

BCS INSURANCE GROUP

Corporate Background

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serving  
Blue Cross  
and  
Blue Shield  
Plan needs  
for over  
50 years

The original BCS Financial Corporation (“Original Financial”), a Delaware Corporation was owned by the Blue Cross and Blue Shield Plans (“Plans” or “System”), and the Blue Cross and Blue Shield Association (“Association”). Original Financial was formed to provide an instrument to own and consolidate the results of BCS Insurance Company (BCSI) and BCS Life Insurance Company (BCSL) however, Original Financial evolved into a diverse insurance and financial services company engaged in many activities on behalf of the System. In addition to these activities a commercial division was established in January 2000 to provide for the specialized needs of selected non-Blue Cross and Blue Shield markets. BCSI and BCSL are commonly referred to as the BCS Insurance Group (Group).

BCSL, a life company domiciled in Illinois, and BCSI, a casualty company domiciled in Ohio were formed separately in 1949 and 1950 respectively, The companies were created to fulfill the mission of enhancing the Plans ability to provide quality health care financing. As such, BCSI and BCSL enjoy a unique and key relationship with the System and are the only franchised insurance companies created to specifically access and serve the needs of the Plans.

This relationship affords the companies many benefits. Access to vital and sensitive information has provided the companies with an unsurpassed understanding and knowledge of the System and its needs. It has also resulted in unparalleled insight when developing and marketing products and services to the System. In addition, the companies preferred status and access provides them with a significant distribution cost advantage when compared to independent carriers.

While both BCSL and BCSI have and continue to share common management, marked differences have developed in both their role and growth. BCSL continues to fulfill the original purpose for which it was created. It functions almost exclusively as a captive, issuing coverage on behalf of Plans when they are unable to offer their own products because of regulatory, contractual, geographical or structural barriers, and providing non-health benefits to Plan employees. BCSI and BCSL are licensed in all 50 states and are rated A- (Excellent) by the A.M. Best Company.

BCSI, while maintaining its focus on the System, has evolved into what can more accurately be described as primarily an insurer and reinsurer of Plan risks rather than a captive. In essence, it operates as a commercial carrier when developing and marketing new products in response to Plan needs and has been much more active in pursuing non-System business.

## THE GROUP'S "DUAL MARKET" APPROACH

### BLUE CROSS AND BLUE SHIELD PLAN MARKET

BCS Insurance Group's focus on the Blue Cross and Blue Shield Plan market is for it to be the premier source of insurance and reinsurance for a variety of Plan needs. Some of the programs developed specifically for the Plan market segments are geared toward the following:

*Corporate—Insurance and reinsurance programs for the Plan and their affiliated corporate entities;*

*Employees—Programs that meet the insurance needs of Plan employees;*

*Providers and Agents—Products that meet the insurance needs of Plan providers and agents;*

*Customers—Programs that meet the insurance needs of Plan customers (both group and individual).*

### NON-BLUE (COMMERCIAL) MARKETS

In the mid-1990s, BCS Insurance Group's non Blue or commercial market focus was expanded and the Group has actively grown its business by marketing products and services to meet the specialized needs of selected commercial markets.

The Group's commercial strategy is largely to:

*Extend existing products and programs developed for the Blue Cross and Blue Shield Plan market where the Group can capitalize on its acquired knowledge and demonstrated expertise and to offer health, life, accident and disability, and casualty coverages to select commercial market segments.*

## CORPORATE HIGHLIGHTS AND MILESTONES

Since the companies' inception over 50 years ago, there have been a number of key accomplishments. Among them are:

### 1950's

- Issued the first national account contracts within the Blue Cross and Blue Shield system
- "HSI's"\* (BCSL) basic hospital contract became the Plan's national hospital contract
- "MIA's"\* (BCSI) medical/surgical contract became the basis for the Blue Cross and Blue Shield national account contract
- Implemented the systems first equalization formula

### 1960's

- Issued first major medical contract
- Underwrote small group major medical for California, New Jersey and New York Plans

### 1970's

- Provided UCR benefits in New York State to solve regulatory limitations
- Issued on behalf of Blue Shield of Nevada vision, hospital, and major medical benefits
- Provided additional underwriting capacity to Plans for writing State groups in Maryland, Virginia and West Virginia
- Pioneered vision, dental and chiropractic benefits
- Introduced catastrophic major medical benefits on a direct basis and reinsured excess major medical insurance
- Developed legal expense coverage
- Financed CHAMPUS claims processing system allowing Plans to bid on CHAMPUS program
- "HSI" received authority to issue life insurance coverage
- "MIA" received license in Guam to provide benefits for Hawaii based groups

\* *Health Service, Incorporated (HSI) was originally formed in 1949 as a life company and received its initial funding from many Blue Cross Plans through the Blue Cross Association. In 1953, Medical Indemnity of America (MIA) was formed by the National Association of Blue Shield Plans as a casualty company.*

### 1980's

- Began writing stop loss coverage for Blue Cross and Blue shield Plans' individual ASO groups
- Began marketing life, AD&D and disability programs through Plans to their customers
- Developed the first organ transplant reinsurance program
- Provided a facility to address Plans' regulatory restrictions in Michigan and Massachusetts
- Developed D&O/E&O program
- Developed Group Universal Life program for Blue Cross and Blue Shield Plan employees
- Underwriter for first Elite Athlete Program through the United States Olympic Committee (USOC)
- Issued travel and purchase protection coverages on behalf of a subsidiary of the then Blue Cross and Blue Shield of Greater New York and Blue Cross and Blue Shield of the National Capital Area

### 1990's

- Developed HMO Contingent Liability, Employers Managed Care Liability and Employment Practices coverages
- Developed the life reinsurance program for Plan life affiliates
- Successfully raised capital and formed Blue Plan Investment Corporation (BPIC) to solve the Blue Cross and Blue Shield of National Capital Area's financial crisis
- Granted the first BCBSA international license to protect name and mark (Blue Cross and Blue Shield of Western Europe)
- BCSI and BCSL became licensed in Puerto Rico

### 2000's

- Dramatically expanded presence in commercial market
- Became underwriter for BCBSA's Blue Worldwide Expat program
- Developed and began marketing a limited medical product for hourly and part-time employees—with a number of major retail and franchise corporations currently insured

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