



Kathleen Sebelius
Commissioner of Insurance
Kansas Insurance Department

Monday, February 11, 2002

Executive Summary of the Final Order
by the Commissioner of Insurance

In the Matter of the Conversion and
Acquisition of Blue Cross and Blue Shield
of Kansas, Inc.

Blue Cross and Blue Shield of Kansas (“BCBSKS”) and Anthem Insurance Companies, Inc. (“Anthem”) have applied to the Commissioner for approval of a transaction that would (1) convert BCBSKS from a mutual insurance company to a stock insurance company; and (2) sell all BCBSKS stock to Anthem, making BCBSKS a wholly-owned subsidiary of Anthem. As a single, integral transaction, it is known as a “sponsored demutualization.”

For the sponsored demutualization to occur, the Commissioner must approve it under the Kansas demutualization statute, K.S.A. 40-4001, *et seq*, and the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, *et seq*.

The evidence demonstrates that, as a result of the sponsored demutualization, Anthem would severely deplete BCBSKS’s surplus, and raise premium rates in the small group and individual markets at a substantially greater pace than would occur otherwise. The Commissioner finds that these effects would be (1) unreasonable to policyholders and not in the public interest, and (2) hazardous and prejudicial to the insurance-buying public.

The Commissioner concludes, therefore, that the sponsored demutualization violates the Kansas Insurance Holding Companies Act. The Commissioner disapproves the sponsored demutualization.