



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

*Jim Doyle, Governor*  
*Jorge Gomez, Commissioner*

*Wisconsin.gov*

February 5, 2004

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## Advanced Via Facsimile

Mr. David R. Frick  
Executive Vice President and Chief Legal  
and Administrative Officer  
Anthem, Inc.  
120 Monument Circle  
Indianapolis, Indiana 46204

Re: In the Matter of the Acquisition of Control of Blue Cross Blue Shield of Wisconsin;  
Compcare Health Services Insurance Corporation; Unity Health Plans Insurance  
Corporation; United Heartland Life Insurance Company; United Wisconsin Insurance  
Company; and Valley Health Plan, Inc. by Anthem, Inc. and Anthem Holding Corp. (Case  
No. 04-C28767)

Dear Mr. Frick:

The following items are requested in connection with this Office's review of the proposed acquisition of control of Crossroad Acquisition Corp.'s Wisconsin-domiciled insurance subsidiaries pursuant to ss. 601.42 and 611.72, Wis. Statutes.

### **Requests for Documentation**

1. Please provide a complete copy of the Purchaser Disclosure Schedule and Company Disclosure Schedule to the Amended and Restated Agreement and Plan of Merger effective as of October 26, 2003 among Anthem, Inc., Anthem Holding Corp., and WellPoint Health Networks Inc., so that we might obtain a complete understanding of the proposed transaction. If the parties wish to seek confidentiality for certain aspects of the transaction documents, please provide a written legal analysis in support of your position that the filing or any portion of the filing should be kept confidential under s. 19.36(5), Wis. Stat., or other applicable Wisconsin law. Please describe this in a distinct and separate written communication, so that this Office's legal unit can review the merits of your legal analysis. Consistent with past practices, we would be amenable to meeting with you or your Wisconsin counsel to review these schedules.
2. Please provide Anthem Holding Corp.'s date of incorporation and confirmation that its full and proper legal name is "Anthem Holding Corp." and not "Anthem Holding Corporation".

3. Who will serve as directors and officers of each of the following insurance corporations following the merger: Blue Cross Blue Shield of Wisconsin; Compcare Health Services Insurance Corporation; Unity Health Plans Insurance Corporation; United Heartland Life Insurance Company; United Wisconsin Insurance Company; and Valley Health Plan, Inc.? Please file biographical affidavits on the NAIC form for any individuals for whom a biographical affidavit would not already be on file with this Office.
4. When available, please provide a copy of the Federal Trade Commission's early termination notice or other form of response to Anthem, Inc.'s filing pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

### **Financial Implications**

5. What cash flow, time frame and sources of funds do the parties anticipate will be needed to pay principal and interest on the debt that will be incurred to fund the purchase of WellPoint Health Networks Inc.?
6. Following the merger, what effect would the acquisition of WellPoint and Anthem's chosen method of debt financing for the transaction be anticipated to have on the factors determining its post-merger insurance subsidiaries' rate levels?
7. What assets, if any, are anticipated to be pledged to secure the debt that will be incurred to fund the purchase of WellPoint Health Networks Inc. or the debt that is anticipated to replace the bridge financing?
8. What are Anthem Inc.'s plans to dispose of the Anthem stock that Blue Cross Blue Shield of Wisconsin will hold following the proposed acquisition of control?
9. Please explain why WellPoint's insurance subsidiaries should receive a different form of consideration than most of WellPoint's other shareholders.
10. Please confirm that there will be no changes to any assets or liabilities on the statutory annual or quarterly statements of Blue Cross Blue Shield of Wisconsin or any other Wisconsin domiciled insurer related to the acquisition by Anthem, Inc., and that there will be no goodwill or acquisition expenses related to the acquisition by Anthem, Inc. pushed down into Blue Cross Blue Shield of Wisconsin or any other Wisconsin domiciled insurer.
11. What is the anticipated effect of the merger on the funding status of the combined companies' pension and other benefit obligations?

### **Business Plans**

12. What is the target date for closing the proposed merger?
13. Under what circumstances would Anthem, Inc. anticipate that it would elect to substitute an Indiana single member limited liability company for Anthem Holding Corp. in the proposed merger?
14. Is any reorganization of the succession of control or ownership of Crossroads Acquisition Corp.'s present subsidiaries contemplated following the proposed merger?

15. Which of Anthem's divisions will Crossroads Acquisition Corp.'s insurance subsidiaries join?
16. What is the anticipated impact of integration expenses upon each of Crossroads Acquisition Corp.'s Wisconsin-domiciled insurance subsidiaries?
17. What changes does Anthem, Inc.'s management anticipate with respect to service, management, cost allocation, or other written agreements applicable to Crossroads Acquisition Corp.'s insurance subsidiaries in consequence of the proposed merger?
18. Where will the primary books and records of Crossroads Acquisition Corp.'s present insurance subsidiaries' be located following the proposed merger?
19. Where will the primary location of statutory accounting and statutory financial statement preparation be following the merger?
20. Please describe plans, if any, to contribute capital to any of Crossroads Acquisition Corp.'s insurance subsidiaries following the proposed merger.
21. Which types of programs and services will Crossroads Acquisition Corp.'s insurance subsidiaries prioritize for growth and development following the proposed merger?
22. Which types of programs and services will Crossroads Acquisition Corp.'s insurance subsidiaries seek to reduce or terminate following the proposed merger?
23. Does management anticipate any changes in Crossroads Acquisition Corp.'s insurance subsidiaries' marketing practices or distribution channels following the proposed merger?
24. What operational changes, including but not limited to government relations, claims processing, customer service, and provider relations with respect to the Wisconsin insurance subsidiaries of Crossroads Acquisition Corp., are anticipated for Anthem, Inc. and WellPoint Health Networks Inc. following the proposed merger transaction?
25. Are the information technology platforms currently in place at Anthem and WellPoint relatively compatible? How long is the integration of information technology platforms anticipated to take?
26. Does the approach of Anthem and WellPoint with respect to coordinated care and disease management programs differ to any significant degree? If so, how will service in this respect differ after the merger?
27. Does the approach of Anthem and WellPoint with respect to preventive and early detection programs differ in any significant degree? If so, how will service in this respect differ after the merger?
28. Following the merger, the combined group will have two Medicare servicing units, United Government Services, LLC and AdminiStar Federal, Inc. What is the expected process and time frame for integration of these units, if any, or is separate and distinct operation of both units expected to continue indefinitely?

29. Please describe post-acquisition plans for charitable contributions and commitment to community outreach in Wisconsin in comparison to the historical practices of previous owners of Crossroads Acquisition Corp.'s insurance subsidiaries?

### **General Employment Implications**

30. Is it anticipated that the number of people employed by Crossroads Acquisition Corp. and its insurance subsidiaries will increase or decrease following the proposed merger? If so, what is the anticipated magnitude of the change?
31. Will the existing employees of Crossroads Acquisition Corp., Blue Cross Blue Shield of Wisconsin, and Government Health Services, LLC be transferred to become employees of one or more other companies in Anthem, Inc.'s holding company system?
32. Has Anthem, Inc. or any of its subsidiaries made or placed under development any side agreements, written plans, or assurances concerning staff retention, salaries and benefits, or severance packages applicable to the employees of Crossroads Acquisition Corp. and its subsidiaries, apart from plans disclosed in the Form S-4 filed with the U.S. Securities and Exchange Commission?
33. What are Anthem's intentions with respect to the continuation of Wisconsin-based executive officers following the proposed merger transaction?
34. How does Anthem, Inc. anticipate that the post-merger employment structure of Crossroads Acquisition Corp.'s insurance subsidiaries will be organized, including union relationships?

### **Executive Compensation**

35. Has Anthem, Inc. or any of Anthem's subsidiaries entered into or anticipate entry into employment, retention, or severance arrangements with any "executive officer", as that term is defined by Rule 3b-7 of the Securities and Exchange Act of 1934, as amended, of WellPoint Health Networks Inc. or any of WellPoint's subsidiaries?
36. What specific circumstances trigger the executive change-in-control payments described in the Form S-4 filed with the U.S. Securities and Exchange Commission? Does the mere fact of a change in control trigger payments to executive officers or do the executive officers have to terminate their employment to receive compensation under the change-in-control provisions of their employment arrangements?
37. What is the anticipated amount of change-in-control payments to WellPoint executive officers, in total, as a consequence of the proposed merger? If the anticipated amount differs from the maximum amount, what is the maximum amount? In the opinion of Anthem's senior management, should anticipated change-in-control payments to WellPoint employees other than executive officers be regarded as material?
38. Please provide us with a post-merger chart of the senior executive management that is currently anticipated.

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39. What is the effect of the merger on the Long Term Incentive Plan for Anthem executive officers? Will the merger alone increase or tend to increase executive officers' awards to the maximum of their respective ranges? What does Anthem, Inc. anticipate to be the likely incremental increase in the overall cost of the awards for executive officers under the Long Term Incentive Plan as a result of the merger? In the opinion of Anthem's senior management, should the anticipated effect of the merger on the Long Term Incentive Plan for participants other than executive officers be regarded as material?

#### **Regulatory Actions and Contingencies**

40. Why was there a substantial increase in the number of complaints against Anthem Health Care Plans of Virginia, Inc. in 2003?

41. Please describe material pending litigation in which the parties to the proposed merger are involved.

If you have questions on this or any other matter in which I may be of some assistance, please call me at (608) 267-4388.

Sincerely,

Steven J. Junior  
Senior Insurance Examiner  
Bureau of Financial Analysis & Examinations

cc: Thomas C. Geiser, WellPoint Health Networks Inc. (via facsimile only)  
David J. Hanson, Michael, Best & Friedrich LLP (via facsimile only)  
Tibor D. Klopfer, Baker & Daniels (via facsimile only)