

March 15, 2001

Mr. Guenther Ruch
121 E. Wilson Street
P.O. Box 7873
Madison, WI 53070-7873

Re: Blue Cross Conversion

Dear Guenther,

I am responding to your letter dated March 12, 2001 to Joe Branch regarding the items required by the Office of the Commissioner of Insurance ("OCI") in order to effectuate the conversion of Blue Cross and Blue Shield United of Wisconsin ("BCBS"). I have enclosed documents pursuant to your requests, which will be identified specifically in the course of this response.

The following responses correspond to the enumerated points in your letter:

1. I have enclosed copies of the final and approved versions of the amended and restated articles of incorporation and bylaws of the Wisconsin United for Health Foundation, Inc. ("Foundation"), as revised subsequent to the January 16, 2001 filing and as approved by the Foundation Board at their February 13, 2001 meeting. I have also enclosed a letter from Ben Brancel, chairperson of the Foundation Board, addressed to Commissioner Connie O'Connell in which he states that the Foundation is fully functional and operational. Further, I have enclosed a letter from Steven P. Palmer, Vice President of Marshall & Ilsley Trust Company of Milwaukee, Wisconsin ("M&I") addressed to Ben Brancel in which Mr. Palmer states that he has reviewed the pertinent documents and agrees to act as the Voting Trust ("Trust") for the Foundation. Moreover, Mr. Palmer and Mr. Brancel have communicated personally and it is my understanding that Mr. Brancel is in agreement to have M&I act as the Trust for the Foundation. There will be an initial fee of \$1,000 as indicated in Mr. Palmer's letter and an annual fee of \$4,000, both of which fees will be deducted from the deposit of money from BCBS to the Foundation.
2. As to the Public Float issue, I have enclosed a schedule showing the trading of United Wisconsin Services ("UWS") stock over a thirty day trading period, commencing on February 1, 2001 and ending March 15, 2001 ("Measurement Period"). As the schedule shows, UWS stock has traded over the \$5.50 mark since February 2, 2001 for a total of 29 trading days. I have also enclosed affidavits from Tom Hefty, Tim Cullen, Gail Hanson and me indicating that we have not traded in UWS stock during this

Measurement Period and that we are unaware of any family member or other officer or director trading during this Measurement Period. I have also included a separate affidavit of Gail Hanson indicating that BCBS neither acquired nor sold any shares of UWS during the Measurement Period, and that UWS neither acquired for itself nor sold any shares of UWS stock. Her affidavit also indicates that based on her knowledge and belief, that American Express Trust Company, as the Administrator and Trustee of the UWS and BCBS 401(k) Plan reported any purchases to Duetsche Banc Alex. Brown. I have enclosed my letter to Tom Johnson referencing the American Express letter. In this regard, I have enclosed two letters, one from Mike Heath, American Express Trust Officer indicating that during the Measurement Period there was only one day of trading in UWS stock, on February 16, 2001, and the other from Mark Sabin, Manager of Benefits & Compensation for UWS. Mr. Sabin has responsibility for the day to day operations of the UWS/BCBS 401(K) Plan. He indicates in his letter that during the Measurement Period there was only one trade of UWS stock on behalf of the UWS/BCBS 401(K) Plan. I have also included two memos from me to all officers and directors of UWS and BCBS dated February 12, 2001 and March 9, 2001 instructing all officers and directors not to trade in UWS stock. (Prior to February 12, 2001 the trading window for officers and directors had been closed, meaning that no officer or director could trade in the stock. The trading window for these individuals had been closed since September 1, 2000 due to the fact that as officers and directors these individuals may have possessed inside information regarding the negotiations between the two companies.)

3. I have enclosed the fairness opinion issued by Bear Stearns dated March 14, 2001 in which they opine that the consideration received in the merger by the Foundation is fair, from a financial point of view, to the Foundation. We faxed this opinion to you earlier today and hand delivered a copy to the Commissioner today.
4. We have been informed by a representative of the BlueCross and BlueShield Association Board of Directors that the Board voted today to approve the final plan of conversion of BCBS. A certification of that vote will be provided to you as soon as we receive it from the Association.
5. I have enclosed the final versions of the amended and restated articles of incorporation and bylaws of Cobalt Corporation, the Voting Trust and Divestiture Agreement and the Registration Rights Agreement as requested. Additionally, I have enclosed a fax copy of the executed Consent to Jurisdiction. I will submit to you a clean original once I receive it from Tom Hefty after he returns from the Association Board of Directors meeting.

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6. UWS will provide to the Foundation a check in the amount of \$500,000 upon closing of the transaction between BCBS and UWS. Additionally, we have agreed that an additional \$1.5 million will be deposited with the Foundation in January 2002 either in the form of a dividend on the stock of Cobalt Corporation or in the form of a cash contribution from BCBS. I have enclosed a commitment letter indicating this obligation. I have enclosed a Promissory Note and Loan Agreement. The loan agreement essentially allows the Foundation to receive a zero interest loan from BCBS in the event that the Foundation needs money over and above the \$500,000 paid to the Foundation at the time of closing until January 2002. I have spoken with Ben Brancel regarding the Promissory Note and Loan Agreement, and while the Foundation Board has not acted on these documents, Mr. Brancel has indicated to me that it will be taken up at the Foundation Board meeting on March 21, 2001 and that he foresees no issues that would preclude favorable Board action on the matter.
7. The Registration Rights Agreement has been amended to reflect your concerns. An amended copy of the Registration Rights Agreement is enclosed.

I believe that this response and enclosures responds to the issues raised in your March 12 letter. I look forward to the Commissioner's approval.

Very truly yours,

Stephen E. Bablitch
Vice President and General Counsel

Enclosures

Cc: Joe Branch

SEB/ako/gruchmarch15