OVERVIEW OF PACIFIC

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OVERVIEW OF PACIFIC

- **Pacific is the largest publicly-traded Blue Cross Blue Shield company and is one of the largest managed care companies in the United States**
  - Operates "Blue" branded business in California service area through Blue Cross of California and national non-branded operations through UNICARE subsidiary
  - Total medical membership as of December 31, 2000 was 9.7 million members (including Blue Cross and Blue Shield of Georgia)
  - Equity market capitalization as of April 20, 2000 was $5.7 billion
- **Pacific offers a broad spectrum of network-based health products, including open access PPO, POS and hybrid products, HMO products and specialty products**
  - Specialty products include pharmacy, dental, utilization management, life insurance, preventive care, disability insurance, behavioral health, COBRA and flexible benefits accounts administration (total specialty membership as of December 31, 2000 was 40.3 million)
- **Pacific offers a variety of HMO products to members of its California HMO, CaliforniaCare**
  - It also offers HMO products in the greater Chicago area as a result of its acquisition of Rush Prudential Health Plans
- **On March 15, 2001, Pacific completed its $700 million acquisition of Cerulean (parent of BCBS of Georgia)**
  - Cerulean's total membership as of December 31, 2000 was 1.8 million members
- **On March 1, 2000, Pacific completed its $204 acquisition of Rush Prudential Health Plans, a 300,000 medical-member plan primarily in the Chicago area from the Prudential Insurance Company of America**

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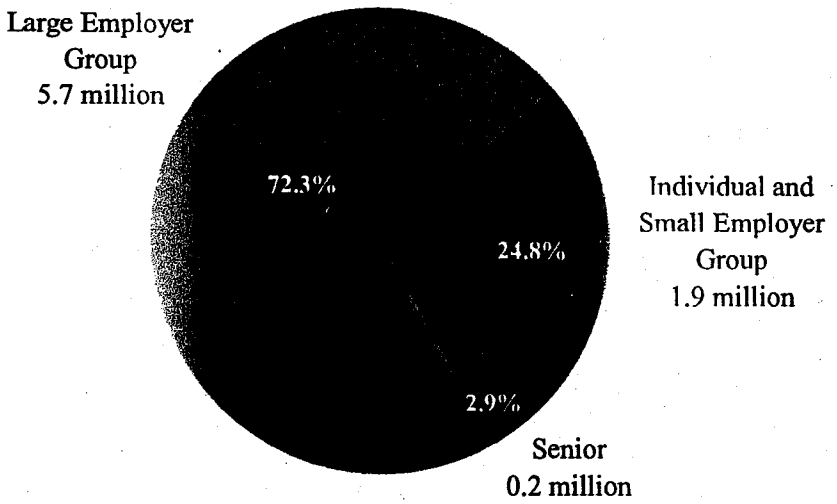
MEDICAL MEMBERSHIP PROFILE

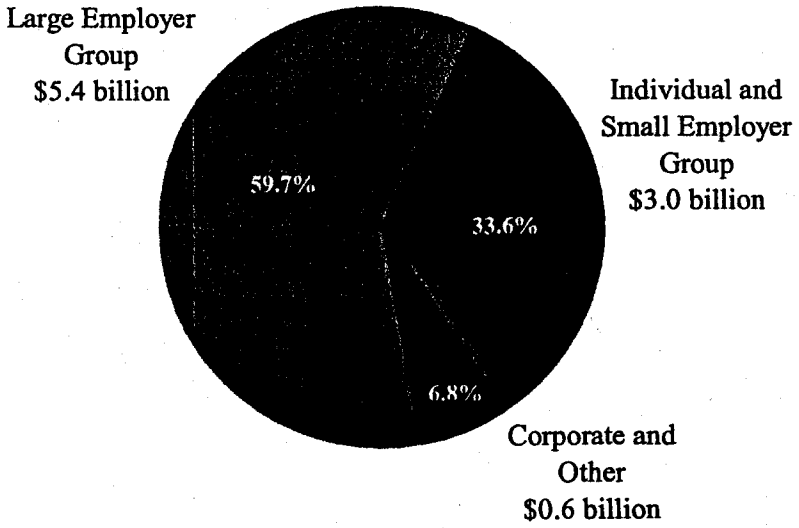
Pacific's core health insurance business is concentrated in the large employer group market.

MEDICAL MEMBERS[1]



Total = 7.9 Million

LTM NET REVENUES[2]



Total = $9.0 Billion

Source: Company 10-K dated 12/31/00.
Note: Not pro forma for acquisition of Cerulean.
(1) As of 12/31/00.
(2) LTM as 12/31/00.

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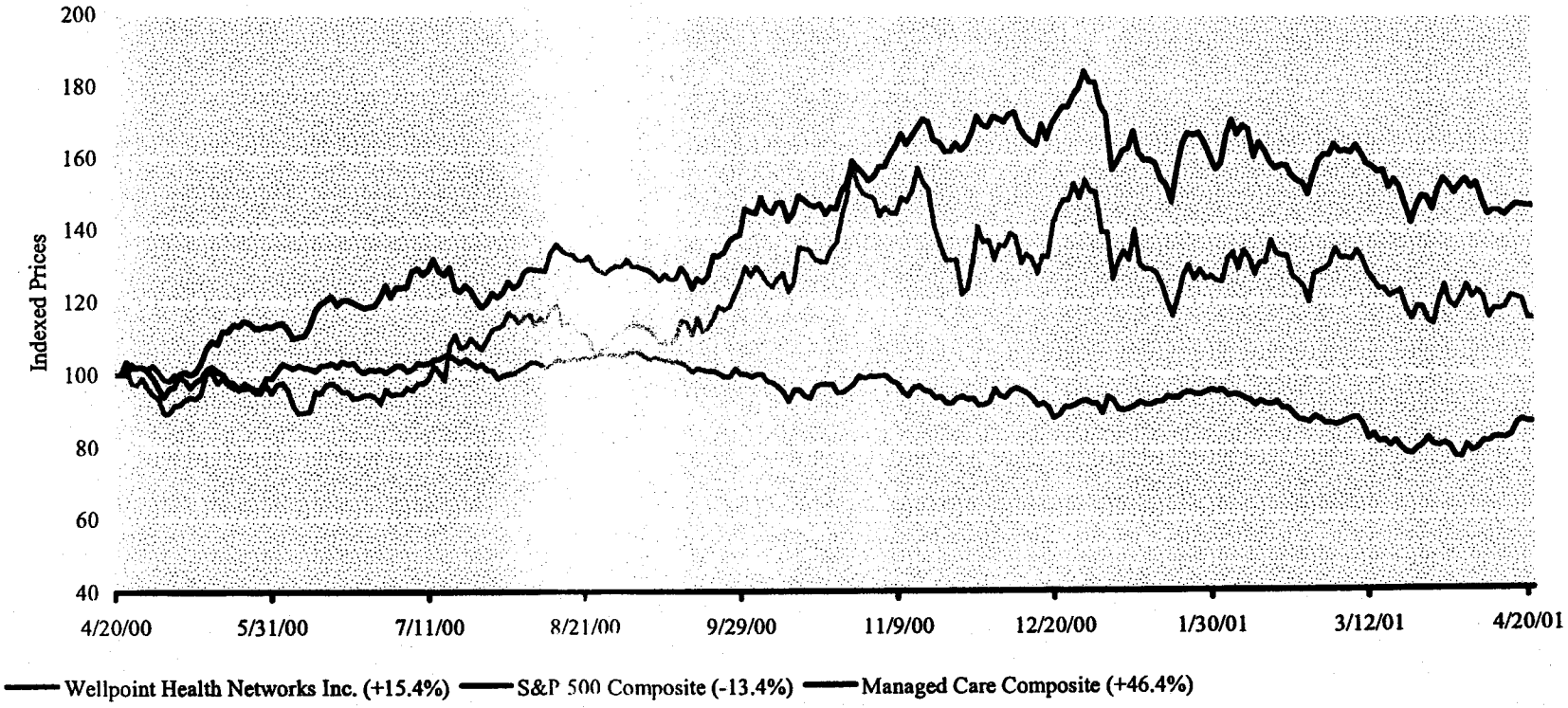
RELATIVE STOCK PRICE PERFORMANCE

Over the past year, Pacificare's stock price has significantly outperformed the broader market, but has lagged behind the publicly traded peers.

DAILY FROM APRIL 20, 2000 - APRIL 20, 2001



Indexed prices are market cap weighted.
Managed Care Composite includes: AET, CI, HNT, HUM, MME, OHP, TGH and UNH.

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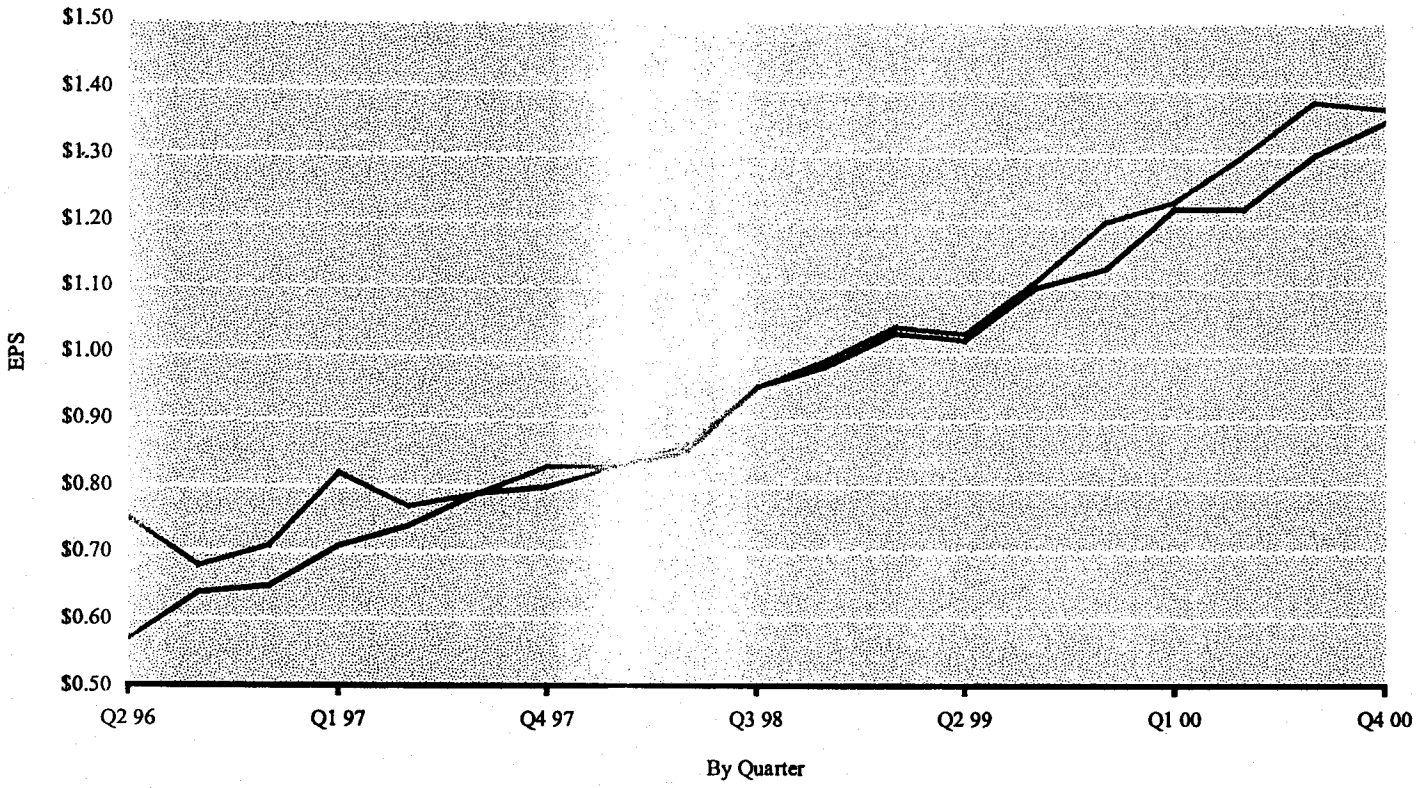
PREDICTABLE EARNINGS GROWTH

[illegible] has [illegible] EPS estimates over the last five years.



Actual — First Call Consensus EPS

Source: First Call.

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SUMMARY HISTORICAL AND PROJECTED FINANCIAL PERFORMANCE

Revenues

- Premium revenues increased 24.6% in 2000 (excluding Cerulean) primarily driven by risk-based membership growth of 13.3% combined with average realized premium rate increases of 9.6%
- Strong projected revenue growth driven by above national average growth opportunities in California and the impact of the acquisition of Cerulean

Membership

- Total medical membership rose 7.8% in 2000 (excluding Cerulean) driven by strong growth in California, where medical membership increased 8.4% to 5.6 million members and the impact of the Rush Prudential acquisition
- Membership growth in California is due to strong growth in the smaller end of large group market, premium increases comparatively lower than several of Pacific's competitors, product diversity and the continued attraction of new large group clients to its provider network
- Pacific is projecting overall membership to grow in the mid-to-high single digit range through the introduction of new lower-priced individual and small group products

Medical Costs

- Medical loss ratio increased to 76.8% in 2000 from 75.5% in 1999 primarily due to:
  - The incremental effect of the Rush Prudential acquisition (Rush historically experienced a higher loss ratio than Pacific)
  - The growth in Pacific's large employer group business segment which has historically experienced a higher loss ratio than the individual and small employer group business
- Projected medical loss ratio is expected to increase due to the impact of the Cerulean transaction, the increased mix of faster-growing drug costs and outpatient services

Administrative Expenses

- Administrative expense ratio decreased to 18.9% in 2000 from 19.6% in 1999 due to the integration of IT systems from acquired businesses and economies of scale associated with premium revenue growth in relation to fixed corporate overhead

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SUMMARY HISTORICAL AND PROJECTED FINANCIAL OVERVIEW

($ in millions)	Fiscal Year Ended December 31, 1999 (1)	2000 (1)	2001 (2)	2002 (3)	1999-2002 CAGR
Total Revenue (4)	$7,485.4	$9,229.0	$12,459.8	$14,727.2	25.3%
Growth	*14.7%*	*23.3%*	*35.0%*	*18.2%*	--
EBIT	507.5	588.3	723.9	832.5	17.9%
Margin	*6.8%*	*6.4%*	*5.8%*	*5.7%*	--
Growth	*2.4%*	*15.9%*	*23.0%*	*15.0%*	--
EBITDA	$576.2	$663.7	$822.3	$939.9	17.7%
Margin	*7.7%*	*7.2%*	*6.6%*	*6.4%*	--
Growth	*4.7%*	*15.2%*	*23.9%*	*14.3%*	--
Net Income	$297.2	$342.3	$404.9	$469.8	16.5%
Margin	*4.0%*	*3.7%*	*3.2%*	*3.2%*	--
Growth	*12.9%*	*15.2%*	*18.3%*	*16.0%*	--
EPS	$4.38	$5.29	$6.05	$7.00	16.9%
Growth	*16.8%*	*20.8%*	*14.4%*	*15.7%*	--
Operating Statistics:					
Medical Loss Ratio ("MLR") (5)	75.5%	76.8%	77.3%	77.7%	--
Administrative Expense Ratio (6)	19.6%	18.9%	18.6%	18.3%	--
Underwriting Margin	4.8%	4.4%	4.1%	4.1%	--

Source: Company 10-K and Wall Street equity research.
Note: Excludes non-recurring items.
(1) Not pro forma for Cerulean acquisition.
(2) Includes three quarters of Cerulean acquisition impact.
(3) Includes Cerulean acquistion.
(4) Includes investment income.
(5) Ratio of costs of benefits provided to premiums earned.
(6) Ratio of administrative expenses to premiums earned.

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CAPITALIZATION

($ in millions)	As of 12/31/00
Cash & Cash Equivalents (1)	$0.0
Total Debt (2)	$1,000.9
Stockholders' Equity	1,644.4
Total Capitalization	$2,645.3
Total Debt / Total Capitalization	37.8%
Senior Credit Ratings:	
S&P Credit Rating	BBB+
Moody's Credit Rating	Baa1

Note: Pro forma for Cerulean acquisition.
(1) Assumes $0 excess cash.
(2) Source: Pacific press release dated 1/2/01.

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PACIFIC ACQUISITION HISTORY

[illegible] of Pacific's growth strategy outside of its California service area and since 1996 [illegible] complete[illegible]

($ in millions)

Date	Target	Location	Purchase Price	Comments
3/01	**Cerulean Companies**	GA	$700	Acquisition of Cerulean Companies, Inc. ("Cerulean"), parent of Blue Cross and Blue Shield of Georgia. The original merger agreement signed in July 1998 called for Pacific to acquire Cerulean for $500 million in cash and stock paid to Cerulean shareholders. After an extended legal and regulatory approval process, Pacific was poised to close the transaction when, in November 2000, Trigon Healthcare Inc. submitted a competing counter-bid for $675 million in cash. Pacific increased its original offer to $700 million in cash, which caused Trigon to back down, and successfully close the transaction in March 2001.
12/00	**PrecisionRx**	TX	ND	Acquisition of PrecisionRx, RxAmerica's mail order pharmacy fulfillment facility located in Fort Worth, Texas, which filled approximately 1.6 million prescriptions annually at the time of the acquisition. PrecisionRx was acquired to provide mail order pharmacy services for Pacific's rapidly growing Pacific Pharmacy Management, which served approximately 28 million lives and was the fourth largest pharmacy management company ("PBM") and the largest health plan owned PBM in the United States at the time of the acquisition.
3/00	**Rush Prudential Health Plans**	IL	$204	Acquisition of 300,000 member health plan jointly owned by Rush-Presbyterian-St. Luke's Medical Center, one of Chicago's leading medical facilities, and the Prudential Insurance Company of America. The Rush Prudential Health Plan, which offered a wide array of products and services ranging from HMO products to traditional PPO products, was folded into Pacific's existing UNICARE operation and more than doubled Pacific's Illinois membership to nearly 537,000 members.
5/99	**Omni Healthcare**	CA	ND	Agreement to transition 124,000 members from Omni Healthcare, a troubled provider-owned health plan headquartered in Sacramento, California, into Blue Cross of California's HMO over a six month period. Omni Healthcare operated in 25 northern California counties, including a strong presence in Sacramento and San Joaquin counties, and included approximately 65,000 commercial members and approximately 59,000 members in California's Medi-Cal program for low-income residents. The transaction price was undisclosed but depended, in part, on the number of Omni Healthcare's commercial members that transitioned to Blue Cross of California's products.

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