



Independence
Blue Cross

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January 19, 2010

Mr. David Banet
David M. Banet & Associates, Inc.
45 Dowlin Forge Road
Exton, PA 19341

Dear Dave,

We have just completed a challenging year for IBC and the health insurance industry. I am writing to thank you for the important role you have played in our success attracting new business in 2009, and to discuss two changes we will be making to broker compensation for 2010.

First, with health care reform looming, our goal as a company is to continue to be in a strong position to work with you to best serve our mutual customers. We appreciate your new business effort and ongoing commitment to retain and preserve our existing group customers. There are many carriers vying for your business and for your attention; thank you for your partnership with us.

Second, as you know, part of our core responsibility to you and to our group customers is to offer the lowest possible premiums for our health plans. We will be making two key changes in how we will compensate you in 2010 to better control our administrative costs, to reduce the medical trend for our groups, and to align our commission structure with the approach carriers have implemented throughout Pennsylvania and in other parts of the nation.

Like many carriers over the past few years, we will move away from a percent basis for commission payments for small groups. While a percentage basis is easy to understand and track, it accelerates administrative costs as commissions increase proportionally with medical inflation. Our plan is to move to a per contract, per month commission (PCPM) beginning May 1, 2010 for all groups with less than 100 enrolled. While we are still finalizing the exact amount of the PCPM, our intent is to make the new levels of commission as revenue neutral as possible compared to 2009 commission payouts for brokered business as a whole. We expect to announce the exact amount of the PCPM before March 1, 2010.





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The other change we are making is to move from the current payment model for commission on Keystone groups with more than 100 enrolled. Today, standard commission for these Keystone groups is built into the rates. Beginning with the May 2010 renewals, we will add the Keystone commission to the group premium. The renewals will include a line item for commission which reflects the commission "load." As a result, the commission for Keystone will be reflected to customers the same way as it is for Personal Choice: as an addition to the group's rates. When the May renewals are calculated, the rates will reflect the following commission scale, which will be applied consistently across the Personal Choice and Keystone lines of business:

100-299	5.5%*
300-499	4.5%
500-699	3.5%
700-999	2.5%
1,000 +	negotiated

The load to the rates for commission may be negotiated above or below this scale with a corresponding impact on the group's premium. This same scale above will be implemented for all new group sales effective January 1, 2010.

Thank you for your partnership through the changes and challenges facing our industry and for your continuous support of our efforts to serve our customers. Please let me know if you have any questions.

Wishing you a healthy and successful 2010!

Sincerely,

Brett A. Mayfield
Vice President, Sales

BAM/ms

cc: Mr. Larry Turnbull

*For groups between 100-299, 0.5% commission override for the Level II / Level III will be included in the group's retention as a "socialized" commission. This override commission will be for wholesale business only, where commission is paid to a down-stream producer.