

May 30, 2002

Robert Lohr, Director  
Alaska Division of Insurance  
3601 C Street  
Frontier Building, Suite 1324  
Anchorage, Alaska 99503-5948

Dear Director Lohr:

Thank you for the opportunity to meet with us on a matter of importance to Premera Blue Cross and, we believe, to the citizens of Washington and Alaska.

Premera Blue Cross, also known as Blue Cross Blue Shield of Alaska, proposes to undertake a corporate reorganization designed to give the Premera family of companies access to the equity capital markets. The reorganization will likely draw significant community interest, and may be viewed as presenting important public policy issues. Accordingly, we wanted an opportunity to discuss this with you and your staff.

Premera Blue Cross is a Washington State non-profit corporation, licensed to provide health insurance coverage in Washington and Alaska. The company currently provides such health insurance coverage to more than one million enrollees in Washington and Alaska. It is part of the Premera family of companies, which provide health care coverage and related services in Washington, Alaska and Oregon. Premera is committed to remaining an independent, Washington-based company dedicated to its mission – providing peace of mind to our subscribers and their families about their health care coverage. We are proud of our record of customer service, financial stability, and innovative products, services and processes.

Reorganizing to allow access to the equity capital markets would enhance Premera's flexibility and responsiveness to customer needs in an increasingly demanding health-care marketplace. Access to capital would also allow Premera to make continued investments in new products and technology, support a growing customer base, and allow us to continue to make our customers' experience with their health plan better and more efficient. It would also provide additional resources to support our intent to remain a strong, locally managed independent health plan in a world of ever-increasing consolidations in the health care system.

We believe the proposed reorganization by Premera to access the equity capital markets would result in a positive outcome not only for Premera, its subscribers and their

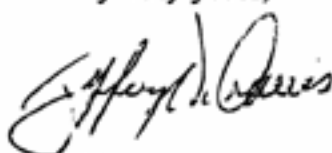
families, but also for the general public. A number of Blue Cross Blue Shield plans around the country have "converted" to be publicly held companies, which has led to the creation of sizeable funds directed at improving the health of the communities they serve. While Premera and its predecessor companies were not established or operated as charitable institutions, we propose to take a similar approach. We propose that, as part of a Premera reorganization, a fund would also be created to support health initiatives for the citizens of our Washington and Alaska service areas. We believe the reorganization could result in substantial funds dedicated to the public benefit.

We recognize that different aspects of the reorganization will require regulatory review by various state officials, including the Washington Attorney General and the Washington Insurance Commissioner. As part of the reorganization, we also propose to transfer our Alaska portfolio of business to a Premera Blue Cross subsidiary, which would be licensed as a health insurer in Alaska. We recognize that such transfer and licensure will require review by the Alaska Division of Insurance.

We want to underscore our commitment to work collaboratively with you and all state officials with an interest in this reorganization, toward an outcome we believe is in the best interests of Premera, our customers and the health of the general public in our Washington and Alaska service areas. Because of the nature of the proposed reorganization, we understand that the process may entail significant review and time. Our hope is that the review process could be accomplished over the next six months.

With this introduction, we would like to begin more substantive discussions with you during which we can review the proposed reorganization in detail and answer questions you may have. We look forward to working with you and your staff and very much appreciate the opportunity to meet with you personally.

Very truly yours,



Jeff Davis,  
Vice President &  
Executive Director



John Domeika,  
Senior Vice President,  
General Counsel



Jack McRae  
Senior Vice President,  
Legislative & Congressional  
Affairs