



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Jorge Gomez, Commissioner

Wisconsin.gov

July 10, 2003

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Advanced Via Facsimile

Mr. Thomas C. Geiser
Executive Vice President & General Counsel
WellPoint Health Networks Inc.
1 WellPoint Way
Thousand Oaks, CA 91362

Re: In the Matter of the Acquisition of Control of Blue Cross and Blue Shield United 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 WellPoint Health Networks, Inc. (Case No. 03-C28447)

Dear Mr. Geiser:

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

Requests for Documentation

1. I need a complete copy of the Purchaser Disclosure Schedule and Target Disclosure Schedule to the Agreement and Plan of Merger dated as of June 3, 2003 among WellPoint Health Networks Inc., Crossroads Acquisition Corporation, and Cobalt Corporation, so that I might obtain a complete understanding of the proposed transaction. If the parties wish to seek confidentiality for certain aspects of the transaction, 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.
2. Please provide a copy of the Confidentiality Agreement dated April 29, 2003 between WellPoint Health Networks Inc. and Cobalt Corporation.
3. Please file a Consent to Jurisdiction on Form E by each of the following entities in the proposed succession of control of the Wisconsin-domiciled insurance companies that you are seeking to acquire:

- a. WellPoint Health Networks Inc. (Delaware)
 - b. Crossroads Acquisition Corporation (Delaware)
4. Please provide the following information with respect to WellPoint Health Networks Inc.:
- a. Date of incorporation
 - b. Capitalization structure, including the number of shares authorized, and issued and outstanding for each class of common and preferred stock. Debt issued.
 - c. If the company carries debt, who holds the debt and what are the rates, maturity schedules, and covenants on that debt?
5. Please provide the following information with respect to Crossroads Acquisition Corporation:
- a. Financial statements as of June 30, 2003 (unaudited is acceptable, if that's the best available)
 - b. Date of incorporation
6. Please send me biographical affidavits on the NAIC form for the following directors and officers of WellPoint Health Networks Inc.:
- a. Leonard D. Schaeffer
 - b. Roger E. Birk
 - c. Sheila P. Burke
 - d. William H. T. Bush
 - e. Julia A. Hill
 - f. Warren Y. Jobe
 - g. Ramiro G. Peru
 - h. Jane G. Pisano
 - i. Elizabeth A. Sanders
 - j. D. Mark Weinberg
 - k. David C. Colby
 - l. Thomas C. Geiser
 - m. David S. Helwig
 - n. Joan E. Herman
 - o. Rebecca A. Kapustay
 - p. Woodrow A. Myers, Jr.
 - q. John A. O'Rourke
 - r. Alice F. Rosenblatt
 - s. John S. Watts, Jr.
 - t. Ronald J. Ponder
 - u. Kenneth C. Zurek
 - v. Robert A. Kelly
7. Please provide a copy of Wisconsin United for Health Foundation Inc.'s Voting Trust Agreement with WellPoint Health Networks Inc.

8. Please file a photocopy of the fairness opinion that UBS Warburg LLC provided to Cobalt Corporation's board of directors.
9. Who will serve as directors and officers of each of the following insurance corporations following the merger: Blue Cross and Blue Shield United 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.
10. What is the significance of the reference to s. 180.0622(2)(h), Wis. Stat. in Section 3.2 of the Agreement and Plan of Merger dated as of June 3, 2003 among WellPoint Health Networks Inc., Crossroads Acquisition Corporation, and Cobalt Corporation?
11. What was the situation behind the \$1,250,000 monetary penalty assessed against UNICARE Life and Health Insurance Company by Texas in 2001?
12. When available, please provide me with a copy of the Federal Trade Commission's early termination notice or other form of response to WellPoint's filing pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Business Plans

13. What is the target date for closing the proposed merger?
14. Under what circumstances would WellPoint Health Networks Inc. anticipate that it would make a reverse merger election, whereby Crossroads Acquisition Corporation would be merged with and into Cobalt Corporation?
15. What will be the primary location of Cobalt Corporation's present insurance subsidiaries' books and records following the proposed merger?
16. What is the anticipated impact of integration expenses upon each of Cobalt Corporation's Wisconsin-domiciled insurance subsidiaries?
17. Is any reorganization of the succession of control or ownership of Cobalt Corporation's present subsidiaries contemplated following the proposed merger?
18. What changes does management anticipate with respect to service, management, cost allocation, or other written agreements among members of the holding company system in consequence of the proposed merger?
19. Which types of programs and services will Cobalt Corporation's insurance subsidiaries prioritize for growth and development following the proposed merger?
20. Which types of programs and services will Cobalt Corporation's insurance subsidiaries seek to reduce or terminate following the proposed merger?

21. Does management anticipate any changes in Cobalt Corporation's insurance subsidiaries' marketing practices or distribution channels following the proposed merger? Will Cobalt Corporation's distribution network be cross-licensed for agency on behalf of other present WellPoint Group members? Will WellPoint's distribution network be cross-licensed for agency on behalf of Cobalt Corporation's agency network? Will the producer networks be more or less comprehensively integrated, or will they remain more or less distinct?
22. Please describe plans, if any, to contribute capital to any of Cobalt Corporation's insurance subsidiaries following the proposed merger.
23. What significant operational changes are anticipated for WellPoint Health Networks Inc. and Cobalt Corporation following the proposed merger transaction?
24. Please describe post-acquisition plans for charitable contributions and commitment to community outreach in Wisconsin in comparison to Cobalt Corporation's historical practices.

Employment Implications

25. Is it anticipated that the number of people employed by Cobalt Corporation and the holding company system that it presently controls will increase or decrease? If so, what is the anticipated magnitude of the change?
26. What are WellPoint's intentions with respect to the continuation of senior executive management following the proposed merger transaction?
27. Will the acquisition of Cobalt Corporation trigger any change in control provisions under the terms of any executive employment agreement? What is the anticipated amount of change-in-control payments as a consequence of the proposed merger?
28. Will the existing employees of Cobalt Corporation, Blue Cross and Blue Shield United of Wisconsin, and Government Health Services, LLC be transferred to become employees of one or more other companies in the holding company system?
29. With respect to the transactions described in the Form A, have any executive employment agreements, side agreements, written plans, or assurances been made or placed under development concerning staff retention, salaries and benefits, or severance packages, for the officers and employees of Cobalt Corporation and its subsidiaries?
30. What is the anticipated effect of the merger of pension plans on the combined plans' funded status?

Tax Implications

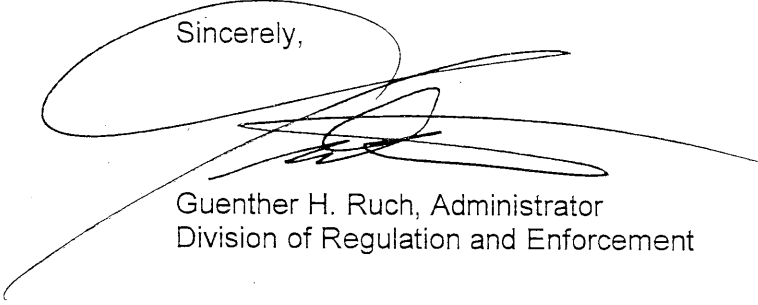
31. Please describe the U.S federal and Wisconsin state income tax treatment and tax structure contemplated. What are the anticipated tax consequences of the proposed merger?

Mr. Thomas C. Geiser
July 10, 2003
Page 5

32. Please describe the implications of the federal tax election under Section 368(a) of the Internal Revenue Code.

If you have questions concerning this letter, please call me at (608) 266-0295. I look forward to your response.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and horizontal strokes, positioned above the typed name and title.

Guenther H. Ruch, Administrator
Division of Regulation and Enforcement

GHR: SJJ

cc: Stephen E. Bablitch, Cobalt Corporation (via facsimile only)
David J. Hanson c/o Jonathan L. Schuster, Michael, Best & Friedrich LLP (via facsimile only)
Steven J. Junior, Office of the Commissioner of Insurance