ATTACHMENT B:

Policy of CareFirst BlueCross BlueShield
Regarding
Community Giving in the Context of its Role as a Not-for-Profit Health Plan

CareFirst BlueCross BlueShield's core mission and purpose is to serve its policyholders. In fulfilling this mission, CareFirst seeks to offer the lowest possible rates for its subscribers while providing the best overall value in health care benefits, provider access and customer service. To achieve this standard, CareFirst must continually invest in system improvements to support the complex requirements of its many products and services.

Central to this purpose is maintaining financial strength sufficient to meet future claims obligations. To this end, the Company maintains capital reserves for the benefit of its policyholders. After these two purposes are met, CareFirst seeks to serve the broader communities in its service area by facilitating, supporting and funding a range of health-related initiatives.

Consistent with its not-for-profit charter and enabling legislation, CareFirst has no shareholders, incurs no debt and operates only within its defined service area of Maryland, the District of Columbia and Northern Virginia. Earnings on its capital reserves are used to stabilize and moderate premiums for CareFirst's policyholders.

Long-Range Strategic Plan

In fulfilling the purpose and goals of CareFirst's enabling statutes and charters, the CareFirst Board has approved a long-range strategic plan (LRSP) implemented in annual plans in the context of rolling, three-year increments. Among other things, the LRSP creates the framework for the interplay between premiums and fees charged, the amounts held in reserve for the protection of policyholders, and the amounts allocated for giving to the wider community. Management uses this framework as a guide in executing the Company's operating plan on a year-to-year basis. All rate requests and financial filings to regulators are developed in the context of the LRSP and this Policy.

Key Elements of CareFirst Policy on Premiums, Reserves and Community Giving

1. **Setting Reserve Levels:** CareFirst seeks to maintain capital reserves within a target range over a continually rolling three-year period that are prudent, reasonable and appropriate given the risks to which the Company is exposed.

    a. "Prudent" means a range recommended by external professional actuaries that is expressed as a percentage of Risk Based Capital (RBC) in accordance with guidelines established by the National Association of Insurance Commissioners (NAIC) and standard actuarial practice. The Board of Directors adopts this range as its target "optimal" range. Separate optimal ranges are established for the consolidated CareFirst, Inc., and for its two operating affiliates, GHMSI and CFMI.

    b. The Company commissions external reviews at least every three years. Reports of the external actuarial adviser(s) are provided to regulators in each jurisdiction in which the Company operates. For these reviews, the Company seeks the services of an external third party that is nationally recognized as a leader in the actuarial field. The Company also may seek from time to time a second review from a nationally qualified firm to further validate the "optimal" RBC ranges.

c. The Company seeks to meet all applicable minimum requirements for reserves as established by the NAIC and the Blue Cross and Blue Shield Association, as well as any applicable state or local regulatory requirements. CareFirst avoids accumulating reserve levels above the optimal range which are viewed, by definition, to be inconsistent with CareFirst's mission.

d. In turn, this optimal reserves range guides development of annual operating plans and budgets. While some fluctuation in year-to-year performance can be anticipated, every effort is made to moderate premium levels in order to avoid sharp changes, particularly increases.

e. As a further attempt to validate its reserve position, the Company also continually assesses its performance and reserve ranges relative to other not-for-profit Blue Cross and Blue Shield Plans and monitors its performance relative to the ratings of external rating organizations such as Standard and Poor's.

2. **Rate Setting:** CareFirst continually analyzes emerging claims experience and updates forecasts of underwriting results at least quarterly. As a matter of Board policy:

   a. The Company seeks to set premiums at the lowest possible level of underwriting gain consistent with maintaining reserves within the optimal target range.

   b. All investment income on reserves is applied toward meeting future reserve requirements, thereby further moderating any pressure on underwriting gains.

3. **Adjusting Premiums when Results Fall Outside Optimal Reserve Range:** Since changes in medical trends and operating expenses occur constantly, the Company continually monitors its results and makes adjustments as needed.

   a. Should reserve levels be projected to fall below the minimum of the target range during any three-year planning cycle, the Company will initiate steps to increase its targeted underwriting gain sufficient to restore reserves to the optimal range.

   b. If reserves are projected to exceed the high end of the target range in a three-year planning cycle, CareFirst will initiate rate actions (typically holding rates steady for longer periods or selectively reducing rates on certain products) designed to bring reserves back within target range. Thus, the Company always strives to achieve levels of reserves that are sufficient without being excessive (e.g., within the optimal range).

4. **Community Giving:** Within the context above, CareFirst seeks to serve the larger community through carefully targeted giving to worthy, primarily health-related community projects and initiatives.

   a. In Maryland, CareFirst contributes an amount equivalent to at least 2 percent of its indemnity premium revenues to health-related initiatives that benefit the community. In effect, through these contributions CareFirst "earns" its exemption from the state's 2 percent premium tax levied on commercial insurers. As financial performance permits, the Company's contributions often exceed the 2 percent standard.

   b. A similar legislative framework does not currently exist in the District of Columbia. Instead, CareFirst pays a premium tax (at 2 percent, beginning in 2009) on commercial indemnity business to the District, most of which is directed into the District's General Fund. The Company also contributes to worthy health-related projects above this 2 percent tax rate. CareFirst favors extending Maryland's premium tax equivalence approach to the District.

5. **Community Giving Focus:** CareFirst employs an evaluative framework to guide its community giving that is focused on certain priorities:

    a. The most intense focus of giving is to expand access to health care coverage by subsidizing health coverage for many of the region's most vulnerable people.

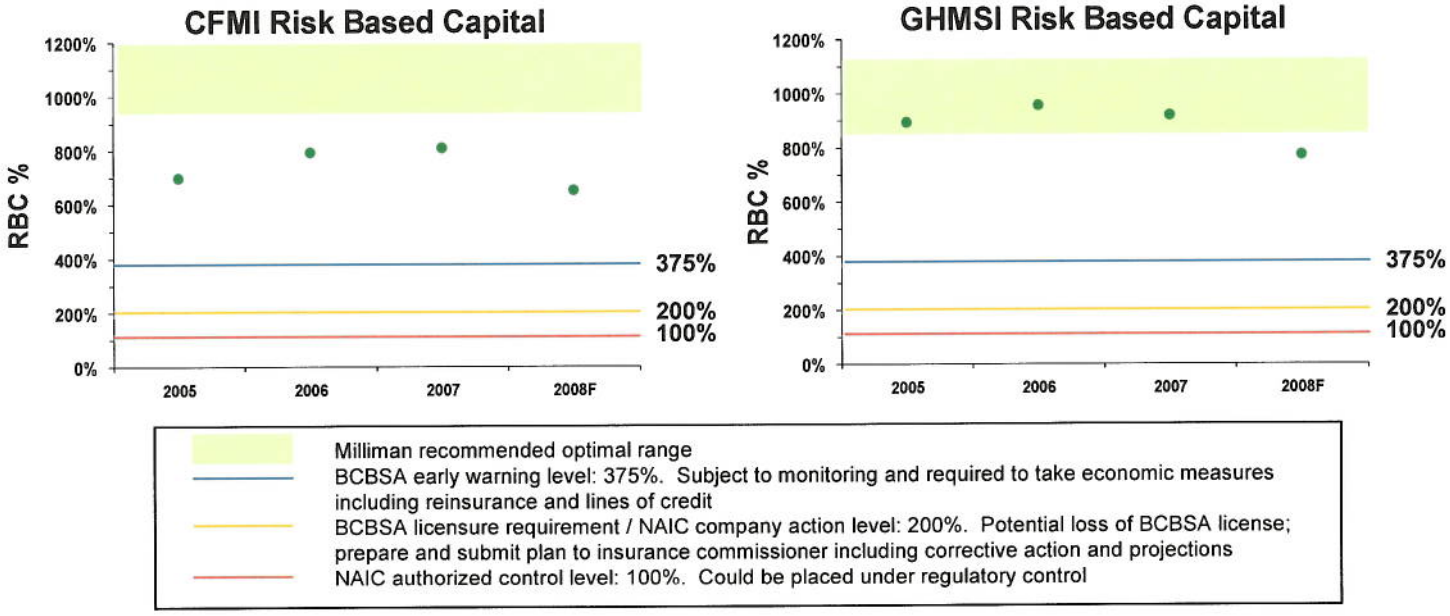
    b. CareFirst also seeks to act as a catalyst in developing systemic improvements in health care delivery in ways that benefit the entire community.

    c. A third area of giving is in targeted programmatic initiatives undertaken by qualified non-profit community organizations that focus on opportunities to address specific health issues, such as reducing childhood obesity and reducing cardiovascular risks in older men.

    d. The entire process is overseen by a special Board committee called the Mission Oversight Committee, which monitors the Company's corporate giving activities. Giving by geography/government jurisdiction generally is proportionate to the insured membership within each jurisdiction.

CareFirst's Performance Under Policy Framework

1. **Setting Reserve Levels:** The CareFirst and affiliate Boards, which underwent an almost total turnover in 2003 and 2004, engaged Milliman USA, an internationally respected actuarial consultant, in 2005 to analyze CareFirst's consolidated and affiliate reserve levels and to advise the Boards on appropriate levels of reserves. CareFirst engaged Milliman again in 2008 to update this analysis. Based on their relative risks, Milliman determined that optimal reserve levels for **CFMI should be in the range of 900% to 1200% RBC** and for **GHMSI should be in the range of 750% to 1050% RBC**. Milliman deemed these levels "reasonable and appropriate." While GHMSI historically has operated within that targeted RBC range, it is projected to fall below this range in 2008. CFMI's RBC historically has been below the optimal level recommended by Milliman (see below) and is projected to continue to be below this range for 2008. CareFirst's consolidated RBC was 869 percent at year-end 2007, which is within 5 percent of the weighted average RBC of not-for-profit Blues Plans generally.



a. Milliman said its recommended RBC ranges "should be wide enough to allow for a reasonable degree of fluctuation in operating results year-to-year, under normal operating circumstances, over a multi-year horizon." Basing its analysis on certain assumptions, at a high level of confidence, Milliman set as minimal goals reserve levels that 1) avoided the BCBSA Early Warning Monitoring threshold; 2) avoided the BCBSA Loss of Trademark threshold; and 3) provided equity capital for development and upgrading CareFirst's infrastructure and systems.

b. It concluded that accumulating reserves in excess of the optimal range "by definition…would not add to the well being of the company." In such circumstances, Milliman recommended "taking actions to ease surplus growth as it nears the upper end of the target range." The 2005 Milliman Reports on CFMI and GHMSI were shared with regulators in MD and DC as well as with selected legislators.

c. Using another benchmark, one respected actuarial consultant, The Lewin Group, suggests a reserve standard in the range of 15 percent to 25 percent of annual premium revenue to protect against undue risks. CareFirst's $1.27 billion in reserves equal about 20 percent of revenues.

d. Besides the Milliman analyses, CareFirst also relies on the annual review and rating of the Company's performance by Standard & Poor's as another monitoring measure of financial viability. In its most recent review, S&P rated the National Capital Area affiliate "A-/Stable", a notch better than the Maryland affiliate's "BBB+/Positive".

e. In a June 2008 Report in which S&P rated 10 large not-for-profit and mutual Blues Plans, it said the capital positions of the Plans was "Strong" but needed to be strong given the marketplace challenges they face and their lack of access to the equity markets for investment capital. Eight of the 10 Plans had ratings better than either of CareFirst's operating affiliates.

f. S&P noted, however, that these plans lacked national scale and business line diversification and are on the defensive competitively against for-profit carriers who increased their enrollment 7.2% versus the 1.4% membership growth reported by the Blues Plans. By comparison, CareFirst's consolidated "BBB-/Stable" rating ranked below these Plans by S&P. (S&P typically rates holding companies lower than their operating units.)

2. **Members and Revenues** – Revenue and membership generated by the business underwritten in the District of Columbia (excluding FEP) approximates 10 percent of CareFirst, Inc.'s total revenue and membership.

3. **Community Giving:** In fulfilling its not-for-profit mission, the Company has dramatically enhanced efforts to increase access and affordability, improve quality and safety, and reduce disparities in health care. From 2005 through 2008 (projected), CareFirst will have provided nearly $131 million in community giving, medical initiatives and subsidies under its CareFirst Commitment initiative (see chart, below). In 2007, CareFirst contributed $34.3 million to benefit the community, which exceeded the 2 percent payment in lieu of Maryland's premium tax by more than $8 million.

2008 Community Benefit Giving