369				GHS PROPERTY AND CASUALTY INSURANCE COMPANY	CK	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	73-1514691				GHS GENERAL INSURANCE AGENCY, INC.	CK	DS	GHS PROPERTY AND CASUALTY INSURANCE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
917	HCSC GROUP	11614	73-131843				GHS HEALTH MAINTENANCE ORGANIZATION, INC.	CK	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
917	HCSC GROUP	14048	27-4183586				AHS-TULSA OKLAHOMA HEALTH PLAN, INC.	CK	DS	GHS HEALTH MAINTENANCE ORGANIZATION, INC.	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	26-6529475				B.P. INFORMATICS, LLC	CE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors	11.4	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
		00000	23-230688		00071967705		MEDECISION, INC.	PA	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	

**SCHEDULE Y**  
**PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	FEDERAL RSSD	6	Name of Securities Exchange if Publicly Traded (U.S. or International)	Name of Parent, Subsidiaries or Affiliates	Entity Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	It Controls Ownership Provide Percentage	Ultimate Controlling Entity(ies) / Percent(s)	
00000	04-1653303						COLLABORACARE CONSORTIUM, LLC	PA	DS	MEDECISION, INC.	Ownership	100.0	HEALTH CARE SERVICE CORPORATION, A COMPANY	0000002
00000	26-5900258						MEDECISION INVESTMENTS, INC.	DE	DS	MEDECISION, INC.	Ownership, Board of Directors, Management	100.0	MUTUAL LEGAL RESERVE CORPORATION, A COMPANY	0000002
00000	23-2520889						OPTIMED MEDICAL SYSTEMS, LLC	PA	DS	MEDECISION, INC.	Ownership	100.0	HEALTH CARE SERVICE CORPORATION, A COMPANY	0000002
00000	33-9711288						UNLIMITED INNOVATIONS, INC.	CA	DS	MEDECISION, INC.	Ownership, Board of Directors, Management	100.0	MUTUAL LEGAL RESERVE CORPORATION, A COMPANY	0000002
00000	11-3644914				0001400274		HX TECHNOLOGIES, INC.	DE	DS	MEDECISION, INC.	Ownership	100.0	MUTUAL LEGAL RESERVE CORPORATION, A COMPANY	0000002
00000	26-2030757				0001439778		BLUECROSS BLUESHIELD VENTURES, INC.	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors	21.6	HEALTH CARE SERVICE CORPORATION, A COMPANY	0000002
00000	26-2936339				0001439778		BLUECROSS BLUESHIELD VENTURE PARTNERS, L.P.	DE	DS	BLUECROSS BLUESHIELD VENTURES, INC.	Ownership, Management	1.0	HEALTH CARE SERVICE CORPORATION, A COMPANY	0000002
00000	26-2035839				0001439778		BLUECROSS BLUESHIELD VENTURE PARTNERS, L.P.	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership	21.3	MUTUAL LEGAL RESERVE CORPORATION, A COMPANY	0000002
00000	23-2964872				0001219548		TAG HEALTH, INC.	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors	100.0	HEALTH CARE SERVICE CORPORATION, A COMPANY	0000003
00000	27-1038374				0001479286		BLOOM HEALTH CORPORATION	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors	94.4	MUTUAL LEGAL RESERVE CORPORATION, A COMPANY	0000003
00000	27-2251708						BLOOM HEALTH INSURANCE AGENCY LLC	DE	DS	BLOOM HEALTH CORPORATION	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A COMPANY	0000003
00000	80-0763387						BLOOM HEALTH SERVICES LLC	DE	DS	BLOOM HEALTH CORPORATION	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A COMPANY	0000003

**SCHEDULE Y**  
**PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NHC Comp. Code	Federal ID Number	FEDERAL RSSD	CK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Name of Parent, Subsidiaries or Affiliates	State	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Provided Percentage	Ultimate Controlling Entity(ies) / Person(s)	
00000	43-206467				CK		ACADEMIC HEALTHPLANS INC.	TX	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
00000	27-428304				0001509432		HEALTH INTELLIGENCE COMPANY LLC DBA BLUE HEALTH INTELLIGENCE	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors	10.3	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
00000	41-226594						INTELMEDIA, LLC	DE	DS	HEALTH INTELLIGENCE COMPANY LLC DBA BLUE HEALTH INTELLIGENCE	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
00000	81-262573						HEALTH-E-WEB, INC.	MT	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
00000	33-048448						ELECTRONIC TRANSLATIONS AND TRANSMITTALS CORPORATION	AZ	DS	HEALTH-E-WEB, INC.	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
00000	34-202212						INNOVISTA, LLC	DE	DS	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Ownership, Board of Directors, Management	100.0	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	
00000	75-235311						CARING FOR CHILDREN FOUNDATION OF TEXAS, INC.	TX	OTH	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Board of Directors, Management		HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	0000004
00000	73-147064						OKLAHOMA CARING FOUNDATION, INC.	OK	OTH	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Board of Directors, Management		HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	0000005
00000	35-657472						PLANTES CREDIT UNION	IL	OTH	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Board of Directors, Management		HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	0000006
00000	75-5028171						BLUE CROSS TEXAS FEDERAL CREDIT UNION	TX	OTH	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Board of Directors, Management		HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	0000006
00000	73-6055109						GROUP SERVICE EMPLOYEES FEDERAL CREDIT UNION	OK	OTH	HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	Board of Directors, Management		HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	0000006
00000									UDP					0000006

ANNUAL STATEMENT FOR THE YEAR 2013 of THE Health Care Service Corporation, a Mutual Legal Reserve Company

Asterisk	Explanation
0000001	Except in this case, Column 11 includes only those entities with an ownership interest in a corresponding downstream subsidiary ("DS") listed in Column 8
0000002	Ownership (net company)
0000003	Reflect direct ownership percentages only
0000004	Majority of the directors are employees or directors of HCSC
0000005	6 of 10 directors are employees of HCSC, all officers are HCSC employees, and HCSC provides support and staffing
0000006	All members and directors are current or former HCSC and affiliate employees and their families, and HCSC provides support