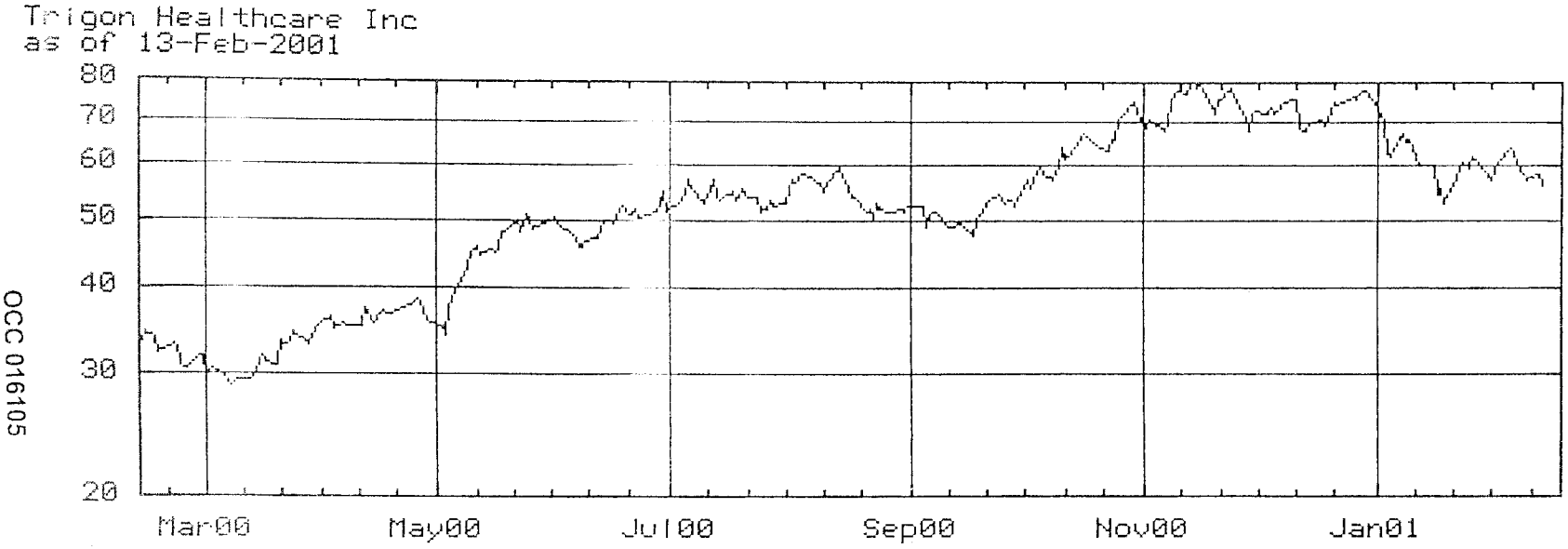
Trigon Stock Performance & Analysts' Projections

- Trigon's stock rose from $30 in March to a high of almost $81.50 before falling back under $60 (currently $57)
  - The rise in stock price drove market cap from $1.13B to over $3B before settling at $2.2B
  - 2001 Consensus EPS Estimates: Average $3.80, Range $3.75-$3.95
  - 52-Week Price Targets: $69-$95
- For 2001 Analysts Predict:
  - Strong Enrollment Growth & Continued Market Share Dominance - 35% share, with 1%-2% share growth expected annually
  - Strong Cost Trend Management–SG&A expected to decline from 19.5% in 1999 to 18.4% in 2001
  - Medical Cost Containment - 7% annual trend vs. 9% industry trend
  - Strong results in its investment portfolio - Cash and investments of almost $1.8B
- Trigon exceeded analysts' expectations by one penny for 4Q00: However, Prudential downgraded Trigon from a Strong Buy to a Hold (reasons unknown at this point)



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Constituent Attitudes Towards Trigon

Brokers

- Launched incentive program that rewards high producing brokers
- Launched FirePond service to provide interactive platform that will simplify the process of buying health insurance through Trigon's key brokers

Members

- Strong enrollment growth (8%-10% expected in 2001) in VA has been partially driven by consistent pricing practices, which employers prefer
- Trigon reported that 93% of benefit managers intend to renew Trigon coverage for their employees
- Consumers ranked Health Keepers, Inc. the 16th best HMO in the nation for overall customer satisfaction

Physicians

- Trigon has been through several lengthy contract negotiations with providers, but reached agreements with a large majority of them
- In August, the VA Chiropractic Association filed suit against Trigon on the basis of RICO laws
- Ranked second behind only BCBSNC in a survey conducted by INOVA to judge physician sentiment towards insurers in the norther VA area (3/99): ranked #1 by Physician Administrators as best plan to deal with in same survey

Hospitals

- Trigon has gone through several lengthy contract renegotiations, but reached agreements with all hospitals,
- Some of these negotiations reached the papers (Washington Post in particular) and cast Trigon in a negative light
- Trigon has aggressively targeted outpatient fee schedules at most hospitals: This has led to significant revenue declines in some hospitals and negative feelings towards Trigon

Regulators

- Trigon received approval to convert from a mutual insurance company to a for-profit company with very little objection from regulators

Wall Street

- Six of 16 analysts rate Trigon as a "Strong Buy"
- 92% return in the last year
- Wall Street has been impressed by Trigon raising EPS estimates twice in the last year

Key: Favorable | Neutral | Unfavorable

Sources: Business Wire (10/18/00 and 1/11/01), San Jose Mercury News (1/09/01), San Francisco Chronicle (1/09/01), Managed Care Week (10/23/00 and 12/25/00), The Sacramento Bee (12/21/00), Best's Insurance News (8/16/00 and 11/30/00), The Atlanta Constitution (11/27/000 and 11/28/00), The Atlanta Journal and Constitution (11/10/00), CMA Press Release (5/25/2000), Wall Street Journal (5/31/2000), Insure.com (/2000), The Washington Post (1/22/01 and 3/09/2000), External sources

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Trigon "SWOT" Analysis

	Strengths & Opportunities	Weaknesses & Threats
Sales/Marketing	+ Immediate geographic synergies via 123 corridor: especially small & mid-sized markets	
Finance/Actuarial/UW	+ Expertise & supporting infrastructure drive profitability (data access, monitoring & forecasting capabilities)	
IT/Ops	+ Systems tailored to managing & monitoring by segment & profitability + Reduces investment in duplicative technologies (e-commerce, HIPAA, core systems, etc.) + Operations center consolidation	- Transition to partial matrix/ MBU structure may be costly: increased staffing/overhead normally required for matrix organization structure
Structure		- Reorganization and centralization of MBU & P/L accountability in COO may result in decreased performance levels
Medical	+ Outpatient system + CareFirst reimbursement in N. Va	

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KEY TRANSACTION ISSUES

CSFB has attempted to outline the many criteria that can be considered by the Board of Directors when evaluating a potential strategic transaction. Total strategic value encompasses quantifiable and non-quantifiable elements such as those outlined below:

CRITERIA	COMMENTS
STRATEGIC GOALS	
Revenue Growth	• $8-$11 billion in revenues producing 15%-22% annual revenue growth between 1999 and 2003 and serving 4.2-6.1 million members
Market Share	• The top market position in key consumer segments with a diversified portfolio and three times the relative market share of the next competitor in the core service area
Capital	• Minimum capital of $500-$600 million and $1,000-$1,100 million in excess and contingency capital resulting in a total capital base of $1,500-$1,700 million; underwriting margins of 1%-2%
BUSINESS CASE	
Marketability	• Impact of competitors' response to merger
Synergies	• Revenue growth; cost of care savings; administrative cost savings; IT investment savings / avoidance; cost of capital
Earnings Growth	• Incremental growth above "stand-alone" expectations
Benefits to Constituents	• Members; employers; providers; government / residents; employees; brokers / agents
Success of Post-Closing Integration	• Corporate culture; information technology; financial strength of partner

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KEY TRANSACTION ISSUES (CONT'D)

CRITERIA	COMMENTS
REALIZATION OF ECONOMIC BENEFIT	
Amount of Foundation Contribution	
Form of Foundation Contribution	• Cash and / or public stock
Partner Commitment to Close Deal	• Time-consuming process requires firm commitment of both parties; pre-closing integration efforts
DO-ABILITY	
Regulators	• Driven by Foundation funding, constituent impact, & legal requirements
Legislators	
GOVERNANCE PARTICIPATION	
Corporate / Reporting Structure	• Operating structure of the combined company
Corporate Name / Branding	• Corporate-holding company and operating subsidiary brand names
Headquarters Location	• Location of the corporate headquarters of combined company
Management Composition	• Senior management reporting structure
LONG-TERM STRATEGY	
Number of Strategic Businesses	• Strength of existing business versus geographic and other business risks
Next Merger Opportunity	• Ability to use combined entity as platform for growth

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KEY TRANSACTION ISSUES (CONT'D)

The table below offers a side-by-side comparison of Trigon and WellPoint on the key transaction issues:

CRITERIA	STATUS QUO	TRIGON	WELLPOINT
STRATEGIC GOALS			
Revenue Growth	• Sub-optimal positioning for long-term plan growth	• Utilize platform for further regional growth	• Utilize WellPoint's existing product portfolio • No immediate contiguous growth synergies
Market Share	• Forgone first-mover advantage during market consolidation • Vulnerability to larger, better capitalized competitors	• Increase penetration along Rt. 123 corridor	• No geographic synergies, except for the consolidation of 78K UNICARE members in CFI service area into CareFirst
Capital	• Access to debt market only • Inability to fund approx. $387-$627 million of projected capital expenses over the next three years • Limited acquisition currency and inability to be an acquiror in the consolidating market	• Full access to public equity and debt markets	• Full access to public equity and debt markets
BUSINESS CASE			
Marketability	• Could trigger WellPoint acquisition of Trigon: would create significant competitive threat to CareFirst • Could trigger competitor acquisition of MAMSI: would create significant competitive threat to CareFirst	• Could trigger MAMSI and/or BCBSNC acquisition by WellPoint: would create moderate competitive threat to CareFirst	• Could trigger MAMSI and/or BCBSNC acquisition by Trigon: would create significant competitive threat to CareFirst

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KEY TRANSACTION ISSUES (CONT'D)

CRITERIA	STATUS QUO	TRIGON	WELLPOINT
BUSINESS CASE (CONT'D)			
Synergies	• NA	• Significant opportunities for revenue synergies in northern Virginia (especially along Route 123 corridor), as well as general and administrative cost savings	• Potential revenue enhancements include: complementary specialty businesses, focus on underpenetrated market segments, full spectrum of hybrid products, incremental national accounts membership, consolidation of UNICARE members into CareFirst, Internet opportunities • Potential benefit cost savings include: sophisticated actuarial expertise, innovative health plan designs, value-added medical management services, high quality, national proprietary networks • General and administrative cost savings
Earnings Growth	• Sub-optimal positioning for long-term plan growth	• Synergies TBD: may drive significant incremental earnings growth	• Synergies TBD: may drive incremental earnings growth
Benefits to Constituents	• NA	• Likelihood of maintaining local employment levels • Provides seamless provider networks, integrated customer service and standardization of medical policy across a large geographic region	• Benefits to employees include: part of a strong, growing national company, equity-linked compensation • Benefits to members include: enhanced financial strength, additional service capabilities, new products, cost savings opportunities

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