

June 4, 2009

Dear Stakeholder,

The negative reaction to Blue Cross & Blue Shield of Rhode Island's (BCBSRI) request for a rate increase in this very challenging economic environment is understandable. We appreciate how difficult these economic times have been for small and large businesses, as well as for individuals. Everyone has been affected to some degree, including BCBSRI.

The purpose of this letter is to let you know that we understand the concerns that have been raised. But also understand that we have a fiduciary duty to ensure the financial stability of BCBSRI. When I first saw the size of the required increase, I was sick. But the vast majority of this increase comes from increases in claims expense. We simply cannot ignore the facts and request rates that are inadequate. Given the increased costs of healthcare services, our current rates are simply insufficient to cover the total cost of the coverage we offer.

It is our duty to ensure that BCBSRI does not disappear like so many other corporations. Hundreds of thousands of Rhode Islanders depend on us every day to insure them and their loved ones against medical expenses of all sizes. We must be there for them through thick and thin, and we will be, as we have been for the past 70 years.

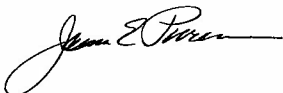
Like any business, we strive to operate in a financially prudent manner. To do that, however, we have made very difficult, though necessary, decisions such as reducing administrative expenses by more than \$12 million, eliminating 79 positions, and freezing our annual pay raise. The total administrative dollars budgeted for 2010 is 2.4% above the 2009 budget. However, because of the complexities of statutory accounting, the filing makes it appear like a much larger request.

Please know that I personally reviewed this filing and approved it. It is actuarially justified. When we file such a request, especially at times like these, we do so with a heavy heart, but in the good faith belief that it is necessary. Of course, the Office of the Health Insurance Commissioner (OHIC) will review our request and all of the supporting documentation. In the end, they may or may not agree. That is the way the regulatory system works, and we respect that.

In closing, please understand that our filing was not done out of arrogance, ignorance, or greed. Our reserves today are below the range the OHIC established. Therefore, we must remain financially capable of withstanding economic downturns like the one we're currently facing. And we must be there to cover the healthcare expenses of our fellow Rhode Islanders, no matter how little or much is needed, with the very best service and coverage.

If you have any questions, please contact me, and I'd be happy to address them.

Sincerely,



James E. Purcell  
President & CEO

cc: The Honorable Donald L. Carcieri, The Honorable Elizabeth H. Roberts, The Honorable Patrick C. Lynch, The Honorable M. Teresa Paiva Weed, The Honorable William J. Murphy, The Honorable Gordon D. Fox, The Honorable Daniel P. Connors, The Honorable Steven M. Costantino, The Honorable Daniel DaPonte