



Deutsche Banc Alex. Brown
Deutsche Bank Securities, Inc
One South Street
Baltimore, MD 21202

March 19, 2001

Ms. Connie L. O'Connell
Commissioner
Wisconsin Office of the Commissioner of Insurance
121 East Wilson Street
Madison, Wisconsin 59707-7873

Dear Commissioner O'Connell:

Deutsche Banc Alex. Brown, Inc. ("DBAB") has acted as financial advisor to The State of Wisconsin Office of the Commissioner of Insurance (the "Wisconsin OCI") in connection with the proposed conversion (the "Conversion") of Blue Cross & Blue Shield United of Wisconsin ("BCBSUW") from its current status as a service insurance corporation organized under Chapter 613 of the Wisconsin Statutes to a stock insurance corporation organized under Chapter 611 of the Wisconsin Statutes. The Conversion will be effected pursuant to the Application for Conversion dated June 2, 1999, as amended (the "Plan"), and the Conversion Order of the Wisconsin Office of the Commissioner dated March 28, 2000 (the "Conversion Order"). Under the Plan and the Conversion Order, all of the common stock of BCBSUW will be issued to Wisconsin BC Holdings LLC ("Holdings"), a Wisconsin limited liability corporation wholly owned by the Wisconsin United for Health Foundation (the "Foundation"). In connection with the Conversion, BCBSUW, Holdings, and United Wisconsin Services ("UWS"), a Wisconsin corporation 46.3% owned by BCBSUW, have entered into an Exchange Agreement dated as of December 22, 2000 (the "Exchange Agreement") which provides, among other things, for the combination (the "Combination") of the businesses of UWS and BCBSUW through the exchange by Holdings (which immediately prior to the Combination will be the sole shareholder of BCBSUW) with UWS of all the issued and outstanding shares of BCBSUW for 31,313,390 shares of newly issued common stock, no par value, of UWS common stock, constituting seventy-seven and one-half percent (77.5%) of the issued and outstanding common stock of UWS immediately following such issuance. The Exchange Agreement also provides that UWS will amend and restate its Articles of Incorporation to, among other things, change its name to "Cobalt Corporation" ("Cobalt"). In addition, pursuant to the Conversion Order and the Loan and Contribution Agreement and the Promissory Note, both dated March 16th, 2001, BCBSUW and Cobalt have agreed to provide Two Million Dollars (\$2,000,000) to finance the founding and operations of the Foundation. This financing will consist of Five Hundred Thousand Dollars (\$500,000) in cash contributed to the Foundation upon consummation of the Conversion and One Million Five Hundred Thousand Dollars (\$1,500,000) contributed to the Foundation on or before February 1, 2002 (which is not required to be paid in certain circumstances). Following the Combination, Holdings will be dissolved and the shares of Cobalt common stock received by Holdings in the combination will be distributed to the Foundation. Immediately following the

Ms. Connie L. O'Connell
March 19, 2001
Page 2

Combination, BCBSUW will be a wholly-owned subsidiary of Cobalt. The terms and conditions of the Combination are more fully set forth in the Exchange Agreement.

You have requested DBAB's opinion, as investment bankers, as to the fairness, from a financial point of view to the Foundation, of the Conversion.

In connection with DBAB's role as financial advisor to Wisconsin OCI, and in arriving at its opinion, DBAB has:

- (1) reviewed the Plan;
- (2) reviewed the Report of the Appraisal Committee of BCBSUW dated February 14, 2000;
- (3) reviewed the Conversion Order, including the Commissioner's conditions set forth therein;
- (4) reviewed the Proxy Statement, dated January 31, 2001;
- (5) reviewed the:
 - the Exchange Agreement dated December 22, 2000,
 - the Registration Rights Agreement (as amended, dated March 15, 2001),
 - the Voting Trust and Divestiture Agreement (as amended, dated March 15, 2001),
 - the Amended and Restated Articles of Incorporation of Cobalt, dated March 15, 2001,
 - the Amended and Restated Bylaws of Cobalt, dated March 19, 2001,
 - the Loan and Contribution Agreement, dated March 16, 2001,
 - the Promissory Note, dated March 16, 2001;
- (6) reviewed the Articles of Incorporation and Bylaws of the Foundation, dated March 15, 2001;
- (7) reviewed the Amended and Restated Articles of Incorporation and Bylaws of BCBSUW, dated June 14, 1999;
- (8) reviewed audited and unaudited financial statements of BCBSUW for the years ended December 31, 2000, 1999 and 1998 and the quarter ended March 31, 2000, June 30, 2000 and September 30, 2000;
- (9) reviewed audited financial statements and Annual Report on Form 10-K for UWS for the fiscal years ended December 31, 2000, 1999 and 1998, its Quarterly Reports on Form 10-Q for the periods ended March 31, 2000, June 30, 2000 and September 30, 2000;
- (10) reviewed annual statutory financial statements for the years ended December 31, 2000, 1999 and 1998 and quarterly statutory financial statements for the quarter ended March 31, 2000, June 30, 2000, and September 30, 2000 for BCBSUW and the insurance subsidiaries of UWS;

Ms. Connie L. O'Connell
March 19, 2001
Page 3

- (11) reviewed certain internal analyses and other information prepared by the management and furnished to us by BCBSUW, including projections for the five year period ending December 31, 2005;
- (12) reviewed certain internal analyses and other information prepared by the management and furnished to us by UWS, including projections for the five year period ending December 31, 2005;
- (13) held discussions with members of the senior management of BCBSUW regarding the business, operations, historical and projected financial results of BCBSUW;
- (14) held discussions with members of the senior management of UWS regarding the business, operations, historical and projected financial results of UWS;
- (15) reviewed the prospects of Cobalt with the managements of BCBSUW and UWS, respectively;
- (16) reviewed the proforma projected financial results, financial condition and capitalization of Cobalt taking into consideration the Combination;
- (17) performed discounted cash flow analyses based on projections provided to us by BCBSUW and UWS;
- (18) reviewed the historical reported prices, trading multiples, and trading activity for UWS Common Stock;
- (19) reviewed publicly available financial data, stock market information for companies we deemed similar to BCBSUW and UWS whose securities are publicly traded and compared such data to BCBSUW and UWS, as applicable or as we deemed appropriate;
- (20) reviewed the financial terms of certain recent business combinations which we deemed comparable in whole or in part;
- (21) reviewed the Foundation, a Wisconsin charitable foundation established pursuant to the Plan under Chapter 181 of the Wisconsin Statutes that will be tax exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code of 1986 as amended; and
- (22) reviewed such other information, conducted such other analyses, studies, inquiries and considered such other factors as we deemed appropriate.

In addition, in arriving at our opinion, we have considered the joint management, marketing, and operations of BCBSUW and UWS; the limited strategic options of BCBSUW and UWS, respectively, as stand alone companies; and that BCBSUW and one of the primary subsidiaries of UWS are licensees of the Blue Cross Blue Shield National Association ("BCBSNA") as well as the importance of that license to the business of each company, respectively, including any organizational or strategic limitations imposed on BCBSUW or UWS as a result of being a licensee of BCBSNA.

Ms. Connie L. O'Connell
March 19, 2001
Page 4

DBAB has not assumed responsibility for independent verification of, and has not independently verified, any information, whether publicly available or furnished to it, concerning BCBSUW or UWS, including, without limitation, any financial information, forecasts or projections considered in connection with the rendering of its opinion. Accordingly, for purposes of its opinion, DBAB has assumed and relied upon the accuracy and completeness of all such information and DBAB has not conducted a physical inspection of any of the properties or assets, and has not prepared or obtained any independent evaluation or appraisal of any of the assets or liabilities, of BCBSUW or UWS. With respect to the financial forecasts and projections expected by BCBSUW and UWS to be achieved and made available to DBAB and used in its analyses, DBAB has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the BCBSUW and UWS, as the case may be, as to the matters covered thereby. In rendering its opinion, DBAB expresses no view as to the reasonableness of such forecasts and projections, or the assumptions on which they are based. DBAB's opinion is necessarily based upon economic, market and other conditions as in effect on, and the information made available to it as of, the date hereof. In addition, DBAB expresses no opinion as to how the shares of Cobalt will trade following the Conversion and this opinion should not be viewed as providing any assurances that the market value of the shares of Common Stock of Cobalt retained by the Foundation following the Conversion will exceed the market value of UWS common stock as of the date of this Opinion. We have assumed that BCBSUW and UWS and each of their respective subsidiaries are, and after the Conversion, Cobalt and its subsidiaries will continue to be, in compliance with all state, Federal and BCBSNA guidelines and regulations and have the necessary adequate capital and liquidity to meet their respective capital requirements and future operating plans. You have not asked for, and we have not performed, an analysis of other potential alternatives for conversion contemplated in the Conversion Order nor has DBAB solicited indications of interest for BCBSUW or UWS from third parties.

For purposes of rendering its opinion, DBAB has assumed that, in all respects material to its analysis, the representations and warranties of BCSUWS, UWS and Holdings contained in the Exchange Agreement are true and correct, BCBSUW, UWS, and Holdings will each perform all of the covenants and agreements to be performed by it under the Exchange Agreement and all conditions to the obligations of each of BCBSUW, UWS, and Holdings to consummate the Exchange Agreement will be satisfied without any waiver thereof. DBAB has also assumed that all material governmental, regulatory or other approvals and consents required in connection with the consummation of the Combination will be obtained and that in connection with obtaining any necessary governmental, regulatory or other approvals and consents, or any amendments, modifications or waivers to any agreements, instruments or orders to which either BCBSUW, UWS, or Holdings is a party or is subject or by which it is bound, no limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would have a material adverse effect on BCBSUW, UWS, and Holdings or materially reduce the contemplated benefits of the Conversion to the Foundation. Without limitation to the foregoing, we have assumed that the Conversion will be completed on or prior to March 28, 2001 as set forth in the Plan and the Exchange Agreement and in compliance with the Conversion Order, including the conditions to the Conversion Order, and with applicable law, and that the Conversion will be carried out as contemplated by the Conversion Order.



Ms. Connie L. O'Connell
March 19, 2001
Page 5

This opinion is addressed to, and for the use and benefit of, the Office of the Commissioner of Insurance and is not a recommendation to the Wisconsin OCI to approve the Conversion. This Opinion may not be used by any other party or for any other purpose, nor may it be reproduced, disseminated or referred to, in whole or in part, without our prior written consent. This opinion is limited to the fairness, from a financial point of view, to the Foundation of the Conversion, and DBAB expresses no opinion as to the merits of the underlying decision by BCBSUW to engage in the Conversion.

DBAB has acted as financial advisor to the Wisconsin OCI in connection with the Conversion and will receive a customary fee for such services, a substantial portion of which is due to us upon delivery of this opinion letter. We are an affiliate of Deutsche Bank AG (together with its affiliates, the "DB Group"). In the ordinary course of business, members of the DB Group may actively trade in the securities and other instruments and obligations of UWS for their own accounts and for the accounts of their customers. Accordingly, the DB Group may at any time hold a long or short position in such securities, instruments and obligations.

Based upon and subject to the foregoing, it is DBAB's opinion as investment bankers that the Conversion is fair, from a financial point of view, to the Foundation.

Very truly yours,

Deutsche Banc Alex. Brown, Inc.

DEUTSCHE BANC ALEX. BROWN, INC.