

December 17, 1999

VIA HAND DELIVERY

Steven J. Junior
Senior Insurance Examiner
Bureau of Financial Analysis & Examination
State of Wisconsin
Office of the Commissioner of Insurance
121 East Wilson Street
P.O. Box 7873
Madison, WI 53707-7873

Re: **Application for Conversion of Blue Cross – Case No. 99-C26038**

Dear Mr. Junior:

This letter is in response to your letter of December 7, 1999, wherein you requested that Blue Cross submit various additional supplemental materials. I understand that your request arises, in pertinent part, from a need to provide both historical and current information to OCI's investment banker, Deutsche Bank, as part of its independent review of the Blue Cross Conversion Application. We are happy to provide additional copies of materials already on file with OCI, including current information concerning the Blue Cross holding company system to facilitate Deutsche Bank's review. As such, the following outlines our response to your requests in the order provided in your letter.

First, you requested historical information materials concerning reportable holding company transactions under Chapter 617, Stats., by any member of the Blue Cross holding company system since 1983. Transactions from 1983 to 1991 occurred at a time when Blue Cross owned 100% of United Wisconsin Services, Inc., and therefore the transactions during this time period would not have any material impact on the valuation of Blue Cross. Nevertheless, I have enclosed copies of all such materials that we have located, organized by calendar year. For ease of reference, I have placed Form A materials in files separate from the Form D and other prior notice filings.

As you know, these materials were all filed with OCI at the time of the transactions in question. Blue Cross did not effect any of these transactions without providing prior notice to and receiving lack of disapproval from OCI (or in the case of Form A filings, OCI's explicit approval). Therefore, all of the documents requested would already be housed at OCI in its own records. These materials are not required to be retained as permanent corporate records pursuant to Wis. Admin. Code Ins. S. 6.80. Due to this fact and pursuant to our own internal corporate document retention and destruction policies, documents dated 1992 and prior are no longer readily available from our formal corporate records files. We are continuing to look for the documentation in the event it may still be stored in individual employee or former employee's files. If we locate any additional materials, we will forward them to you.

Second, your letter requested specific information concerning each current member of the Blue Cross holding company system. Towards this end, I have attached an organizational chart and a corporate summary identifying the various immediate and downstream subsidiaries of Blue Cross, each as of October 31, 1999. The corporate summary provides, amongst other relevant information, the date of incorporation, entity type, tax identification number, numbers of shares authorized/issued and outstanding, and dates of changes in ownership for each member of the Blue Cross holding company system. Additionally, I have attached a schedule which sets forth both the long-term and short-term debt which remains outstanding as of December 16, 1999 for each member of the Blue Cross holding company system.

You also requested that Blue Cross provide you a copy of each "service, management, cost allocation, or any other form of written agreements currently in effect with affiliates, without regard to materiality." Historically, Blue Cross has submitted all such service, management, and cost allocation agreements to OCI as part of a required Form D filing, without regard to materiality. However, in order to facilitate Deutsche Bank's review, I have attached a binder containing each of the most recent intercompany service agreements currently in effect between Blue Cross and its affiliates (filed with OCI in 1998). Any other form of written intercompany agreements between Blue Cross and any of its affiliates are subsumed within the Form D materials included with this submission.

For any Blue Cross affiliate with more than one shareholder, you requested the names of each shareholder with a beneficial interest or ownership of 5% or more of common capital stock. As you know, Blue Cross provided Deutsche Bank a complete listing of such "controlling shareholders" for each of American Medical Security Group, Inc. and United Wisconsin Services, Inc., and Deutsche Bank in turn submitted a letter to OCI, dated December 6, 1999 (a copy of which is attached), which identified such information. If OCI requires shareholder information in addition to that already disclosed concerning the only two publicly-traded Blue Cross subsidiaries, please let us know.

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In response to your final request for information concerning direct investments, dividends and capital gains, I have attached a schedule which provides (i) a complete historical summary of direct investments made by Blue Cross from inception to date in each current member of the Blue Cross holding company system, and (ii) a summary of dividends and capital gains that were not reinvested by Blue Cross.

If you have any questions or require any additional information, please do not hesitate to call.

Sincerely,

Stephen E. Bablitch

Enclosures

DEBT SCHEDULE

As of 12/16/1999

LONG TERM DEBT

UWS - seventy million dollars (\$70,000,000) note owed to Blue Cross.

SHORT TERM DEBT

(Line of credit with M&I Marshall & Ilsley Bank)

BCBS	CHSIC	UWIC	PROSERVICES	MERIDIAN	UWS	UNITED HEARTLAND LIFE	VHP	UNITED HEARTLAND	UNITY	INNOVATIVE RESOURCE	UGS	COMP REC GROUP	HEARTLAND DENTAL	TOTAL
\$ 6,800,000	\$ 10,000,000	\$ 2,965,000	0	0	\$4,645,000	0	0	0	0	0	0	\$500,000	0	\$ 24,910,000