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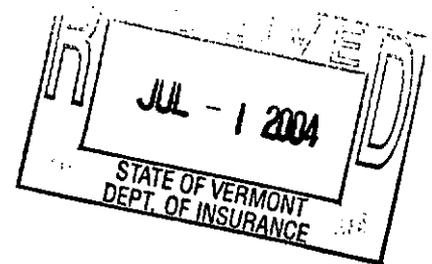
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July 1, 2004

HAND DELIVERED

Diane Lewis  
Docket Clerk  
Department of Banking, Insurance,  
Securities & Health Care Administration  
89 Main Street, Drawer 20  
Montpelier, VT 05620-3101



Re: Appeal, Docket No. 03-31-I

Dear Diane:

I have enclosed Blue Cross and Blue Shield of Vermont's Appeal Notice in the above-referenced matter. Please give me a call if you have any questions. Your assistance and consideration are appreciated.

Very truly yours,

Jeffrey P. Johnson  
General Counsel,  
BCBSVT

Enclosure

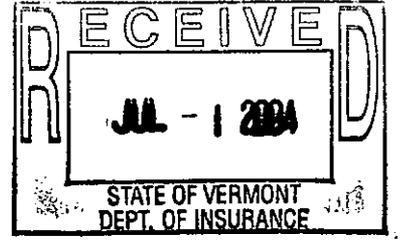
cc: Herbert Olson, General Counsel, BISHCA (w/encl.)  
Rebecca Heintz, Insurance Counsel (w/encl.)  
Monica Neronha, Assistant General Counsel (w/encl.)

STATE OF VERMONT  
DEPARTMENT OF BANKING, INSURANCE, SECURITIES  
& HEALTH CARE ADMINISTRATION

In Re: Blue Cross and Blue Shield  
of Vermont

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Docket No.  
03-031-I



NOTICE OF AND REQUEST TO APPEAL ORDER AMENDING  
ORDER ADOPTING REPORT OF EXAMINATION

NOW COMES Blue Cross and Blue Shield of Vermont ("BCBSVT") to appeal the \$20,000 administrative penalty, pursuant to the requirements set forth in the Findings, Conclusions and Order, dated June 23, 2004.

Further, BCBSVT requests permission, as required by paragraph 19 of the Findings, Conclusions and Order, to appeal paragraph's 5, 6 and 7 of the Order Amending Order Adopting Report of Examination ("Amending Order"). If permission is granted, BCBSVT respectfully requests that the Commissioner of the Vermont Department of Banking, Insurance, Securities and Health Care Administration ("Commission") accept this submission as due notice of BCBSVT's appeal of those aforementioned paragraphs of the Amending Order.

In the Findings, Conclusions and Order, the Commissioner notes that BCBSVT should have notice and an opportunity to be heard prior to imposition of an administrative penalty. BCBSVT avers that an evidentiary hearing concerning the appropriateness of imposition of such penalty will necessarily involve factual issues directly related to the requirements imposed by paragraphs 5, 6 and 7 of the Amending Order.

Further, BCBSVT should have an opportunity, in the context of an evidentiary hearing, to either challenge or seek clarification of the Findings of Fact and all other provisions contained in the Amending Order. For example, Finding of Fact #3 states, in part:

“It appears the Company (referring to BCBSVT) lacks the resources to produce the required reports in a useful fashion.”

This exculpatory finding does not support the imposition of an administrative penalty. And, in point of fact, BCBSVT strongly believes it can provide “useful” information sufficient to address the stated regulatory needs. BCBSVT seeks an opportunity to make this demonstration and sincerely believes that the mutual interests of the State of Vermont, BCBSVT and its customers would be served by granting an opportunity to be heard on this point and the other findings and conclusions contained in the Amending Order.

Whereupon, BCBSVT appeals imposition of the \$20,000 Administrative Penalty and also appeals the Amending Order, including paragraphs 5, 6 and 7, contingent upon receipt of the Commissioner’s approval.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffrey P. Johnson" with a stylized flourish at the end.

Jeffrey P. Johnson  
General Counsel,  
BCBSVT