

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of the Proposed Adoption)
of the Financial Condition Examination)
Report as of **December 31, 1998**) Docket No. 2937-ER
of **Blue Cross & Blue Shield of Kansas, Inc.**)

ORDER

NOW COMES on for formal disposition the matter of the proposed adoption of the financial condition examination report as of December 31, 1998 of Blue Cross & Blue Shield of Kansas, Inc., a Kansas corporation. This matter is brought before the Commissioner of Insurance for adoption, rejection, or modification pursuant to the provisions of Kansas Statutes Annotated (K.S.A.) 40-222.

I, Kathleen Sebelius, the duly elected, qualified, and acting Commissioner of Insurance, having fully considered and reviewed the financial condition examination report, together with all written submissions, applicable rebuttals, and all relevant portions of the examiners' work papers, and further, being fully advised on all premises, hereby make the following findings of facts and conclusions of law, and set forth the policy reasons therefor, to wit:

POLICY REASONS

It is the stated policy of the State of Kansas that whenever the Commissioner of Insurance deems it necessary, an examination of the affairs and financial condition of any insurance company in the process of organization, applying for admission, or doing business in this State can be undertaken. In all cases, such an examination must occur

once every five (5) years. Through the examination process, the interests of the insurance-buying public are protected and served.

FINDINGS OF FACT

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-222.

2. An examination of Blue Cross & Blue Shield of Kansas, Inc. was undertaken by the Kansas Insurance Department and was completed on July 7, 2000.

3. The examiner-in-charge tendered and filed with the Kansas Insurance Department a verified written report of the examination within thirty (30) days following completion of the examination, to wit: July 7, 2000.

4. Following receipt of the verified report, the Kansas Insurance Department transmitted the report to Blue Cross & Blue Shield of Kansas, Inc. on October 24, 2000, with a duly executed notice advising the company of its opportunity to prepare and submit to the Kansas Insurance Department a written submission or rebuttal with respect to any and all matters contained in the report. Blue Cross & Blue Shield of Kansas, Inc. was further advised that any written submission or rebuttal needed to be filed with the Kansas Insurance Department no later than thirty (30) days after receipt of the verified report.

5. Blue Cross & Blue Shield of Kansas, Inc. filed a written acceptance of the verified report on November 3, 2000.

6. Based upon the written submission tendered by Blue Cross & Blue Shield of Kansas, Inc., the company takes no exceptions to matters contained in the verified report.

7. Within thirty (30) days of the end of the time period allowed for written submission or rebuttal, the Commissioner of Insurance fully reviewed the report, together

with all written submissions and rebuttals provided by Blue Cross & Blue Shield of Kansas, Inc.. The Commissioner of Insurance further reviewed all relevant work papers.

8. No other written submissions or rebuttals were submitted by Blue Cross & Blue Shield of Kansas, Inc..

CONCLUSIONS OF LAW

9. K.S.A. 40-222(k)(2) provides:

Within 30 days of the end of the period allowed for the receipt of written submissions or rebuttals, the commissioner shall fully consider and review the report, together with any written submissions or rebuttals and any relevant portions of the examiners workpapers and enter an order:

(A) Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the commissioner, the commissioner may order the company to take any action the commissioner considers necessary and appropriate to cure such violations; or

(B) rejecting the examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and refiling pursuant to subsection (k); or

(C) call and conduct a fact-finding hearing in accordance with K.S.A. 40-281 and amendments thereto for purposes of obtaining additional documentation, data, information and testimony.

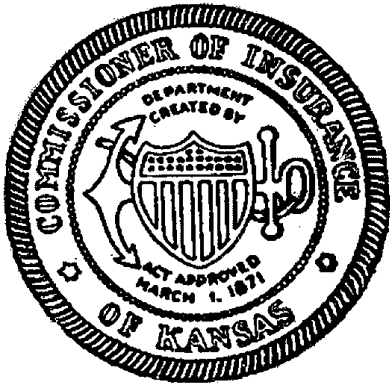
10. Based upon the Findings of Fact enumerated in paragraphs 1 through 8 above, the financial condition examination report as of December 31, 1998 of Blue Cross & Blue Shield of Kansas, Inc. should be adopted.

**IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED
THAT:**

1. The financial condition examination report as of December 31, 1998 of Blue Cross & Blue Shield of Kansas, Inc., is hereby adopted.

2. The Commissioner of Insurance retains jurisdiction over this matter for the purpose of issuing any and all further Orders as may be deemed appropriate or to take any such further action as may be necessary to dispose of this matter.

IT IS SO ORDERED THIS 7th DAY OF December 2000, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Kathleen Sebelius
Kathleen Sebelius
Commissioner of Insurance

By: /s/ Kathy Greenlee
Kathy Greenlee
General Counsel