



October 9, 2019

Via Hand Delivery

Commissioner Mike Causey
North Carolina Department of Insurance
325 North Salisbury Street
Suite 1100
Raleigh, North Carolina 27603

Dear Commissioner Causey,

Our mission at Blue Cross NC is and will remain to improve the health and well-being of our customers and communities. Our relationship with you and your staff at the North Carolina Department of Insurance is a critical factor enabling Blue Cross NC to achieve this mission. The Board of Trustees and our Company's leadership take the importance and strength of our relationship with the Department very seriously. Having considered the concerns you expressed to us, and in recognition of the Department's experience handling sensitive matters, we agree we should have informed you earlier of Dr. Conway's arrest and apologize for not doing so.

We cannot undo the events that have unfolded over recent weeks. We can commit to restore your trust in us going forward. During the weeks between June 22 and September 25, our Board evaluated the circumstances and information known to us and, at all times, acted in good faith to address the sensitive medical privacy and legal concerns created by Dr. Conway's arrest and treatment and to fulfill our fiduciary obligations to Blue Cross NC. We regret that our actions have harmed our relationship with your Department.

We appreciate your acknowledgement that Blue Cross NC is a good company made up of good people and that we have had a good and long-standing working relationship with your Department. In that spirit, we are working to restore our relationships with the Department, our policyholders, and our other North Carolina constituents. We have always and will continue to focus on the needs of our North Carolina customers and are committed as ever to conducting our business with integrity and fairness.

Our Board held previously scheduled meetings on October 8 and 9. We used our time together to focus on this crucial work. We are pleased to share with you that, among other things, the Board has taken action to:

1. Elect Gerald Petkau, our Interim CEO, to the Board effective immediately and commence our search for a permanent CEO. As the Interim CEO and Chief Operating Officer, Mr. Petkau is the executive officer closest to the Company's business. We believe his membership on the Board will facilitate prompt communication on institutional, business, and operational topics relevant to the Board. Gerald's transition into the Interim CEO role has gone smoothly and we are confident his extensive leadership experience,

longstanding commitment to the company, and deep institutional knowledge will be invaluable at this time.

2. Develop enhanced corporate governance protocols regarding our internal and external reporting procedures. Although we believe Blue Cross NC has strong governance policies in place—which include a requirement that the majority of the Board be independent, robust corporate governance guidelines and code of conduct, anonymous whistleblower protection and ethics hotline, and three committees of independent Board members—we appreciate that improvements can and should be considered regularly.
3. Invite further communication with the Department. We have a number of ideas about how increased communications could enhance our relationship and provide the opportunity to share information and ideas. To that end, we would like to personally invite you to attend our Board meeting in January 2020 to open this channel and discuss these matters further.

We remain fully committed to our mission and to transforming our health care system through value-based initiatives like Blue Premier, bringing advanced primary care to North Carolina, and helping our customers get more affordable, higher quality health care and prescription drugs. We recognize that we cannot achieve that mission without restoring the Department's trust in Blue Cross NC and our Board. We have appreciated the opportunity for members of our Board to meet and discuss recent events with the Department. Our Board and Company leadership look forward to discussing the Board action described herein and taking the important steps to restoring our crucial relationship with the Department.

Sincerely,

Blue Cross NC Board of Trustees

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