

SUMMARY OF TESTIMONY OF DAVID R. FRICK

I will provide a summary of the proposed transaction between Anthem Blue Cross and Blue Shield and Blue Cross and Blue Shield of Kansas, and will describe how the transaction will affect Blue Cross and Blue Shield of Kansas's policyholders, its provider networks and employees.

Description of Proposed Transaction

Under the Alliance Agreement, Blue Cross and Blue Shield of Kansas will convert from a mutual insurance company to a stock insurance company. The stock of Blue Cross and Blue Shield of Kansas will be issued to Anthem Blue Cross and Blue Shield. Blue Cross and Blue Shield of Kansas will be a wholly owned subsidiary of Anthem West, Inc., which is a wholly owned subsidiary of Anthem Insurance Companies, Inc. On the date of closing of the transaction, the legal name of Blue Cross and Blue Shield of Kansas will be changed to "Anthem Health Plans of Kansas, Inc.," which will do business under the name "Anthem Blue Cross and Blue Shield."

Blue Cross and Blue Shield of Kansas policyholders eligible to receive consideration in the demutualization will be entitled to receive \$190.0 million, a portion of which will be held in an escrow account, and an additional amount, equal to the consolidated book value of Blue Cross and Blue Shield of Kansas, on the closing date of the acquisition in excess of \$155.0 million, which is expected to be paid as a Special Distribution by Blue Cross and Blue Shield of Kansas to its eligible policyholders. The amount of this Special Distribution is currently estimated to be \$131.0 million.

Approximately \$48.0 million of the \$190.0 million will be held in an escrow account to pay costs, expenses and liabilities relating to an investigation by the Office of Inspector General, U.S. Department of Health and Human Services, of possible improper claims against Medicare by Blue Cross and Blue Shield of Kansas, and to pay costs and expenses of the escrow, with any remaining amount to be distributed to eligible Blue Cross and Blue Shield of Kansas policyholders. These amounts were negotiated as part of a competitive auction process facilitated by one of the country's top investment banks. As such, they represent fair market value for the stock, a conclusion that has been confirmed by financial advisors to Blue Cross and Blue Shield of Kansas, Anthem Blue Cross and Blue Shield and the Kansas Department of Insurance.

Policyholders

Following the closing of the transaction, the policy and contract holders of Blue Cross and Blue Shield of Kansas, Premier Health, Inc., HMO Kansas, Inc. and Advance Insurance Company will remain policy or contract holders of such entities without a break in continuity of benefits and services.

Anthem Health Plans of Kansas expects to offer the same range of products after the acquisition as those currently offered by Blue Cross and Blue Shield of Kansas. No

significant changes to Blue Cross and Blue Shield of Kansas's product families—HMO, POS and Indemnity—are planned in the near term beyond those previously identified by Blue Cross and Blue Shield of Kansas management.

Throughout Anthem companies, about 9 out of 10 of our customers annually renew their policies. In addition, in states where Blue Cross and Blue Shield Plans have affiliated with Anthem Blue Cross and Blue Shield, enrollment has increased. Since our affiliation in Connecticut in 1997, we have added 284,000 new customers; in New Hampshire and Maine, nearly 250,000 new customers; and in Colorado and Nevada, 269,000 new customers—more than three-quarters of a million new customers in just these five states.

Provider Networks

Anthem Blue Cross and Blue Shield intends to assume and honor Blue Cross and Blue Shield of Kansas's existing physician, hospital and other health care professional contracts for the duration of their existing terms. In every state in which we operate, we maintain very broad networks giving our customers access to an overwhelming number of hospitals, physicians and other health care providers. The size of our networks has grown following each Blue Plan affiliation with Anthem. For example, after the Blue Plan in Colorado joined Anthem, we increased the number of physicians in our PPO network from 6,950 to over 7,300. In Nevada, we increased the number from 2,524 to 3,165. Provider contracting is performed by local and regional personnel. Anthem's goal is to have broad, statewide networks.

Employment Levels in Kansas

Anthem Blue Cross and Blue Shield recognizes and respects the significant value of the present employees of Blue Cross and Blue Shield of Kansas and their experience and expertise in the health benefits business as well as their understanding of the health benefits needs of Kansans. Their assistance is essential in ensuring continuing and superior service to customers and providers.

Following the closing of the transaction, Anthem Blue Cross and Blue Shield will offer employment to all individuals employed prior to the closing by Blue Cross and Blue Shield of Kansas. Anthem has also agreed to maintain a significant employment presence within Kansas on an ongoing basis.