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August 17, 2007

VIA FAX (ORIGINAL BY U.S. MAIL)

Mike Kreidler
Insurance Commissioner
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Re: Demand for Hearing and Invocation of Automatic Stay

Dear Commissioner Kreidler:

We represent Premera Blue Cross ("Premera") and LifeWise Health Plan of Arizona, Inc. ("LifeWise"). We are writing regarding the Order of the Office of Insurance Commissioner ("OIC") to LifeWise dated August 15, 2007 to Cease Acceptance and Writing of New Business, and to Respond Fully to Inquiries ("the August 15 Order"), as well as the related News Release from your office of August 15, 2007 with the headline "Kreidler orders Premera to stop subsidizing Arizona health plan" ("News Release").

I. DEMAND FOR HEARING AND INVOCATION OF AUTOMATIC STAY

The News Release is entitled "Kreidler orders Premera to stop subsidizing Arizona health plan." The text of the News Release states that Premera shouldn't be allowed to "subsidize" LifeWise. It is clear that the August 15 Order does not in any way prohibit or even address capitalization of LifeWise by Premera. However, the statements in the News Release imply that past capitalizations of LifeWise were inappropriate and appear to threaten that further capital contributions by Premera to LifeWise, its wholly owned subsidiary, will be prohibited. If and to the extent the News Release is intended to state the OIC's position that such capitalizations are impermissible or that all inter-company capitalizations require OIC approval, we respectfully disagree with that interpretation of the law. We file this demand for hearing on behalf of Premera and LifeWise pursuant to RCW 48.04.010 and hereby invoke the automatic stay under RCW 48.04.020 with respect to:

- Any action by the OIC to prohibit Premera from making capital contributions to LifeWise or to prohibit or restrict LifeWise from accepting such capital contributions from Premera
- Any other actions by the OIC with respect to any past or future capital contributions made by Premera to LifeWise or received by LifeWise from Premera.
- Any sanctions against Premera or Lifewise in connection with any prior or future capital contributions to Lifewise by Premera.

Premera is licensed under RCW Chapter 48.44. LifeWise is licensed under RCW Chapter 48.21. As licensees, pursuant to RCW 48.04.010(5), Premera and LifeWise respectfully request that the hearing demanded above be presided over by an administrative law judge assigned under RCW Chapter 34.12.

II. PREMERA AND LIFEWISE ARE AGGRIEVED BY A THREAT TO PREMERA'S ABILITY TO MAKE CAPITAL CONTRIBUTIONS TO LIFEWISE

Premera and LifeWise are aggrieved if the OIC acts on the threat against capitalization of LifeWise because it would impair the financial stability and viability of LifeWise. The LifeWise business plan contemplates, as part of the plan to achieve profitability, continued capitalization. In addition, LifeWise currently has over 30,000 members who depend on LifeWise's ability to meet its financial commitments. The specter created by the statements in the News Release suggesting that Premera may be barred from making capital contributions could undermine the confidence of current and future policyholders as well as the broker community in LifeWise. Premera is similarly aggrieved by the threats against future capitalization. If an inability to capitalize LifeWise leads to the financial failure of LifeWise, Premera's investment to date in Arizona will be jeopardized and its reputation in all of its markets will be tarnished.

III. GROUNDS FOR RELIEF

Premera is entitled to make contributions to LifeWise. Premera has complied with its statutory and regulatory reporting requirements with respect to the contributions it has made to LifeWise. There is no provision under the Insurance Code that provides a basis for the OIC to question the contributions that Premera has made to LifeWise or to categorically prohibit future contributions from Premera to LifeWise.

The News Release suggests that the capitalization somehow adversely affects the premiums of Washington policyholders. Premera's Washington premium rates are not affected by capitalization of LifeWise. Each block of business in Washington is rated on its own claims experience, its direct costs of administering Premera's Washington business, and its share of corporate overhead. None of the claims experience or direct costs of administering LifeWise's business is included in any premium rates for

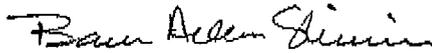
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Washington business. There is no correlation between Washington premium rates and the capitalization of LifeWise.

IV. RELIEF SOUGHT (IN ADDITION TO INVOCATION OF AUTOMATIC STAY)

In addition to invocation of the automatic stay, Premera seeks an order that Premera is not precluded from making capital contributions to LifeWise and that LifeWise is not precluded from accepting and retaining contributions from Premera.

Sincerely,



Barbara Allan Shickich
of
RIDDELL WILLIAMS P.S.

cc James T. Odiorne, Deputy Insurance Commissioner, Company Supervision