

PRODUCER UPDATE



BlueCross BlueShield of Illinois

300 East Randolph Street • Chicago, Illinois, 60601

To: **Licensed Producers for Blue Cross and Blue Shield of Illinois**

From: **Peter B. Rodes, Divisional Vice President, Consumer Markets**

Date: **August 31, 2005**

Subjects: **Important Producer Updates:**

- **Commissions Now Payable on Medicare Supplement Policies for Ages 80+**
- **Upgrade from A.M. Best Company**
- **Medicare Prescription Drug Coverage Update**

Our Medicare Supplement Policies Now Pay Commissions for Clients Age 80 and Up!

More great news for you and your business — we now pay commissions on **all Medicare Supplement** policies regardless of your client's age. To recognize the time and service that many Producers extend to their older customers, we are instituting a **5% first year commission on Medicare Supplement plans issued for individuals age 80 and older**. Renewals will be 2.5%. This new amendment to our Compensation Schedule applies to policies that are issued, effective and paid on or after September 1, 2005.

First year commissions and renewals for clients age 65 through 79 remain at 10% / 5%.

This expansion of our "Blue Rewards" program is one of the steps we have taken this year to build upon and better the business relationship with Producers. In April, we rolled out the first part of the program by increasing compensation for our Under-65 business. Now, we've extended the program into our Over-65 business.

We've Been Upgraded!

We're pleased to announce that in June, A.M. Best Company upgraded the financial strength ratings to A+ (Superior) from A (Excellent) of Health Care Service Corporation (HCSC), a Mutual Legal Reserve Company (d/b/a Blue Cross Blue Shield of Illinois/Texas/New Mexico) (HCSC) (Chicago, IL) and its affiliates. These rating actions reflect HCSC's established market presence in its selected health coverage markets, sound financial and operating discipline, as well as solid capitalization. Please share this exciting news about the financial strength of BCBSIL with your customers. The new Best's Rating Report pamphlets are available for ordering online at www.bcbsil.com/dmagents.

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Medicare Prescription Drug Coverage Update

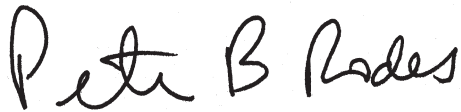
Enclosed you will find a brochure "Your Guide to New Medicare Prescription Drug Coverage," which explains the basics of the new drug plan. All BCBSIL Medicare Supplement members received this informational brochure along with their August and September billing statements.

For more information on Medicare prescription drug coverage, please contact Medicare officials by telephoning 1-800-633-4227; TTY users should call 1-877-486-2048, 24 hours a day, 7 days a week. On the Internet, visit the Web site www.medicare.gov and click on "More Detailed Information" about the Medicare Modernization Act for Beneficiaries and Caregivers. For Illinois residents, www.illinoisbenefits.org offers information on the new prescription drug program and Medicare Supplement insurance.

For the latest information on Medicare prescription drug coverage, please contact your Marketing Consultant or General Agent.

On behalf of the entire Consumer Markets team and myself, I thank you for your contribution to our joint success.

Sincerely,



Peter B. Rodes
Divisional Vice President, Consumer Markets
Blue Cross and Blue Shield of Illinois

Enc: 2005 Consumer Markets Producer Agreement Compensation Schedule
Your Guide to New Medicare Prescription Drug Coverage