

**BEFORE THE COMMISSIONER OF INSURANCE
STATE OF LOUISIANA**

IN RE:

**LOUISIANA HEALTH SERVICE INDEMNITY COMPANY D/B/A BLUE CROSS AND
BLUE SHIELD OF LOUISIANA PLAN OF REORGANIZATION REGARDING THE
CONVERSION FROM A MUTUAL INSURANCE COMPANY TO A STOCK
INSURANCE COMPANY**

BCBSLA’S PRE-HEARING MEMORANDUM

I. INTRODUCTION

Louisiana Health Service & Indemnity Company, doing business as Blue Cross Blue Shield of Louisiana (“BCBSLA”), requests approval of its conversion from a mutual insurance company to a stock insurance company and contemporaneous acquisition of 100% of the stock of BCBSLA by ATH Holding, LLC (“ATH”), a wholly owned subsidiary of Elevance Health, Inc. (“Elevance Health”). BCBSLA has filed a Plan of Reorganization Regarding the Conversion from a Mutual Insurance Company to a Stock Insurance Company (the “Plan”) with the Department of Insurance (the “Department”). A public hearing pursuant to La. R.S. 22:236.4, regarding the Plan is scheduled for February 14 and 15, 2024, for the purpose of allowing the Commissioner of Insurance (“Commissioner”) to hear evidence concerning the Plan. BCBSLA represents that the Plan (1) properly protects the interests of the policyholders as such and as members, (2) serves the best interests of policyholders and members, and (3) is fair and equitable to policyholders and members. Accordingly, pursuant to La. R.S. 22:236.4, BCBSLA respectfully requests the Commissioner enter a final order or decision approving the Plan.

BCBSLA expects that Elevance Health, as an intervenor in this matter, will submit a pre-hearing memorandum and evidence at the public hearing in support of the Plan, including evidence of Elevance Health’s financial strength and certain guarantees provided by Elevance Health under the Plan.

II. BCBSLA MAY REORGANIZE UNDER THE INSURANCE CODE, SUBPART H-1, R.S. 22:236 ET SEQ

A. BCBSLA is a nonprofit mutual insurance company.

BCBSLA is a nonprofit mutual insurance company formed in accordance with the requirements of the general provisions of La. R.S. 22:61, *et seq.* governing domestic insurers generally. See BCBSLA Ex. A, Authentic Act of Amended and Restated Articles of Incorporation dated February 18, 2003; Amendment dated February 21, 2007; Second Amendment dated February 16, 2016; Third Amendment dated February 19, 2019. Those certain Amended and Restated Articles of Incorporation were properly executed by authentic act, setting forth sufficient information, as required by La. R.S. 22:62. The articles were submitted to and approved by the Commissioner of Insurance, as required by La. R.S. 22:63, and recorded in the mortgage records for East Baton Rouge Parish, as required by La. R.S. 22:64. The Commissioner of Insurance issued a certificate of authority pursuant to La. R.S. 22:65, authorizing BCBSLA to transact the business of health and accident insurance and life insurance. BCBSLA Ex. B, Certificate of Authority for BCBSLA.

B. La. R.S. 22:236.1(A) provides that a “mutual insurer” may reorganize into a stock insurance company pursuant to La. R.S. 22:71 and 72.

A “mutual insurer” and “mutual life insurer” are defined as “a domestic mutual insurer subject to Subpart C of this Part, R.S. 22:111 *et seq.*, that is authorized to transact life, or life and accident and health insurance in this state,” pursuant to La. R.S. 22:236(11). BCBSLA is a domestic mutual insurer authorized to transact the business of life and accident and health insurance, and accordingly meets the definition of “mutual insurer” and “mutual life insurer” provided by R.S. 22:236(11).

La. R.S. 22:236.1 provides that a mutual insurer “may, pursuant to R.S. 22:71 and 72 . . . reorganize into a stock insurance company. In turn, La. R.S. 22:71 prohibits a domestic life insurer

from converting to a “type of insurer having greater insuring power without meeting the full capital, surplus, and deposit requirements of the type insurer to which it desires to convert.” BCBSLA is not converting to a type of insurer having greater insuring power, and as such R.S. 22:71’s prohibition does not apply. La. R.S. 22:72 prohibits the conversion of a mutual insurer to a stock insurer “unless a plan of conversion is submitted to and approved by the commissioner of insurance.” BCBSLA has submitted the Plan for the Commissioner’s approval. Since BCBSLA is authorized to transact the business of life insurance, R.S. 22:72(C) also requires that BCBSLA’s conversion “comply with Subpart H-1 of this Part, R.S. 22:236 et seq.”

III. THE BCBSLA PLAN FOR REORGANIZATION

A. Plan Background

BCBSLA’s Board of Directors, by two-thirds vote of the entire Board (i) approved that certain Agreement and Plan of Acquisition by and among Elevance Health, ATH, The Accelerate Louisiana Initiative, Inc. and BCBSLA (the “Acquisition Agreement”), and (ii) adopted the Plan on January 23, 2023. Subsequently, the Plan was amended four times by the required vote of the BCBSLA Board of Directors. The Plan and all amendments thereto are submitted as BCBSLA Ex. C. The Secretary’s certificate certifying each resolution adopting the Plan and each amendment is submitted as BCBSLA Ex. E. The Plan, with all amendments thereto, have been filed with the Commissioner.

The Hart-Scott-Rodino (“HSR”) Act established the federal premerger notification program, which provides the Federal Trade Commission (“FTC”) and the Department of Justice (“DOJ”) with information about large mergers and acquisitions before they occur. The parties to certain proposed transactions must submit premerger notification to the FTC and DOJ. Premerger notification involves completing an HSR Form, also called a “Notification and Report Form for Certain Mergers and Acquisitions,” with information about each company’s business. The parties

may not close their transaction until the waiting period outlined in the HSR Act has passed, or the government has granted early termination of the waiting period. BCBSLA and Elevance Health made the appropriate HSR filing on February 6, 2023. The 30-day waiting period¹ expired, and accordingly, the parties may move forward to closing the transactions contemplated by the Acquisition Agreement (subject to satisfaction or waiver of the other closing conditions contained therein). BCBSLA Ex. F and BCBSLA Ex. G.

B. Plan Summary

The Plan provides for the purchase of BCBSLA by Elevance Health. The Plan can be summarized as follows: (1) BCBSLA will reorganize from a nonprofit mutual insurance company to a for-profit stock insurance company; (2) contemporaneous with the reorganization, BCBSLA's newly issued shares of capital stock will be issued to a wholly-owned subsidiary of Elevance Health, ATH, thereby accomplishing the sale transaction; (3) a portion of the transaction funds will be transferred to a newly-created nonprofit – “The Accelerate Louisiana Initiative, Inc.” (“ALI”) – whose mission continues BCBSLA's nonprofit purpose of promoting the welfare of the residents of Louisiana, after which ALI will contribute or donate the funds to a newly formed special charitable trust, if the requisite special charitable trust legislation is approved by the Louisiana legislature, and (4) BCBSLA's eligible policyholders (the “Eligible Members”) will receive approximately \$307 million in fixed consideration to be divided equally among the Eligible Members in exchange for the extinguishment of their membership interests in BCBSLA.

¹ See 16 C.F.R. 803.10; 11 U.S.C. § 363(b)(2), as amended (1994).

C. The purpose of the Plan is to improve access, quality, and affordability of health care for BCBSLA policyholders and the citizens of Louisiana, while continuing BCBSLA's nonprofit mission.

1. Improving access, quality, and affordability of health care.

The purpose of the Plan is to provide BCBSLA with greater financial resources and flexibility, ultimately to improve access, quality, and affordability of health care for BCBSLA policyholders. National competitors in Louisiana have exponentially more capital to deploy than BCBSLA, currently resulting in a competitive disadvantage for BCBSLA. Elevance Health has more than \$100 billion market capitalization and one of the most diversified asset portfolios in the entire industry. Elevance Health has developed a portfolio of whole health solutions and capabilities with over \$4 billion in investments in recent years. This portfolio provides solutions for a variety of member needs, including condition-specific needs regarding diabetes, cancer, heart conditions, and several others. Having condition-specific solutions that complement the care delivered by health care providers enables members to focus on what will improve their health and lives. Additionally, health care is being increasingly delivered digitally and outside of the traditional physician's office when appropriate. Elevance Health's digital platforms and health care delivery assets dramatically improve access via mobile devices, internet, and phone at the convenience of members. These whole health capabilities have demonstrated success in improving the health of Elevance Health's members.

The Plan will improve BCBSLA's access to capital to permit BCBSLA to expand existing business, develop new business opportunities and enhance its competitive position in the health benefits industry. The Plan will grant BCBSLA members the ability to utilize tools already available to Elevance Health and its affiliates that will enhance the availability of health care services and benefits to members. This includes Elevance Health's digital tools which give members 24-hour digital support and includes text and video visits with integrated health care

providers, integrated pharmacy support, at-home diagnostics solutions, and care navigation. Digital access to health care is especially needed in rural parts of Louisiana where health care services can be located hours away from a member's home or work. Without the Plan, BCBSLA policyholders may pay more and receive fewer services than if BCBSLA were part of the Elevance Health family of plans.

The Plan builds on the existing successful collaboration by BCBSLA and Elevance Health with the Healthy Blue Alliance in Louisiana, which serves Medicaid and Dual Eligible members. The strategies of Elevance Health and BCBSLA and its subsidiaries are well aligned. Elevance Health will focus on continuing BCBSLA's and its subsidiaries' strong performance and affordability across all relevant markets. BCBSLA and its subsidiaries will be able to accelerate their current growth trajectory in the health care space. The combination with Elevance Health will propel BCBSLA and its subsidiaries in the next stage of their strategic evolution by bringing whole health capabilities, access to capital, and diversification as well as enhanced solutions to members, such as behavioral health, home health, and complex conditions management. By combining Elevance Health's assets and capabilities with the successful track record of BCBSLA and its subsidiaries, the companies have an opportunity to build upon their existing successful partnership to pursue a unified, distinctive strategy for Louisiana.

On the whole, the Plan prioritizes what is best for members by improving access, quality, affordability, and experience. Indeed, as noted by experts hired by the Department to review the Plan,² the benefits expected from the Plan are "reasonable and ... the types of benefits we anticipate transactions such as [the Plan] would provide."³

² Rector & Associates, Inc. ("Rector") Report dated August 14, 2023 ("Rector Report"), at p. 8. Rector was hired by the Department, to review the Plan and provide comments relevant to the Department's decision to approve the Plan.

³ Rector Report, p. 5.

2. Creation of the Accelerate Initiative, Inc., continuing BCBSLA's nonprofit mission.

It was a priority for BCBSLA that its longstanding nonprofit mission continue to live on after the transaction. BCBSLA's Articles of Incorporation expressly provide that BCBSLA "is organized and shall function entirely as a nonprofit mutual insurer."⁴ As a nonprofit, mutual insurer BCBSLA is organized for the benefit of current and future members *and* for purposes of improving the health and access to health care for all Louisianans. Accordingly, BCBSLA's Articles of Incorporation expressly provide that its Purpose is to:

- "promote the welfare of [its] members ... and the general public";
- "respond[] to community needs";
- "influence the efficient and innovative delivery of quality health care service";
- "provide a means for people within the operating area of [BCBSLA] to obtain health care services";
- "educate members and the public regarding health care needs and availability of health care services";
- "participate with moral and financial support in organizations and activities designed to serve the communities as a whole wherein [BCBSLA] operates"; and
- "implement measures designed to control the cost of health care services delivery."⁵

Thus, as part of the Plan, ALI is created to continue to serve BCBSLA's nonprofit purpose of enhancing the health and standards of all citizens of Louisiana, including BCBSLA policyholders. Indeed, as noted by the Department's own experts, "the funding of the Foundation should also benefit residents of Louisiana more broadly—even those who are not members or other customers of BCBSLA."⁶ Not only does ALI serve BCBSLA's nonprofit purpose, but funding of ALI is expressly contemplated by the BCBSLA Articles, which authorize BCBSLA through its

⁴ Exhibit A, Article VII, "Voting Membership" (emphasis added).

⁵ Exhibit A, Article II, "Purpose".

⁶ Rector Report, p. 5.

board “[t]o make donations for the public welfare, or for charitable, scientific, educational, religious, or civic purposes ...” Article II, *Powers*.

ALI has been redomesticated to Louisiana and will be headquartered and operated in Louisiana. ALI is organized and must be operated exclusively for purpose of promoting social welfare. At the same time, ALI is prohibited from engaging in partisan politics. The Certification of Incorporation is explicit that ALI’s purpose is “to improve the health and lives of the people of Louisiana.”⁷ Its Articles also prohibit ALI from engaging in political activity, prohibiting any substantial activity to influence legislation or participating or intervening on behalf of or in opposition to any political campaign, including a prohibition against issuing statements concerning political campaigns.⁸

BCBSLA is currently the sole member of ALI, and has provided administrative support to ALI’s startup. In conjunction with the closing of the transactions included in the Plan, BCBSLA will resign as the sole member and ALI’s board of directors,⁹ as they may exist from time to time, will be the members of ALI. The current board of directors are Thomas A. Barfield, Jr., C. Brent McCoy, C. Richard Atkins, D.D.S., and Jerome K. Greig, who are serving without compensation. ALI will engage a leading national search firm to conduct a search for exceptional additional directors who have the background, experience, and proficiency necessary to help advise ALI in its start-up phase and when it becomes fully operational. While the search will be nationwide, the board considers it critical that candidates have a connection to the State of Louisiana and expects the majority of the board will be residents of Louisiana. Importantly, ALI is expressly prohibited from distributing any of its net earnings to its members, directors, or officers.¹⁰

⁷ BCBSLA Ex. W, Certificate of Incorporation, Third Article.

⁸ BCBSLA Ex. W, Certificate of Incorporation, Sixth Article.

⁹ Note: ALI and Elevance Health are not affiliated and will not be affiliated post-transaction.

¹⁰ BCBSLA Ex. W, Certificate of Incorporation, Sixth Article.

Pursuant to its purpose, ALI's principal activity will be making grants to fund programs and activities that will further its mission of improving the health and lives of the people of Louisiana. The State of Louisiana has a large population of low-income persons and families, many of whom live in poverty. ALI expects a significant portion of its grants will be focused on searching for solutions to address the health care needs of residents of the state, including access to care, but also more general issues affecting the health of Louisianans such as poverty and education. ALI will share the same priorities as the special charitable trust discussed below.

3. Continuing the nonprofit mission through a special charitable trust.

It is anticipated that if certain conditions are satisfied, as outlined further below, ALI would donate or contribute the funds it receives in connection with the Proposed Reorganization to a newly established special charitable trust (the "Trust"). The Trust concept was created to address concerns raised by various stakeholders. The Trust will be organized and operated exclusively for the social welfare purpose of improving the health and lives of the people of Louisiana. The Trust will provide for the composition of the Board of Trustees of the Trust as outlined below. The Trust will also be prohibited from the amendment of certain provisions regarding government oversight and the purpose and disposition of the assets of the Trust without the consent of a court of competent jurisdiction.

a) The Trust

The Trust would be established under the laws of the State of Louisiana and it is intended that the Trust will be exempt from federal income tax as an organization described in Section 501(c)(4) of the Internal Revenue Code of 1986 (the "Code"). The Trust would have the same general purpose as ALI – to improve the health and lives of the people of the State of Louisiana. However, until the earlier of the initial twelve years of its existence or the achievement of certain milestones or criteria (to be established by the Trust's board of trustees, after consultation with the

Louisiana Department of Health and the Louisiana Department of Children & Family Services, and other such state departments as appropriate to properly develop milestones and criteria), the Trust would have primary areas of focus within that general purpose, which would be related to:

- helping move Louisianans from dependence to independence, with a priority of assisting individuals and families to move from depending on government programs to a life of independence through jobs, coaching, and assistance in the transition,
- improving health outcomes by addressing chronic illnesses, disabilities and health concerns through a focus on diabetes, maternal/infant health, and mental health,
- developing health care workforce through programs designed to match the demand for the health care workforce in Louisiana while addressing the excess demand on training institutions and risk of out-of-state migration, which may include, without limitation, marrying training for Certified Nurse Assistants (CNAs) with high school curricula and graduation schedules to expedite the process of earning CNA qualifications, balancing the demand for nurses with the limited pipeline of nurses from Louisiana universities, creating more practical and flexible ways for nursing capacities to be increased, augmenting dedicated resources to attract high quality faculty to university nursing programs, and exploring ways to increase funding, commitment, and employment opportunities for in-state health care jobs, and
- optimizing government performance (in particular, state health care, workforce, and social service agencies), which may include, without limitation, providing expertise and structured training academies for senior level executives in specific state agencies, providing bench training for the future leaders of Louisiana state government, providing technical resources to assist state agencies in integrating eligibility systems and

modernizing customer-facing interfaces through mobile devices, and surfacing best practices and technical assistance to supercharge agency performance and program optimization.

For each of the Priority Areas outlined above, the Trust may allocate a relatively small portion of its resources to innovation, research and development, and pilot programs designed to improve the health, health outcomes, and social determinants of health in Louisiana. Other than Pennington Biomedical Research Center, educational institutions and institutions of higher education shall not be eligible to receive these resources. The Trust would comply with the restrictions that apply to public charities described in Code Section 501(c)(3) with respect to influencing legislation and participating in political campaign activity.

The Trust's board of trustees would consist of nine to eleven members, which would include the existing four board members of ALI (C. Richard Atkins, D.D.S., Thomas A. Barfield, Jr., Jerome K. Greig, and Charles Brent McCoy), one member selected by the Governor of the State of Louisiana (which will not be an employee or official of the government of the State of Louisiana, unless the Trustees consent to the appointment of such individual), and the remaining board members would be selected by the then current members of the board of trustees (i.e. self-perpetuating board members). It is also expected that the Commissioner would be offered an observer role on the Trust's board (which would be a non-voting and non-compensated position).

It is expected that new legislation in the State of Louisiana will be needed to create this special charitable trust, as existing laws in Louisiana do not provide sufficient flexibility for a private charitable trust of this magnitude to operate in a commercially reasonable manner. In particular, existing Louisiana trust law does not allow for sufficient delegation of organizational management to traditional governance structures such as committees, executives, and employees,

nor does it provide for market-standard indemnification of board-level leadership, which are crucial to recruiting appropriate personnel to the organization in trustee and management roles.

It is further expected that if the closing occurs, ALI would retain, as a custodian, the funds it receives in connection with the Plan of Reorganization until the date that is 12 months from the closing. During that period, ALI will not make any grants and will only deploy funds for the purposes of recruiting staff, initiating start-up operations, and paying for applicable taxes and other expenses. It is expected that during this 12-month period, the conditions below will be satisfied; however, if they are not satisfied, then ALI will seek to convert from an organization exempt under Code Section 501(c)(4) to an organization exempt under Code Section 501(c)(3), and upon such conversion, ALI would be free to operate in accordance with its organizational documents. If the conditions are satisfied by the Expiration Date, ALI would donate or contribute to the Trust all of the funds it has received in connection with the Plan of Reorganization (less any amounts paid as required by applicable law for taxes or otherwise paid pursuant to the Acquisition Agreement or as operating expenses).

b) Conditions related to funding the Trust

The obligation of ALI to donate to the Trust the funds it has received in connection with the Plan of Reorganization (less any amounts paid as required by applicable law for taxes or otherwise paid pursuant to the Acquisition Agreement or as operating expenses) shall be subject to the following conditions: (a) the Trust will adopt and have in place a trust agreement and bylaws containing the material terms and conditions that are summarized below under “Summary of Material Terms of Trust”; (b) the initial Board of Trustees of the Trust will include those individuals identified above, and the remaining trustees will be selected as described above; (c) the Trust will have received an affirmative determination from the U.S. Internal Revenue Service (the “IRS”) of the Trust’s status as exempt from federal income tax under Code Section 501(c)(4);

(d) the Trust will have agreed to assume all debts and liabilities of ALI; and (e) new legislation will be enacted and in force in the State of Louisiana (“Proposed Legislation”) that is in substantial conformance with the summary set forth below under “Proposed Legislation.”

As referenced above, in the event that each of the above conditions are not satisfied by the Expiration Date, ALI will be free to retain the funds and deploy them in accordance with its organizational documents and will be obligated to seek to convert from an organization exempt under Code Section 501(c)(4) to an organization exempt under Code Section 501(c)(3), and to take such other actions as shall be necessary and advisable to achieve said result, as soon as reasonably practicable following the Expiration Date.

c) Proposed Legislation

The Proposed Legislation, as enacted, must provide for delegation of authority of the Board of Trustees of the Trust to officers, employees, and agents, the indemnification of trustees, officers, agents and third parties, limitations on the liabilities of trustees, officers, and agents, and the assumption of liabilities in connection with or related to donations or contributions, in each case in a manner that is no less than the corresponding standards under Louisiana law for nonprofit corporations. The Proposed Legislation, as enacted, must also permit the trust instrument to be amended by the trustees without court involvement, except certain provisions regarding government oversight and the purpose and disposition of the assets of the Trust. In addition, the Proposed Legislation, as enacted, must not (i) change the purpose of the Trust, (ii) require amounts be paid to specific recipients or causes or (iii) change the board of trustees of the Trust. Finally, no amendments to the Proposed Legislation that are enacted that materially alter the terms above would be allowable.

D. The Plan compensates Eligible Members for the extinguishment of their membership interest and maintains insurance coverage to policyholders under their

respective policies, but members do not have rights to BCBSLA's assets or sales proceeds.

The Insurance Code, La. R.S. 22:236(9), provides the definition of “membership interest” in a mutual insurance company, such as BCBSLA. Under the Code’s definition the scope of membership interest is determined by the insurer’s articles of incorporation and bylaws, and contemplates that those rights may be limited solely to the right to vote. Specifically, R.S. 22:236(9) provides:

Membership interest means: (a) with respect to a mutual insurer, all rights and interests of a policyholder as a member arising under the mutual insurer's articles of incorporation and bylaws, by law or otherwise, which rights include but are not limited to the right, if any, to vote and the right, if any, with regard to the surplus of the mutual insurer not apportioned or declared by the board of directors for policyholder dividends . . .

The Plan, including the funding of ALI and rights of Members is consistent with the Insurance Code and the BCBSLA Articles of Incorporation. Under its Articles, BCBSLA is prohibited from paying dividends, and its Members are not entitled to any proceeds of BCBSLA upon sale or liquidation.

Importantly, BCBSLA’s policyholders and other members are not “owners” of BCBSLA in the same sense as the shareholders of a business corporation or the members of a limited liability company “own” the company. The rights of a mutual insurer’s members are governed by the Insurance Code rather than the general business law applicable to owners of other companies. Under the Insurance Code, the rights of BCBSLA’s members is governed by BCBSLA’s Articles of Incorporation and by-laws, which have been approved by the Insurance Commissioner, and pursuant to which a certificate of authority to engage in the business of insurance has been issued by the Insurance Commissioner to BCBSLA.

Indeed, the only rights provided to Members in BCBSLA’s Articles and thus under the Insurance Code is the right to vote on governance issues. Indeed, the Articles only refer to members

by their voting rights, specifically defining them as “Voting Members.” Article VII, entitled “Voting Membership”, provides in pertinent parts:

The Corporation is organized and shall function entirely as a nonprofit mutual insurer. **It shall issue no shares of stock and pay no dividends.**

... **[E]ach policyholder** of an in force insurance contract issued by the Corporation **is hereby defined to be a Voting Member** of the Corporation with all rights and obligations of such membership.

A person immediately and automatically shall (i) become a Voting Member of the Corporation at such time as such person becomes a policyholder; and (ii) **cease to be a Voting Member of the Corporation at such time as such person ceases to be a policyholder.**

A Voting Member, as of the record date as established hereafter, of an in force individual or group insurance policy or contract issued by the Corporation **shall be entitled to one vote at any special or annual meeting** of the Corporation duly called.

Further, the Articles allow for liquidation or sale of BCBSLA subject to LDI approval and compliance with other applicable laws. See Articles at Article XI, “Liquidation or Sale of All or Substantially All Assets.” Importantly, the Articles do not provide the Members with any ownership interest in BCBSLA or any rights to proceeds in the event of a liquidation or sale of BCBSLA. BCBSLA’s bylaws likewise do not provide members any dividend rights or rights to any proceeds upon liquidation.

Thus, members’ rights are limited to voting, and membership and the accompanying voting rights are contingent on holding a policy issued by BCBSLA. Members do not have any dividend rights, or rights to any assets of BCBSLA at any point in time. Thus, when an individual or entity becomes a policyholder, in essence under a one year contract with BCBSLA, their premiums pay for their insurance coverage for that one year, they become a Voting Member and acquire the right to vote. But if they do not renew their policy each year, they cease to be a Voting Member and do not receive any consideration for the extinguishment of their membership rights. There have been

hundreds of thousands of BCBSLA members since the existence of BCBSLA. At no time has any member ever received any consideration upon the extinguishment of their membership interests. So to, in accordance with the Plan, when the membership interests are extinguished, the members are not entitled to any of BCBSLA's assets. Under the Plan; however, Eligible Members are distributed \$307 million as consideration for the extinguishment of their Membership Interest; namely the right to vote.

Of course, policyholders will continue to receive insurance coverage under their respective policies after the closing of the transaction. Meaning, under the Plan, Eligible Members, as a group, will receive \$307 million in consideration for the extinguishment of their membership interest, continue to receive insurance coverage, and will also reap all of the expected benefits that come with the combination of BCBSLA and Elevance Health, all while BCBSLA's nonprofit mission to improve the health of all Louisiana citizens, including policyholders, is continued through ALI or the Trust.

E. Conversion from a nonprofit to a for profit corporation does not change BCBSLA tax obligations.

BCBSLA is not a tax-exempt entity and pays taxes. While BCBSLA is specifically organized as a nonprofit, it has not been tax exempt since changes to the Internal Revenue Code in 1986. BCBSLA pays federal and state taxes. It's conversion from a nonprofit will not affect its tax obligations, and it will continue to pay taxes.

IV. THE PLAN OF REORGANIZATION MEETS THE REQUIREMENTS OF THE INSURANCE CODE, SUBPART H-1, R.S. 22:236 ET SEQ.

A. R.S. 22:236.2(A) provides the plan of reorganization shall include the following items, all of which are contained in the Plan:

1. A statement analyzing the benefits and risks attendant to the proposed reorganization, including the rationale for the reorganization.

See Plan, pp. 1-4, "Affirmations Related to the Proposed Reorganization."

2. A statement indicating how the reorganization will protect the immediate and long-term interests, and serve the best interests of policyholders.

See Plan, pp. 1-4, “Affirmations Related to the Proposed Reorganization.”

3. Copies of the articles of incorporation and bylaws of the reorganized company and any affiliate parent corporation, stockholding companies, and reorganized insurers.

See Plan, Exhibit A, Third Amended and Restated Articles of Incorporation of BCBSLA, and Exhibit B, Amended and Restated Bylaws of BCBSLA.

4. Information sufficient to demonstrate that the financial condition of any reorganized insurer will not be diminished upon reorganization.

See Plan, pp. 2-3, “Affirmations Related to the Proposed Reorganization”, Section C.

5. A description of any plans for the initial sale of stock of the reorganizing mutual or any parent corporation or affiliate stockholding company.

See Plan, p. 5, Article I, Section 1.3, “Purchase and Sale of BCBSLA Shares,” Exhibit A, Third Amended and Restated Articles of Incorporation of BCBSLA, Article 5, “Stock,” and Exhibit B, Amended and Restated Bylaws of BCBSLA, Article VI, “Capital Stock,” and Exhibit C, Acquisition Agreement, p. 10, Section 2.8, “Capitalization.”

B. R.S. 22:236.2(B) provides additional requirements for the Plan, all of which are met:

1. Provide that all membership interests in the reorganizing mutual shall be extinguished as of the effective date.

See Plan, p. 6, Article II, “Extinguishment of Membership Interests.

2. Require the distribution of consideration, in a fair and equitable manner, to all eligible members upon extinguishment of the membership interests.

See Plan, p. 7-8, Articles III – “Extinguishment of Membership Interests”, Article IV, “Determination of the Equitable Consideration for Extinguishment of Membership Interests”,

Article V, “Form and Amount of Consideration to be Distributed, Article VI, “Method or Formula for Allocation of Consideration,” and Exhibit E, “Eligible Member Payment.”

3. Specify the manner in which the aggregate value of the consideration shall be determined and the method by which the consideration shall be allocated among eligible members.

See Plan, pp. 7-8, Article IV, “Determination of the Equitable Consideration for Extinguishment of Membership Interests”, Article V, “Form and Amount of Consideration to be Distributed, Article VI, “Method or Formula for Allocation of Consideration,” and Exhibit E, “Eligible Member Payment.”

4. Provide dividend protections for the reasonable dividend expectations of policyholders of any reorganized insurer, all as set forth in R.S. 22:236.3.

See Plan, p. 8, Article VII, “BCBSLA Pays No Dividends.”

C. R.S. 22:236.2(C) provides the plan of reorganization shall be adopted by not less than 2/3rds of the members of the entire board of directors and is met.

See BCBSLA Ex. E, Resolutions of Board of Directors for the Plan, Amendment No. 1, Amendment No. 2, Amendment No. 3, and Amendment No. 4.

D. R.S. 22:236.2(D) provides the plan of reorganization shall be filed with Commissioner with proposed forms of notice of required by R.S. 22:236.4(C) [public hearing] and LSA R.S. 22:236.5(C) [special meeting], and is met.

See BCBSLA Ex. D, Notices submitted with Plan of Reorganization.

E. R.S. 22:236.3(A)(2) provides that the reorganizing mutual shall obtain an opinion from a qualified an investment banker that the provision of consideration upon the extinguishment of the membership interests pursuant to the plan of reorganization is fair to the eligible members, as a group, from a financial point of view, and is met.

See Plan, Exhibit D, “Fairness Opinion” by Chaffe & Associates, Inc., dated January 12, 2023.

F. R.S. 22:236.3(B)(2) provides that the reorganizing mutual shall obtain an opinion from an actuary who is a member of the American Academy of Actuaries that the methodology and underlying assumptions for allocation of consideration among eligible members are reasonable and appropriate and the resulting allocation is fair and equitable, and is met.

See Plan, Exhibit F, “Actuarial Opinion” by Deloitte Consulting, LLP, dated January 12, 2023.

G. R.S. 22:236.3(D)(1) provides the Plan is to provide for reasonable dividends expectations, and is met.

See Plan, p. 8, Article VII, “BCBSLA Pays no Dividends.” There are no reasonable dividends expectations because the policies issued by BCBSLA are non-participating and build no cash value and the Articles of Incorporation of BCBSLA prohibit the payment of dividends to policyholders.

H. R.S. 22:236.3(D)(2) provides the Plan is to provide for dividend protection for participating life or annuity policies, and is met.

BCBSLA does not issue any such policies. See also subsection (vii) immediately above.

I. R.S. 22:236.4(C), requires that BCBSLA provide thirty days’ notice of public hearing, approved by the Commissioner and mailed to qualified voters, and is met.

See:

- Approval email of Notice by LDI, BCBSLA Ex. K.
- Notice of Public Hearing, BCBSLA Ex. L.
- Certificate of Mailing from USPS, BCBSLA Ex. M.

J. R.S. 22:236.5(C), requires that BCBSLA provide all qualified voters notice of their opportunity to vote on the plan of reorganization not less than thirty days before the date of the meeting of qualified voters to vote on the plan of reorganization, and is met.

See BCBSLA Ex. O, Notice

V. THE COMMISSIONER MUST APPROVE THE PLAN IF THE PLAN MEETS THE CONDITIONS OF R.S. 22:236.4(B)(1).

A. The Plan meets the condition of R.S. 236.4(B)(1)(a) that the interests of policyholders as such and as members are properly protected.

The Plan does not change the insurance coverage provided by the policyholders' current policies. Accordingly, policyholders will continue to enjoy their coverage after the Plan is approved. The only interest members may have is the right to vote, which necessarily must be extinguished under the Insurance Code. Eligible members are paid \$307 million in aggregate as consideration for extinguishment of their membership interest.

B. The Plan meets the condition of R.S. 236.4(B)(1)(b) that it serves the best interests of the policyholders and members.

The purpose of the Plan is to improve access, quality, and affordability of health care for BCBSLA policyholders and members. While improving BCBSLA's access to capital, the benefit to policyholders and members include improved delivery of health care, access to digital health care, and use of Elevance's wide-ranging portfolios of whole health solutions. The Department's own experts have determined that the benefits resulting from the Plan are reasonable and anticipated.¹¹ In addition, BCBSLA's nonprofit mission to improve the health of all Louisiana citizens is continued through ALI or the Trust, which will also serve the interests of policyholders, who are citizens of Louisiana. Thus, policyholders continue their coverage, obtain additional benefits, and Eligible Members are compensated for any loss of their membership interest.

C. The Plan meets the condition of R.S. 236.4(B)(1)(c) that it is fair and equitable to policyholders and members.

The Plan is expected to improve access, quality, and affordability of health care for BCBSLA policyholders and members and continue BCBSLA's nonprofit mission in Louisiana.

¹¹ Rector Report, p. 5 ("the benefits of the Transactions claimed by BCBSLA appear to us to be reasonable and to be the types of benefits we anticipate transactions such as those contemplated here would provide.")

The only thing policyholders are losing is their right to vote on governance issues. As discussed, Eligible Members are set to receive \$307 million in aggregate as consideration for the extinguishment of their membership interests, in addition to all of the benefits they will receive under the Plan, and their insurance coverage will remain unchanged. BCBSLA has obtained opinions from two separate firms, which have found the plan to be fair and equitable to the policyholders and members.

VI. BCBSLA’S RESPONSE TO THE HAUSE REPORT BY STEVENSON.

After BCBSLA filed the Plan for approval, the Department retained Hause Actuarial Solutions, Inc. (“Hause Actuarial”) to provide information to assist the Commissioner in forming his opinion of whether the Plan is in the best interest of BCBSLA policyholders. On August 15, 2023, Randall A. Stevenson (“Stevenson”) of Hause Actuarial issued a report entitled “Actuarial Review of Proposed Sponsored Demutualization of Blue Cross/Blue Shield of Louisiana” (“Hause Report”). On the whole, the Hause Report agrees that the Plan, and specifically the fairness opinions required by statute, meet the statutory requirements for approval by the Commissioner.¹² However, the Hause Report seemingly opines that all of the transaction proceeds should be distributed as consideration to the current members of BCBSLA and none should be used to fund BCBSLA’s nonprofit purpose through ALI. This opinion is based on faulty assumptions and erroneous legal opinions, of which the author has neither the basis nor expertise to provide.

A. Stevenson is not qualified to provide the opinions in the Hause Report, which are largely erroneous legal opinions.

The determination of total consideration to be provided to Eligible Members upon extinguishment of their membership interests is not an actuarial exercise. There is no actuarial

¹² Hause Report, p. 4, stating the Fairness Opinion and Actuarial Opinion obtained by BCBSLA “meet[] the technical requirements of La. R.S. 22:236.3” subsections A(2) and B(2).

standard for determining the total consideration. Thus, the Louisiana Insurance Code calls for a qualified investment banker, not an actuary, to determine if the total consideration distributed to members is fair.¹³ Stevenson does not appear to be a qualified investment banker, and the Hause Report explicitly provides that it is an “actuarial opinion.”¹⁴ Opining on the fairness of the total consideration to be distributed to Eligible Members is beyond the purview of the Hause Report and its author, according to the Insurance Code and actuarial standards.

Under the Insurance Code, the only actuarial issue is the method for allocating the total consideration among the Eligible Members.¹⁵ Deloitte Consulting, LLP (“Deloitte”) provided an actuarial opinion from Brian Collender, who is a member of the American Academy of Actuaries, finding that the Plan’s method of allocating the total consideration among the Eligible Members was reasonable and appropriate and the resulting allocation is fair and equitable.¹⁶ Stevenson concedes that Deloitte’s conclusion is valid, if the underlying premises of Deloitte’s opinion are valid.¹⁷ Stevenson, however, disagrees with the underlying premises. The premises with which Stevenson disagrees are (1) that the only rights BCBSLA members have are voting rights and (2) that BCBSLA members are not entitled to a variable component of consideration.

First, the scope of the rights held by BCBSLA members is a legal issue, and, as such, an issue upon which Stevenson is not qualified to opine. Stevenson is not a lawyer and otherwise displays no education or experience to suggest he is a legal expert, and particularly not a Louisiana

¹³ La. R.S. 22:236.3(A)(2), calling for “a qualified investment banker” to opine on whether “the provision of consideration upon the extinguishment of the membership interests pursuant to the plan of reorganization is fair to the eligible members, as a group, from a financial point of view.

¹⁴ Hause Report, p. 3, Stevenson stating “I meet the experience and educational requirements to issue this statement of actuarial opinion. ... This report is a statement of actuarial opinion. It is not a legal opinion and should not be considered as such.”

¹⁵ La. R.S. 22:236.3(B)(2), calling for “an actuary who is a member of the American Academy of Actuaries” to opine on the fairness and equitableness of the “allocation of consideration among eligible members.”

¹⁶ Plan, Exhibit F, “Actuarial Opinion” by Deloitte Consulting, LLP, dated January 12, 2023.

¹⁷ Hause Report, p. 20, “If the premises are correct, the conclusion would be valid in my opinion.”

legal expert. Stevenson wholly disregards the Insurance Code, BCBSLA's legal structure, the Plan, and the valid legal interpretations provided to Deloitte and substitutes them with his own "assumptions" of the Company and the Plan's legal structure. Stevenson even admits that his "assumptions are inconsistent with assumptions used throughout the [Plan]." ¹⁸ Respectfully, the Plan does not have assumptions. The Plan is the Plan. Stevenson simply disregards the Plan and replaces its structure with his assumptions. Stated differently, his entire opinion is based on a plan that has not been submitted and does not exist; a plan that substitutes his assumptions for what is actually contained in the Plan, the Insurance Code, and BCBSLA's governing documents. At the same time, while the Hause Report clearly relies on Stevenson's (unsupported) legal assumptions, he expressly disclaims any legal commentary stating the report "is not a legal opinion and should not be considered as such." ¹⁹ Taking Stevenson at his word (and lack of any legal qualifications), Stevenson's opinions, which are based entirely on his contrary legal assumptions, should be disregarded.

Setting aside his lack of legal expertise, Stevenson's opinion that BCBSLA members have rights other than voting rights is wholly unsupported for the following reasons:

- Stevenson's opinion on members' rights is based on definitions found from various internet websites such as Wikipedia and Insuranceopedia, which simply state that a mutual insurer is owned by its policyholders. ²⁰
- Stevenson references IRS Tax Topic 430 and Louisiana Nonprofit Corporation Law, R.S. 12:201(17), apparently for the premise that policyholders are entitled to all of the proceeds of BCBSLA upon its liquidation. ²¹ IRS Tax Topics are not law, and Louisiana's Nonprofit Corporation Law does not apply to insurance companies, per R.S. 12:266. Particularly troubling is that the only basis Stevenson cites for disagreeing with the premise that BCBSLA members are not entitled to the company's surplus is Louisiana's Nonprofit Corporation Law, specifically R.S. 12:201(17), ²² but this comes after Stevenson admits

¹⁸ Hause Report, p. 11.

¹⁹ Hause Report, p. 3.

²⁰ Hause Report, p. 12.

²¹ Hause Report, p. 18.

²² Hause Report, p. 20.

that the nonprofit law does not apply to BCBSLA, stating: “It is my understanding that La. R.S. 12:266(3) excludes any corporation transacting any type of insurance business from the Louisiana Nonprofit Corporation Law.”²³

- Louisiana Insurance Code, R.S. 22:236(9), defines the scope of membership rights by the mutual insurer’s articles of incorporation and bylaws, and specifically contemplates that membership rights may be limited to voting rights and may not include the mutual’s surplus or assets upon liquidation, providing in pertinent part:

“Membership interest” means: (a) with respect to a mutual insurer, all rights and interests of a policyholder as a member arising under the mutual insurer's articles of incorporation and bylaws, by law or otherwise, which rights include but are not limited to the right, if any, to vote and the right, if any, with regard to the surplus of the mutual insurer not apportioned or declared by the board of directors for policyholder dividends;

- Membership rights consist solely of voting rights under BCBSLA’s Articles and bylaws, which refer to members as “Voting Members.” See Section III.D, above, for full discussion BCBSLA membership rights.

B. Stevenson ignores the actuarial standards on which he claims to rely.

As noted, the Hause Report is expressly designated as “a statement of actuarial opinion.” Stevenson relies on the Actuarial Standards of Practice (“ASOPs”)²⁴ and particularly Actuarial Standard of Practice No. 37, “Allocation of Policyholder Consideration in Mutual Life Insurance Company Demutualizations” (“ASOP 37”). Stevenson also relies on the American Academy of Actuaries Practice Notes as authority for his opinion. Yet, these actuarial standards and Louisiana’s Insurance Code, support the premise that BCBSLA Members are only giving up their voting rights upon extinguishment of their membership interest and are not entitled to a variable component of consideration.

- ASOP 37, §2.7, like the Louisiana Insurance Code, specifically contemplates that membership rights may not include any rights upon liquidation of the insurer, defining membership rights as:

²³ Hause Report, p. 8.

²⁴ The Actuarial Standards Board (ASB) sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). See: <http://www.actuarialstandardsboard.org/standards-of-practice/>

Any rights a member of a mutual company has by virtue of ownership of an insurance policy, other than the contractual insurance rights under the policy. Typical membership rights include voting rights and the rights, if any, the member has upon liquidation of the company

- ASOP 37, §3.1.1, specifically contemplates that members may not be entitled to a variable component of consideration, providing:

A policyholder may be eligible for a fixed component, a variable component, or both.

- The Insurance Code, R.S. 22:236.3(B)(1), likewise contemplates members may not receive a variable component of consideration:

The method [of allocating consideration] shall provide for each eligible member to receive: (a) a fixed component of consideration or a variable component of consideration, or both;

- The American Academy of Actuaries Practice Notes, as cited by Stevenson states: “The only policies issued by the mutual company which are not generally allocated a variable share are those which are specifically nonparticipating.”²⁵ Meanwhile, ASOP 37, Appendix I, provides that a “participating policy” is one that has the right to receive dividends stating: “the most significant right that participating policyholders have is the right to receive dividends” Yet, Stevenson claims, without any support, that “participating policies” include policies that do not have rights to dividends but only the right to vote, such as BCBSLA policies.²⁶ There is no authority for the proposition that a “participating policy” would include policies that can vote but are not eligible to participate in the distribution of the company’s profits or surplus.²⁷
- BCBSLA policies are specifically non-participating, as the BCBSLA Articles prohibit the payment of dividends. Accordingly, based on the actuarial standards relied upon by Stevenson, BCBSLA members are not entitled to a variable portion of consideration upon extinguishment of their Membership Interests.

C. Stevenson improperly relies on past demutualizations of for profit, life insurance companies to develop the non-existent standard that the Plan is inconsistent with “typical” plans.

Throughout the Hause Report, Stevenson complains that the Plan does not comport with “typical” plans, “general practices,” or “historical demutualizations” because the Plan does not

²⁵ Hause Report, p. 14; see also Deloitte Letter, dated September 11, 2023, p. 6.

²⁶ Hause Report, p. 14

²⁷ See Deloitte Letter, dated September 11, 2023, p. 6.

distribute 100% of the proceeds to BCBSLA members. For support, Stevenson provides an Appendix II, purporting to contain information of 19 other demutualizations. The list is comprised entirely of for profit life insurance companies, except for a single instance concerning Anthem Insurance Companies. Moreover, while claiming to have reviewed past Blue Cross demutualizations in other states, Stevenson completely omits these from his discussion.

1. Stevenson’s list of past demutualizations occurred under different state laws and involved companies with different articles of incorporations and bylaws.

To state the obvious, Louisiana law applies to the Plan. Stevenson’s list of past transactions all involve transaction under different laws of other states. They involve for profit life insurance companies that have articles of incorporation and bylaws that differ from those of BCBSLA. For these reasons alone, the transactions are simply not comparable to the Plan. Moreover, in the one “precedent” demutualization transaction listed by Stevenson that involved a mutual health insurer (Anthem Insurance Companies), the policyholders were expressly entitled to dividends and to consideration in the event of a sale or liquidation pursuant to the articles of incorporation.

2. For profit life insurance companies are not comparable to a nonprofit mutual life and health insurer that issues only health insurance policies.

Even setting aside the fact these other transactions are subject to wholly different sets of laws and corporate documents, it is illogical to compare the conversion of for profit life insurance companies to the conversion of a nonprofit mutual life and health insurer that issues health insurance policies such as BCBSLA, given the stark difference in life and health insurance policies.²⁸

²⁸ While BCBSLA is authorized to issue life insurance policies, as a practical matter its business is issuing health not life insurance.

Life insurance policies are generally issued for 10-30 year terms and a portion of premiums paid goes toward building cash value for the policies over the course of those terms. If the policy is canceled, then the insurer must pay the insured the cash value of the policy. Health insurance policies are issued for one-year terms and have no cash value. When a health insurance policy, such as those held by BCBSLA members, is terminated, the policyholder is not entitled to any consideration. The policyholder simply loses their coverage and Voting Membership; they receive nothing.

For profit life insurance companies also issue policies that provide for dividend rights and rights to proceeds upon sale of the company. These are “participating policies” - policies that participate in the profits of the company. Thus, when they demutualize the policy holders lose their right to the company’s profits and are compensated for the lost right. As already explained, such is not the case with BCBSLA, which is prohibited from issuing participating policies, and whose members have no right to the company’s profits/surplus or proceeds upon liquidation.

3. Stevenson admits “several similar demutualizations funded foundations” but chooses to omit those from his discussion.

While Stevenson criticizes the Plan for sending a portion of the transaction proceeds to ALI instead of sending all of it to the members, Stevenson’s own report acknowledges that “several similar demutualizations funded foundations.”²⁹ Once more, Stevenson claims to have reviewed past Blue Cross Blue Shield (“BCBS”) transactions.³⁰ Instead of discussing past BCBS transactions and the “several similar demutualizations [that] funded foundations” Stevenson completely omits the similar demutualizations from his discussion, and instead relies on wholly dissimilar transactions, creating a false narrative that the Plan is contrary to “general practices”

²⁹ Hause Report, p. 4.

³⁰ Hause Report, p. 10.

and “typical” plans. While Stevenson completely glosses over the fact that similar demutualizations fund foundations due to their nonprofit missions, it is in fact common for nonprofit health insurers to fund foundations as part of their demutualization process. Indeed, in several instances of BCBS demutualizations in other states, 100% of the insurer’s value went to a nonprofit foundation and the members were not provided any consideration.³¹

4. The standard by which the Plan is judged is set forth in the Louisiana Insurance Code, and is not based on transactions of different insurance companies demutualizing under different state laws.

While Stevenson’s attempt to rely on historical demutualizations to criticize the Plan is based on cherry picked data that appears aimed to support a pre-determined opinion, the entire exercise is fundamentally irrelevant. Louisiana’s Insurance Code sets forth the standard for the Plan. If the Louisiana legislature wanted 100% of sales proceeds to go to members of a demutualized insurer, it could have, and surely would have simply said so, as legislatures in other states have done.³² Indeed, the fact that the legislature, per R.S. 22:236.3(A)(2), requires a qualified investment banker provide a fairness opinion concerning the total consideration provided to eligible members decidedly cuts against the proposition that fairness must mean members receive 100% of the transaction proceeds – no expertise beyond basic arithmetic is required to determine whether members receive 100% of the proceeds.

Principles of fairness are inherently fact-specific. Suggesting the Commissioner should look to the practices of dissimilar demutualizations of different insurers, operating under different articles of incorporation and laws of other states, to interpret what is “fair” for a Louisiana mutual insurer, is inherently inappropriate. This is particularly so when seemingly intentionally omitted

³¹ See Chaffe Report dated September 12, 2023, p. 3 and n. 2, noting that for BCBS transactions in California, Wisconsin, and Colorado the entire value of the mutual insurer was distributed to a nonprofit foundation.

³² For example, Indiana’s demutualization statute requires the entire value of the converting mutual to be distributed to the eligible members (see IC 27-15-2-2(3)).

from the data is a discussion of the similar demutualizations that funded foundations. In fact, given that Louisiana law includes a fairness standard, the fact that BCBSLA differs from the referenced life insurers means that it necessarily *should* provide for different demutualization consideration.

Under BCBSLA's specific circumstances—the demutualization of a nonprofit mutual insurer whose organizing documents include public purposes, prohibit issuing shareholder dividends, and do not provide for member distributions upon liquidation—principles of equity and fairness do not allow 100% of the sale proceeds to be distributed to the members. Indeed, if 100% of the proceeds went to members it would result in an unjustifiable windfall. BCBSLA members have never been entitled to the company's assets. No member in the history of BCBSLA has ever been entitled to or received a distribution of the company's assets whether in the form of a dividend or consideration upon termination of their policy. Current members include persons who have been policyholders for less than one year. Setting aside the lack of any legal justification, sending the entirety of the transaction proceeds to the current eligible members, would be patently unfair and would also result in forever abandoning BCBSLA's nonprofit mission.

D. Stevenson disregards that Members will vote to approve funding ALI or ultimately the Trust.

Stevenson suggests that distributing a portion of the transaction proceeds to ALI or ultimately the Trust does not sufficiently serve the members' interests because they would not be exercising choice over the distribution. Aside from the fact that members have no legal right to the proceeds, this completely ignores the fact that BCBSLA's members *must* exercise choice over funding ALI or ultimately the Trust because their approval is required to proceed with the transaction. If the members vote to approve the transaction, they are voting to fund ALI or ultimately the Trust. Their vote not only demonstrates their choice to fund ALI or ultimately the Trust, but it is completely consistent with BCBSLA's nonprofit mission. Moreover, because

BCBSLA Members are citizens of Louisiana, they will continue to benefit from the purpose of ALI or the Trust along with the rest of the State.

VII. CONCLUSION

The Plan (1) properly protects the interests of the policyholders as such and as members, (2) serves the best interests of policyholders and members, and (3) is fair and equitable to policyholders and members, and accordingly, pursuant to La. R.S. 22:236.4, BCBSLA respectfully requests the Commissioner enter a final order or decision approving the Plan. Under the Plan Eligible Members whose membership interest are extinguished will receive \$307 million as a group in compensation, policyholders will continue to enjoy their coverage, but will also enjoy improved access, quality, and affordability of health care that come with the combination of BCBSLA and Elevance, all while BCBSLA's nonprofit mission to improve the health of all Louisiana citizens, including policyholders, is continued through ALI or the Trust.

McGLINCHEY STAFFORD, PLLC

/s/ Rodolfo J. Aguilar, Jr.

Rodolfo J. Aguilar, Jr. (Bar Roll No. 1192)
Ronnie L. Johnson (Bar Roll No. 20238)
Juston M. O'Brien (La. Bar Roll No. 26447)
Brad M. Barback (Bar Roll No. 35642)
301 Main Street, 14th Floor
Baton Rouge, LA 70801
Telephone: (225) 383-9000
Facsimile: (225) 343-3076
rudyaquilar@mcglinchey.com
rjohnson@mcglinchey.com
jobrien@mcglinchey.com
bbarback@mcglinchey.com

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 9th day of February, 2024, a copy of the above and foregoing has been sent via electronic mail to the following:

James David Caldwell
Claire Lemoine
Louisiana Department of Insurance
1702 N. 3rd Street
Baton Rouge, LA 70802
david.caldwell@ldi.la.gov
Claire.lemoine@ldi.la.gov

David S. Rubin
Josh McDiarmid
George Holmes
Butler Snow LLP
445 North Boulevard, Suite 300
Baton Rouge, LA 70802
David.Rubin@butlersnow.com
Josh.McDiarmid@butlersnow.com
George.Holmes@butlersnow.com

Attorneys for Louisiana Department of Insurance

Eric P. Morvant
Jones Walker LLP
445 North Boulevard, Suite 800
Baton Rouge, LA 70802
emorvant@joneswalker.com

Robert B. House
Jones Walker, LLP
3100 N. State St. Suite 300
Jackson, MS 39216
rhouse@joneswalker.com

Jared R. Danilson
Emily Z. Campbell
Faegre, Drinker Biddle & Reath LLP
300 North Meridian Street, Suite 2500
Indianapolis, Indiana 46204
jared.danilson@faegredrinker.com
emily.campbell@faegredrinker.com

Counsel to Elevance Health, Inc. and ATH Holding Company, LLC

Henry W. Kinney
Kinney, Ellinghausen & DeShazo
1250 Poydras Street, Suite 2450
New Orleans, LA 70113
hkinney@kinneylaw.com

Attorney for Intervenors

John S. Bradford
4431 West Prien Lake Road
Lake Charles, LA 70605
Telephone: 337-802-3377
jsbradford@ssvcs.com

/s/ Rodolfo J. Aguilar, Jr.
Rodolfo J. Aguilar, Jr.