

BEFORE THE COMMISSIONER OF INSURANCE STATE OF KANSAS

IN THE MATTER OF THE CONVERSION AND ACQUISITION
OF BLUE CROSS AND BLUE SHIELD OF KANSAS, INC.

CASE NO. 3014-DM

PREFILED TESTIMONY OF DENISE G. ESSENBERG

Credentials

Q. Please state your name.

A. Denise G. Essenberg.

Q. Please identify your employer and state your position.

A. I am a Partner with the firm of PricewaterhouseCoopers LLP (APwC@) and am a Certified Public Accountant.

Q. Please describe your professional background.

A. I have over 21 years of accounting and auditing experience in the insurance industry, encompassing a broad array of life and health insurance issues. Our firm has provided advice to insurance regulators in other states on comparable demutualization transactions, including John Hancock Mutual Life Insurance Company, The Equitable, Phoenix Home Life Mutual Insurance Company, Pacific Mutual, Blue Cross and Blue Shield of Virginia, and Anthem Insurance Companies, Inc. I received a B.A. from Michigan State University in Accounting and Financial Administration.

Q. Have you been engaged by the Kansas Insurance Department Testimonial Team (ATestimonial Team@) to assist in the evaluation of the proposed Plan of Conversion of Blue Cross and Blue Shield of Kansas, Inc. (ABCBSKS@) dated October 25, 2001 (the APlan@)?

A. Yes.

Summary of Testimony

Q. Specifically, what were you asked to review with respect to the Plan?

A. PwC was engaged by the Testimonial Team to review the accounting, auditing, and information technology aspects of the proposed reorganization of BCBSKS. In particular, we were asked to review and advise on the following information with regard to the Plan:

1. Whether the financial condition of Anthem is such as might jeopardize the financial stability of BCBSKS or prejudice the interest of its policyholders;

2. Whether the competence and experience of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the acquisition of control;
3. The accuracy and completeness of financial information contained in the Policyholder Information Statement (APIS@);
4. The planned procedures of BCBSKS= Management (AManagement@) to ensure the accuracy, completeness, and overall integrity of in-force records used to determine eligibility for, and allocation of, policyholder consideration;
5. Management=s implementation of a reasonable process with appropriate controls in place to ensure a complete and accurate (a) printing of policyholder materials, (b) mailing of packages to eligible policyholders and (c) tabulation of policyholder votes;
6. Management=s implementation of a reasonable process with appropriate controls in place to ensure a complete and accurate distribution of consideration to eligible policyholders; and
7. Management=s existing compensation levels, bonuses and directors fees compared with proposed levels following demutualization, including a benchmark with relevant peer groups in order to ensure compliance with applicable statutory guidance.

Q. Are you prepared to provide some testimony in connection with that work?

A. Yes.

Q. Please summarize your review briefly.

A. Other PwC representatives and I, acting as advisors to the Testimonial Team, participated in meetings and telephone conferences with other members of the Testimonial Team and BCBSKS= representatives. We met with members of Management and reviewed the historical financial information Management provided. We reviewed accounting and actuarial information relevant to the Plan prepared by BCBSKS advisors and the Testimonial Team. We also participated in discussions with Deloitte & Touche LLP (AD&T@), the firm retained by BCBSKS to audit BCBSKS= financial statements. Subject to certain assumptions and limitations, the PwC advisors concluded that, with respect to the aspects of the Plan that we have reviewed, we have not encountered any issues or matters that have not been resolved to the satisfaction of the Testimonial Team.

In the course of our work, we met with members of Management including Donald R. Lynn, Chief Financial Officer, William H. Pitsenberger, Vice President/General Counsel, Bebo Lowery-Born, Controller, William A. Davisson, Manager, Corporate Accounting, David J. Hutchins, Chief Actuary, Jim Brunghardt, Chief Information Officer, Doug George, General Auditor, and members of their respective teams in order to discuss the aforementioned items with regard to the Plan. We also met with Ralph Persico, Managing Director of Demutualization Services for EquiServe (the third party retained by BCBSKS to perform the mailing, printing and vote tabulation), and members of his team to discuss their role with regard to the Plan. In addition, we discussed certain financial and personnel matters with Douglas Fauth, Counsel for Anthem, who coordinated responses from various members of Management.

Description of Work Performed

Q. Please describe briefly the nature of the work that you have performed as a result of your engagement by the Testimonial Team.

A. The PwC team consisting primarily of Joseph D. Duffy, Roger W. McArt, John Wohletz, William J. Harrington, Peter Rubinas, Jason Weile, and myself, serving as advisors to the KID Testimonial Team in evaluation of the Plan, was asked to give its opinion as to the completeness and accuracy of information contained in the Plan from an accounting, auditing, and informational technology point of view. PwC=s actuarial review of the impact of the Plan on BCBSKS policyholders and the citizens of Kansas will be presented and summarized in Ms. Sandra Hunt=s testimony, and matters involving the allocation of consideration to eligible policyholders from an actuarial point of view will be presented and summarized in Mr. Kenneth Beck=s testimony. To the extent I employ the use of undefined capitalized terms, I intend to ascribe the same meaning to such terms as does the Plan of Conversion of BCBSKS dated October 25, 2001, the Alliance Agreement between BCBSKS and Anthem Insurance Companies, Inc. dated May 30, 2001 (as amended), and the exhibits to both documents.

To evaluate whether the financial condition of Anthem is such as might jeopardize the financial stability of the BCBSKS or prejudice the interest of its policyholders, our procedures included the following:

1. summarized financial performance results of other Anthem BCBS Plan acquisitions and mergers subsequent to Anthem=s acquisition;
2. reviewed Anthem=s financial statements for the five years ended December 31, 2000; and
3. summarized trend changes in assets, liabilities, and policyholders= surplus.

To evaluate whether the competence and experience of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the

insurer and of the public to permit the merger or other acquisition of control, we obtained and reviewed biographical affidavits submitted by members of Anthem=s senior management team as part of Anthem=s Form A filing. Our review of those biographical affidavits did not yield any material negative findings.

To evaluate the accuracy and completeness of certain BCBSKS financial information contained in the PIS, our procedures included the following:

1. read the financial statements prepared under generally accepted accounting principles (GAAP) and audited by D&T for the years ended December 31, 2000, and 1999, contained in the PIS;
2. met with members of Management and D&T to gain an understanding of any significant developments or accounting considerations or issues experienced by BCBSKS during 2001;
3. read D&T=s audit workpapers supporting their audits of the aforementioned 2000 GAAP financial statements;
4. agreed the consistency of financial information contained within the PIS with that contained in the aforementioned audited financial statements; and
5. agreed the financial information as of, and for the six months ended June 30, 2001, and 2000, contained in the PIS to internally prepared financial statements.

To evaluate Management=s planned procedures to ensure the accuracy, completeness, and overall integrity of in-force records used to determine eligibility for and allocation of policyholder consideration, our procedures included the following:

1. met with Management to obtain an understanding of the policies and procedures and related controls implemented by BCBSKS to ensure the accuracy, completeness and overall integrity of in-force records;
2. reviewed and tested, on a sample basis, the data contained in the policyholder membership system;
3. reviewed Management=s procedures and controls over the isolation and security of in-force records for Eligible Policyholders;
4. reviewed and re-performed, on a sample basis, the 1998-2000 testing of BCBSKS general computer controls performed by D&T in support of the external audit;

5. reviewed and tested BCBSKS= general computer control environment to support control reliance and levels of substantive testing performed in the review of financial information;
6. reviewed BCBSKS= testing, on a sample basis, of full-inclusion and false-inclusion tests of significant data fields of the in-force records isolated for eligibility purposes to test completeness, accuracy, and overall data integrity;
7. reviewed and tested, on a sample basis, Management=s procedures for resolving in-force errors and omissions;
8. coordinated the review and validation of the data used in the actuarial calculations underlying the allocation of policyholder consideration including:
 - a. issues encountered in review of data used in eligibility determinations;
 - b. accuracy and completeness of historical membership data created from the source system data used in allocation of consideration calculations;
 - c. accuracy of the application of rules for continuous coverage; and
 - d. accuracy and completeness of historical merit data created from actuarial source information.
9. reviewed and tested, on a sample basis, the ongoing testing of the policyholder membership system performed by the BCBSKS= Internal Audit Department; and
10. reviewed and re-performed, on a sample basis, Management=s controls to ensure the complete, accurate, and secure transfer of information between BCBSKS and EquiServe.

To evaluate whether Management had created a reasonable process with appropriate controls in place to ensure a complete and accurate (a) printing of policyholder materials, (b) mailing of packages to eligible policyholders, and (c) tabulation of policyholder votes. Our procedures have included, or will include, the following:

1. met with Management, D&T and EquiServe representatives to obtain an understanding of the policies, procedures and related controls implemented by D&T and EquiServe to execute the printing, mailing and ballot tabulation;
2. reviewed D&T=s plans, procedures and controls to ensure the accuracy and effectiveness of document printings and policyholder mailings;

3. reviewed drafts submitted to the Testimonial Team of all documents included in the mailings to Eligible Policyholders;
4. reviewed, observed, and tested, on a sample basis, procedures used to ensure the accurate and complete printing of Policyholder Information Statements, Notices of Hearing and Public Comment Meetings, and Ballot cards to be included in policyholder mailings;
5. reviewed procedures of D&T and Equiserve for security and application change control related to eligible in-force records;
6. performed full- and false-inclusion tests, on a sample basis, on the identified address files related to Eligible Policyholder in-force records;
7. reviewed, observed, and tested, on a sample basis, the completeness of mailings to ensure all appropriate materials were included;
8. reviewed and tested, on a sample basis, procedures over mailing and follow-up processes;
9. reviewed and tested, on a sample basis, procedures for Return to Sender mailings and the related follow-up mailings to these policyholders;
10. reviewed and tested, on a sample basis, procedures to ensure appropriate updating of in-force records for updated addresses;
11. reviewed Management's plans, policies, procedures and controls governing the effective, accurate, and complete tabulation of returned policyholder ballots;
12. observed and tested, on a sample basis, the procedures and controls identified over the ballot tabulation process, including testing on a sample basis, the accuracy and completeness of ballots logged into the system; and
13. observed and tested, on a sample basis, the procedures and controls identified over the Tax Identification Number (ATIN) certification process, including testing on a sample basis, the accuracy and completeness of TINs logged into the system.

To evaluate statutory compliance with executive compensation matters our procedures included the following:

1. identified peer insurance companies, both BCBS organizations and public companies, similar in size and business range to BCBSKS;

2. researched, reviewed, and analyzed the most recent available information form published survey data for BCBS companies and public information on executive compensation from proxy statements for public companies;
3. reviewed BCBSKS documents relating to compensation philosophy and plan administration, Board of Directors and Compensation Committee meeting proceedings, input from the compensation consultant, Employee Incentive Compensation Plan (AEPIP@), executive employment agreements for the top ten executives, and deferred compensation plan agreements;
4. reviewed summary plan descriptions of benefit programs including life insurance and disability insurance, retirement, tax-favored savings, and severance arrangements;
5. reviewed compensation and benefit related sections of the Plan, the Alliance Agreement, and the PIS;
6. had discussions with William H. Pitsenberger, BCBSKS General Counsel, to clarify our understanding of the certain information provided, and to confirm that there have been no discussions or agreements related to long-term compensation between Anthem and the BCBSKS= executives;
7. discussed with Doug Fauth and obtained written representation that there are no undisclosed agreements providing benefit to BCBSKS= executives from the conversion nor any plan to provide those executives long-term compensation;
8. compared the elements of compensation for BCBSKS with the levels of the peer group and the levels from the survey data; and
9. compared the executive benefits at BCBSKS with typical practices in comparable organizations.

In addition to the foregoing procedures, we participated in various status conferences with the Testimonial Team, and advised the Testimonial Team on a variety of accounting and auditing matters related to the foregoing procedures discussed above. We have prepared a report summarizing the results of our work, which is attached as Exhibit 1 to my testimony.

Conclusion

Q. In connection with your work, have you reached a conclusion?

A. To date, based on the foregoing and such other matters as we deemed relevant, we have not encountered any matters or issues that have not been resolved to the satisfaction of the Testimonial Team. Our work surrounding determination of the closing book value and final

distribution and Management=s process for distribution is anticipated to be performed in April through June 2002.

Q. Have you reached any conclusions as to whether the financial condition of Anthem is such as might jeopardize the financial stability of the BCBSKS or prejudice the interest of its policyholders?

A. Yes. We have found no indication that the financial condition of Anthem is such as might jeopardize the financial stability of the BCBSKS or prejudice the interest of its policyholders.

Q. Does this conclude your testimony?

A. Yes it does.

Thank you Ms. Essenberg.

EXHIBIT 1

Blue Cross and Blue Shield of Kansas COMPENSATION REVIEW SUMMARY

OBJECTIVE OF THE STUDY

The objective of reviewing BCBSKS executive compensation and benefit programs in relation to the proposed demutualization conversion of BCBSKS and the subsequent alliance with Anthem is to evaluate:

17. If there would be a direct violation of the statute regarding compensation paid to individuals that would not be paid if there were no conversion and alliance:
 - K.S.A. para 40-4004 (3): "...The plan of conversion does not unjustly enrich any director, officer, agent or employee of the insurer..."
 - K.S.A. para 40-4007 (b): "...No director, officer, agent or employee of the insurer shall receive any fee, commission, or other valuable consideration whatsoever, other than regular salary and compensation, for in any manner aiding, promoting or assisting in the conversion except as set forth in the plan approved by the Commissioner of Insurance..."
18. If executive compensation programs and compensation of Directors are consistent with "best practices" in the industry.

METHODOLOGY

In evaluating whether, in our opinion, BCBSKS is in compliance with the statute and that the compensation programs⁽¹⁾ represent normal and customary programs for companies in similar industries and situations, we performed the following steps:

- A range of companies within two industry groups ("peer groups") were identified, which, on average represent similar size companies in terms of revenues. These groups were: (i) BCBS organisations exclusively, and (ii) public insurance companies with significant health insurance segments. These two groups form the baseline for development of the "best practices" compensation philosophy – level and type of pay programs for executives and Directors. These peer groups are identified in Table 1.

Notes:

(1) For purposes of the evaluation, the analysis of "compensation programs" relates to Director, executive and Steering Committee levels and types of economic benefit - base salary, annual cash incentive compensation, long-

term compensation, executive perquisites, employment contracts, deferred compensation arrangements, and supplemental retirement programs.

PEER COMPANIES

TABLE 1

BCBS Peer Companies		Public Insurance Peer Companies	
Company	Net Written Premiums (\$million)	Company	Net Written Premiums (\$million)
BCBS Ohio – Community Insurance	1,792.4	Coventry Health Care	2,604.9
BCBS Connecticut – Anthem	1,736.4	Trigon Healthcare Inc.	2,500.5
Wellmark BCBS Iowa	1,735.8	Magellan Health Services Inc.	1,873.6
BCBS Indiana – Anthem	1,509.2	Protective Life Corp	1,734.0
BCBS Minnesota	1,228.3	Mid Atlantic Medical Services	1,471.0
BCBS North Carolina	1,070.8	Stancorp Financial Group	1,462.7
Regence BCBS Oregon	1,015.8	Sierra Health Services	1,393.0
BCBS Georgia	963.4	RightCHOICE Managed Care	1,060.8
BCBS Mississippi	824.1	American Medical Security Group	970.8
BCBS Arkansas	770.8	Great American Financial Resrcs.	824.3
BCBS South Carolina	653.0	Cobalt Corp	814.4
BCBS Missouri	629.9	Maxicare Health Plans Inc.	726.4
BCBS Arizona	568.9	Ceres Group Inc.	576.0
BCBS Nebraska	552.3	Delphi Financial Group	512.9
BCBS United of Wisconsin	543.8	Penn Treaty American	396.5
BCBS North Dakota – Noridian	483.6	Amerigroup Corp	392.3.
Regence BCBS Utah	359.4		
BCBS Colorado	348.2		

- Reviewed BCBSKS documents relating to compensation philosophy and plan administration, Board of Directors and Compensation Committee meeting proceedings, input from the compensation consultant to BCBSKS, the Employee Incentive Compensation Plan (EPIP), executive employment agreements for the top 10 executives (CEO and Steering Committee), and deferred compensation plan agreements.
- Researched, reviewed and analysed the currently available information on executive and Director compensation from published survey data for BCBS peer companies and public information from proxy statements for the public peer companies.
 - Determined 50th and 75th percentile levels (the common comparative reporting levels for survey data) for salary, annual cash incentive bonus and long-term incentive compensation elements for the top executives.
 - Up-dated all compensation data to July 2001 for comparison to BCBSKS 2001 levels of Director and executive pay.

- Compared the levels of compensation on each element of pay for BCBSKS Directors and executives with the levels of compensation for the peer groups.
- Researched prior insurance company demutualization conversions.
- Reviewed summary plan descriptions of benefit programs including life and disability insurance, retirement, tax-favored savings and severance and change-in-control arrangements.
- Compared the executive perquisites and benefits at BCBSKS with typical practices in comparable organizations.
- Reviewed compensation and benefit related sections of the Plan of Conversion, the Alliance Agreement and the policyholder information statement. Obtained letters of confirmation from BCBSKS and from Anthem that there are no undisclosed agreements providing benefit to BCBSKS executives that would result from the conversion.
- Held discussions with Bill Pitsenberger, BCBSKS General Counsel, to clarify our understanding of information provided to us, and to confirm that there have been no discussions or agreements related to long-term compensation between Anthem and the BCBSKS executives.

CONCLUSIONS

Based on our review of the documents provided and our analysis of industry peer group data, we have reached the following overall conclusions relative to the objectives of this review as stated above:

- The proposed BCBSKS conversion and alliance with Anthem will not impact Director and executive compensation and benefit programs such that the result would be a violation of the statute noted previously.
- The Director and executive compensation and benefit programs of BCBSKS which will be carried over into Anthem are consistent with “best practices” for such compensation and benefit programs, and provide levels of total compensation that are consistent with levels provided to similarly situated Directors or executives within the peer groups of BCBS and public insurance companies.

Specifically, the following observations and conclusions were noted:

Executive Compensation

- Total compensation (base salary, annual cash incentive and long-term pay) for the top executives of BCBSKS is 4.8% above the median for the BCBS peer group, well within the range (+/- 15%) considered a normal variance relative to the 50th percentile total compensation levels. It is noted that BCBSKS executives do not have a long-term performance plan although it is not uncommon in the industry to have such a plan.

2001 TOTAL COMPENSATION (\$000)

TABLE 2

Executive Position	BCBSKS (1)	BCBS Peers 50th %	Public Peers 50th %
CEO	\$652.2	\$670.7	\$1,657.5
2 nd Highest	405.9	388.6	823.4
3 rd Highest	371.5	330.5	575.6
4 th Highest	352.2	298.9	588.8
5 th Highest	291.3	286.8	522.6
6 th Highest	278.0	271.5	N/A
7 th Highest	247.7	246.7	N/A
8 th Highest	245.9	227.3	N/A
9 th Highest	231.5	200.1	N/A
10 th Highest	190.6	197.0	N/A
Total Top 5	\$2,073.1	\$1,975.5	\$4,167.9
Total Top 10	\$3,266.8	\$3,118.1	N/A

(1) Total compensation for BCBSKS equals total cash since there is no long-term incentive.

- Total compensation (base salary, annual cash incentive and long-term pay) for the top 5 executives of BCBSKS is 50.3% below 50th percentile competitive levels for the public insurance company peers.

2001 TOTAL CASH COMPENSATION (\$000)

TABLE 3

Executive Positions	BCBSKS (1)	BCBS Peers 50th %	Public Peers 50th %
CEO	\$652.2	\$629.2	\$838.3
Total Top 5	2,073.1	1,774.3	2,288.6
Total Top 10	3,266.8	2,765.5	N/A

(1) Total cash compensation equals salary plus annual cash bonus.

- On a total cash (base salary plus annual incentive) basis, the CEO of BCBSKS is paid consistent with the 50th percentile relative to the BCBS peer group, but is substantially below (-22.2%) the 50th percentile for CEOs of the public company peers. (Table 3)
- Total cash compensation for the top 5 executives of BCBSKS, in the aggregate, is

17% above the median of BCBS peer group but 9% below the public company peers.

- Total cash compensation for the top 10 executives of BCBSKS, in the aggregate, is 18% above the median of BCBS, but on a total compensation basis, as shown in Table 2, the top executive group is paid at the same competitive level as the BCBS peers.

EXECUTIVE ANNUAL INCENTIVE TARGET LEVELS

TABLE 4

Percent of Salary

	BCBSKS EPIP Program		Peer Group Companies (1)	
	2000	2001	BCBS Grp.	Public Co Grp.
CEO	30%	40%	39%	45%
Steering Comm. (2)	22.5%	30%	22%	30% (3)

- (1) Average of the median levels for the positions in each group.
- (2) Includes 9 executives immediately below the CEO.
- (3) Average for the 4 executives immediately below the CEO.

- The target annual cash incentive levels for the Employee Performance Incentive Plan were increased last year for all incentive groups. (Table 4)
- These increases were targeted to bring the executives to competitive median annual cash incentive compensation levels as a percent of salary for comparable level positions in the industry.
 - As a result of the potential increase in EPIP target payments, the increase in aggregate target bonus amount for the top 10 executives is \$201, 700.
 - The potential increase in aggregate bonus target for the total BCBSKS organization is \$1,387,900, which is 1.76% of total salary payroll.
- The factors that drive the calculation of the EPIP (growth in enrolment, net income before tax, administrative cost, and individual goals) are normal and customary in the industry.

EXECUTIVE CONTRACT TERM

TABLE 5

Management Level/Benefit	BCBSKS	Typical Competitive Levels
CEO		
▪ Contract Term	▪ 3 years/monthly renewal	▪ 3 years/annual renewal
▪ Severance	▪ 24 months base salary plus bonus	▪ 2 to 3 times base salary plus bonus
▪ Extension of benefits	▪ 24 months retiree health and welfare benefits plus SERP credit.	▪ 24 months welfare plus SERP credit.
Tier 2 – Steering Comm.		
▪ Contract Term	▪ 2 years/monthly renewal	▪ 2 years/annual renewal
▪ Severance	▪ 24 months base salary plus bonus	▪ 1 to 2 times base salary plus bonus
▪ Extension of benefits	▪ 24 months retiree health and welfare benefits plus SERP credit.	▪ 12 to 18 months welfare plus SERP credit.

- The top executives of BCBSKS have employment agreements, which were implemented in December 1997, and provide levels of severance protection including (by amendment in October 2000) change-of-control protection that are typical for executives at their levels. (Table 5)

Director Compensation

- Current average total compensation of \$20,080 for a Director of BCBSKS (retainer plus meeting fees) is significantly below the median of the average Director pay for the public insurance company peer group and Financial Services survey data (\$53,344 and \$67,468 respectively).

DIRECTOR COMPENSATION

TABLE 6

	Compensation by Type (\$000)			
	Average Retainer	Avg. Meeting Fees	Avg. Total Cash	Avg. Total Compensation
BCBSKS				
▪ 2000	5,167	387	11,133	11,333
▪ 2001	10,333	645	20,080	20,080
Public Co. Peer Grp.	20,000	1,000	33,603	53,344
Survey - Fin Services	21,333	873	34,323	67,468

- The average cash compensation of \$20,080 for a BCBSKS Director is also below the median of the average cash compensation for a Director in the public company peer group and Financial Services survey data (\$33,603 and \$34,323

- respectively)
- These results include increases in BCBSKS Director pay implemented in 2000 and 2001, which were made based on an analysis of confidential surveys of BCBS companies provided by the BCBSKS compensation consultant.
- Directors of BCBSKS also do not participate in a long-term compensation program and thus receive all compensation in cash.

Benefits

- Beyond the base health and welfare and retirement programs provided to all employees of BCBSKS, the employees and executives with cash compensation above qualified plan limits receive supplemental programs that are enhancements to the base programs.

SUPPLEMENTAL EXECUTIVE BENEFITS

TABLE 7

Benefit	Supplement for Executives
Medical Insurance	Executives with employment agreements receive retiree medical coverage starting at termination.
Long-Term Disability	Executives paid above the IRS qualified plan limits receive non-qualified supplemental benefits that replace any lost benefit resulting from the qualified plan limits.
Retirement & Deferred Compensation Agreement	Executives paid above the IRS qualified plan limits receive a deferred compensation agreement that provides supplemental retirement benefits that replace benefits lost resulting from the qualified plan limits.
Change-in-Control	The CEO and Steering Committee executives are provided change-in-control protection if they are terminated that includes 280G gross-up for excise tax exposure and extends the SERP credit under the deferred compensation agreement to include compensation and service for the severance period.

- Change-of-control protection for the BCBSKS executives is typical for their position levels and requires a “double-trigger” – both a change-of-control and termination of the executive by the new controlling organization (Anthem), i.e., no executive can elect on their own to leave the company and receive the change-of-control benefit.
- While providing retiree medical coverage as a termination benefit is unusual in our experience, the retirement benefits for the executives, in the aggregate, are competitive with industry practice including the deferred compensation

agreements for the BCBSKS executives.