



James E. Purcell, President and Chief Executive Officer  
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July 3, 2009

**VIA SERFF**

Mr. Christopher F. Koller  
Health Insurance Commissioner  
Office of the Health Insurance Commissioner  
1511 Pontiac Ave, Building #69, First Floor  
Cranston, RI 02920

Re: Claims Projections and Reserve Factors applicable to Blue Cross & Blue Shield of Rhode Island's Large Group and Small Group Subscription Rates, Filed May 15, 2009

Dear Commissioner Koller:

The purpose of this letter is to inform you that Blue Cross & Blue Shield of Rhode Island ("Blue Cross") hereby withdraws its May 15<sup>th</sup> filing. We are doing so based upon your recent clarification of how rates will be developed going forward and that by withdrawing we are not required to freeze rates but instead can bring small and large group rates to the previously approved September 2009 and December 2009 levels, respectively.

This withdrawal will have a significantly negative financial impact to Blue Cross. I know you understand this. Our filing was actuarially justified, and represented necessary and appropriate increases to ensure that Blue Cross is here to serve Rhode Islanders for years to come. In fact, we estimate that if claims continue in the direction they have been (which we fully expect they will), this withdrawal could generate losses of as much as \$32 million after tax. We are already below the minimum end of the range for reserves which you have established, and our reserve position will be significantly worse by the end of the year.

Because the underlying reasons for this filing – increasing medical costs – are not likely to change, we fully expect to submit a new filing in November. We do not expect that filing to be dramatically different than the one we submitted in May. Moreover, the economic situation in Rhode Island is not likely to be dramatically different either, but we hope that our filing will be considered with an open mind and with due consideration given to the financial situation facing Blue Cross, the principle drivers (e.g. utilization and price), the efforts we have made and will continue to make to reform the system, and our overall commitment to Rhode Island.

In closing, and I know you agree with me, this emphasizes the importance of substantive healthcare reform. We pledge to work with you in furtherance of reform.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Purcell".

James E. Purcell  
President & CEO

JEP/MN/zmt