

July 23, 2003

HAND DELIVERED

Mr. Guenther H. Ruch
Office of the Commissioner of Insurance
125 S. Webster St.
Madison, WI 53703

2003 JUL 23 PM 2:50
RECEIVED
WISCONSIN COMMISSIONER
OF INSURANCE

Re: Response to July 10 Request for Additional Information and Request for Confidential Treatment of Certain Documents and Records Relating to Form A filed by WellPoint Health Networks Inc. (Case No. 03-C28447)

Dear Mr. Ruch:

On June 20, 2003, WellPoint Health Networks Inc. ("WellPoint") filed a Form A, Statement Regarding Acquisition of Control of or Merger with a Domestic Insurer, with the Office of the Commissioner of Insurance ("OCI") seeking prior approval for the acquisition of control of Cobalt Corporation, a Wisconsin insurance holding corporation, and its insurance subsidiaries (collectively, "Cobalt"). In connection with the review of the proposed transaction, OCI requested additional documentation and information in your July 10, 2003 correspondence to WellPoint. Attached please find two (2) copies (with Exhibits labeled A through G) of WellPoint's responses to OCI's requests. A complete set of the requested biographical affidavits on the appropriate NAIC form for the current directors and executive officers of WellPoint (see request # 6) will be filed under separate cover as soon as they are available. In addition, we are writing on behalf of WellPoint and advising OCI that certain documents and records to be submitted in response to this correspondence will be marked and submitted as confidential.

Confidentiality of Certain Documents and Records

In response to question #1 in your request, we will provide two (2) copies of the Purchaser's Disclosure Schedules and Target's Disclosure Schedules (collectively, the "Confidential Information") to the Agreement and Plan of Merger, dated June 3, 2003, by and among WellPoint, Crossroads Acquisition Corporation ("Crossroads") and Cobalt (the "Agreement and Plan of Merger"). Copies of the Confidential Information will be provided to

OCI pursuant to Wis. Stat. §§ 601.42 and 611.72. It is WellPoint's position that the Confidential Information is confidential under Wisconsin law and, therefore, should not be publicly disclosed. Among other things, disclosure of such information would have an adverse impact on WellPoint's competitive position by disclosing key commercial, financial and business information to WellPoint's many competitors and customers. The disclosure of customer lists would be advantageous to competitors and harmful to the parties. Moreover, certain parts of the Confidential Information relates to pending litigation matters. The Confidential Information is not otherwise publicly available from other sources. WellPoint believes that the Confidential Information is exempt from disclosure (as discussed in more detail below) (A) under Wisconsin's open records law for trade secret purposes; (B) under Wisconsin's open records law for pending or anticipated litigation or for competitive bargaining reasons; and (C) based upon other considerations.

A. Wisconsin Open Records Law – Trade Secrets

The Confidential Information is exempt from mandatory disclosure under the exemptions contained in Wis. Stat. § 19.36. Section 19.36(5), for example, limits the public's access to the Confidential Information because such information qualifies as a trade secret. A trade secret is defined under Wis. Stat. § 134.90(1)(c) as information, including a formula, pattern, compilation, program, device, method, technique or process to which all of the following apply: (1) the information derives independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) the information is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

1. Independent Economic Value.

The Confidential Information contains specific details regarding critical financial and management information that, if disclosed, could be used by a competitor and adverse party to their advantage and WellPoint's detriment. Customer lists and information regarding premium payments are prime examples.

Although Wisconsin case law does not provide specific guidance applicable to these circumstances concerning interpretation of the "independent economic value" element of the trade secret definition under Wisconsin's version of the Uniform Trade Secret Act, decisions from other jurisdictions are helpful in supporting our confidentiality request on this point and such decisions are to be given careful consideration by Wisconsin courts. *See* Wis. Stat. 134.90(7); *Minuteman, Inc. v. L.D. Alexander*, 147 Wis.2d 842, 858 (Sup. Ct. 1989). Accordingly, the following case citations support the line of reasoning set forth in this letter, namely, that information which protects or provides a competitive edge or advantage is of economic value. *See Telerate Systems, Inc. v. Caro*, 689 F. Supp. 221, 232 (S.D.N.Y. 1988)

("Even a slight competitive edge will satisfy this [economic value] requirement of trade secret protection."); *U.S. West Communications, Inc. v. Office of Consumer Advocate*, 498 N.W.2d 711, 714 (Iowa 1993); *S & W. Agency, Inc. v. Foremost Insurance Company*, 51 F. Supp.2d 959, 976 (N.D. Iowa 1998) (applying U.S. West rationale) ("The Supreme Court of Iowa has interpreted the independent economic value prong of the test as 'speak[ing] to the value of the information to either the owner or a competitor; any information which protects the owner's competitive edge or advantage.' US West, 498 N.W.2d at 714. Thus, 'information kept secret that would be useful to a competitor and require cost, time and effort to duplicate is of economic value.'"); *APAC Teleservices, Inc. v. McRae*, 985 F. Supp. 852, 865 (N.D. Iowa 1997) (independent economic value was supported by the fact that the confidential materials were unknown to and not readily ascertainable by other competing parties); *Electro-Craft Corp. v. Controlled Motion, Inc.*, 332 N.W.2d 890, 901 (Minn. 1983) ("If an outsider would obtain a valuable share of the market by gaining certain information, then that information may be a trade secret if it is not known or readily ascertainable.").

2. Efforts to Maintain Secrecy.

WellPoint and Cobalt have undertaken reasonable measures to ensure that the Confidential Information remains secret. The parties have, for example, entered into a confidentiality agreement, a copy of which is provided to OCI under this cover. *See ECT Int'l, Inc. v. Zwerlein*, 597 N.W. 2d 479, 228 Wis.2d 343 (App. 1999) (citing *Stargate Software Int'l, Inc. v. Rumph*, 482 S.E.2d 498, 502 (Ga.App.1997) ("Requiring employees to sign confidentiality agreements may, in some circumstances, be 'sufficient to constitute a reasonable step to maintain the secrecy of information alleged to have been misappropriated.'"). In addition, the parties have limited access to the Confidential Information to only those personnel within WellPoint and Cobalt working directly on the disclosure schedules. Finally, WellPoint and Cobalt have not made the Confidential Information otherwise publicly available.

B. Wisconsin Open Records Law – Pending Litigation and Competitive or Bargaining Reasons

The Wisconsin open records law has been interpreted to allow an exception for materials relating to pending or anticipated litigation or where competitive or bargaining reasons so require. Parts of the disclosure schedules describe pending litigation including, in at least one instance (see 3.2(i) of Target's Disclosure Schedule), a statement reflecting the economic evaluation of pending or threatened lawsuits. Disclosing this information would be detrimental to Cobalt and would undermine its posture in other litigation or settlement – a result not required by law. Other sections, e.g., 3.2(k) (environmental) and 3.2(l) (intellectual property) discuss pending claims and risk as well.

C. Other Considerations

The Confidential Information is important to both WellPoint and Cobalt. That is why they asked for it in connection with the merger. But, the Confidential Information is not otherwise publicly available from other sources, including all public filings made with the Securities and Exchange Commission. The Confidential Information was provided by WellPoint and Cobalt to each other solely in connection with the parties negotiating and entering into the Agreement and Plan of Merger. It should not be available for other than that very limited purpose.

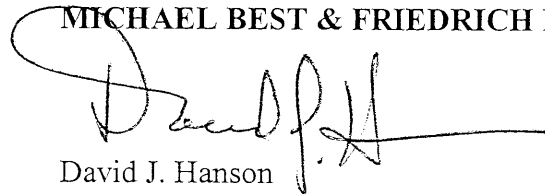
We will set up a meeting with you and with OCI legal counsel next week to discuss the confidentiality questions and your recommended actions as to how to submit the Confidential Information.

In the meantime, if any person (other than an agency employee working directly on the matter in connection with which these documents are submitted) requests an inspection or requests a copy of the Confidential Information or any portion thereof, we request sufficient advance notice prior to any such contemplated disclosure to allow us to discuss the matter further and/or to pursue appropriate remedies to preserve the confidentiality of the information.

If you need additional information or have questions regarding this correspondence, please feel free to give us a call.

Very truly yours,

MICHAEL BEST & FRIEDRICH LLP



David J. Hanson
Jonathan L. Schuster

Enclosures

cc (w/o enc.):

Lorna Granger, Esq.
Joseph C. Branch, Esq.
Thomas Geiser, Esq.