RECENT ANNOUNCEMENTS

Several recent headlines regarding BCBS plans have involved mergers, acquisitions and corporate reorganizations.

Company	Recent Headlines
WellPoint Health Networks	ς WellPoint and Cerulean have agreed to a one year extension of their proposed merger agreement through December 31, 2000. The conversion of Cerulean has been delayed by a lawsuit that is currently being reviewed by the Georgia Court of Appeals. ς WellPoint announced it may complete a public debt offering of up to $500 million to pay down part of its revolving credit facility and to help fund its $200 million acquisition of Rush Prudential Health Plans, as well as its acquisition of Cerulean. ς In December 1999, WellPoint announced that it had signed a definitive agreement to acquire the Chicago-based Rush Prudential Health Plans for approximately $200 million.
Anthem, Inc.	ς In December 1999, Anthem agreed to pay $45 million for a new charitable foundation to settle a lawsuit related to its 1993 acquisition of BCBS of Kentucky. ς In November 1999, Anthem completed its acquisition of BCBS of Colorado for $165 million. As part of the transaction, the Caring for Colorado Foundation received $155 million. ς In October 1999, Anthem completed its acquisition of BCBS of New Hampshire for $120 million. As part of the transaction, a foundation will be established with a value of approximately $80 million.
BCBS United of Wisconsin	ς In September 1999, BCBS United of Wisconsin received approval for its planned conversion to a shareholder owned company from the BlueCross BlueShield Association.
RightChoice (BCBS of Missouri)	ς In January 2000, BCBS of Missouri announced with the Missouri Attorney General and the Missouri Department of Insurance that they have amended their settlement agreement and mutually dismissed the underlying primary case in the Cole County Circuit Court. In particular, the amendment deleted the requirement for court approval of the corporate reorganization plan. ς In November 1999, RightChoice reported that Health Care Service Corporation ("HCSC"), which operates the Blues plans in Illinois and Texas, disclosed its purchase of 18.8% of RightChoice's outstanding Class A shares, representing ownership of 3.7% of the total shares outstanding. RightChoice is reportedly exploring strategic affiliations with HCSC.
Empire Blue Cross & Blue Shield	ς In January 2000, Empire Blue Cross & Blue Shield announced that its plans to restructure to a for-profit organization were approved by the New York State Insurance Department. Empire's conversion is still pending the outcome of negotiations with the New York Attorney General and approval from the New York State Superior Court.

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LOCAL MARKET OVERVIEW

CareFirst's core service area is evolving as industry consolidation changes the competitive landscape.

Competition

- Local market competition is increasing as industry consolidation increases presence of large national players
  - Acquisition of PruCare by Aetna US Healthcare
  - Development of strong local market provider networks by large national plans
  - Uncertainty surrounding MAMSI's long-term status
- However, as acquisitions have proven disruptive to members, it creates opportunities for strong locally focused players
- Member satisfaction has become a source of competitive advantage as the trend towards consumerism accelerates

Pricing

- Local market pricing differences create an opportunity to gain market share
- Price is emerging as an important selection criteria as a greater proportion of premium cost is being passed on to employees

Other

- Strong economic growth in Maryland, Northern Virginia and Washington, DC areas
- High market penetration in core CareFirst service areas
- Significant base of government employees
- Large base of highly attractive mid-sized businesses

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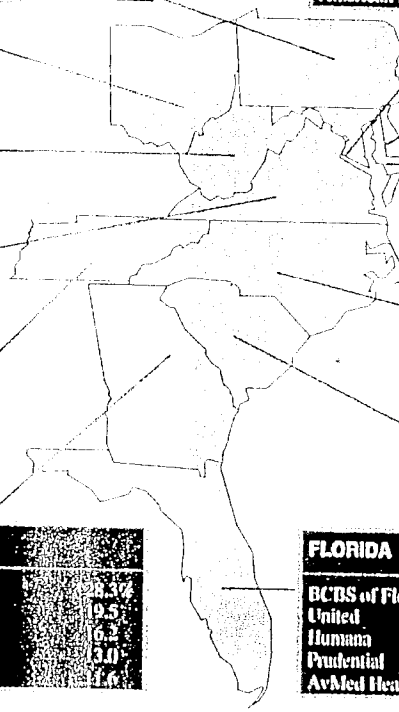
REGIONAL MARKET SHARE BY STATE

Markets adjacent to CareFirst's core operating area represent a significant opportunity for expansion.



OHIO

United	26.0%
Humana	9.2
Anthem	8.9
Aetna	7.8
Kaiser	6.8

PENNSYLVANIA

BC of N. Pennsylvania	26.0%
Aetna	21.2
Highmark BCBS	11.9
Coventry	5.8
Penn State Health	5.5

DISTRICT OF COLUMBIA

Kaiser	80.0%
George Washington	13.0
DC Chartered Health	3.7
Innova	2.1
American Preferred	0.6

DELAWARE

Coventry	34.7%
Aetna	31.2
AmeriHealth	16.4
BCBS of Delaware	8.4

WEST VIRGINIA

Health Plan of UOV	50.2%
Camcare	35.1
Anthem	11.1
Coventry	2.2
Mountain State BCBS	1.5

MARYLAND

MAMSI	26.5%
CareFirst	22.6
Aetna	19.5
Prudential	11.6
CIGNA	8.8

VIRGINIA

Trigon	27.1%
CIGNA	21.5
Sentara	20.3
CareFirst	7.7
QualChoice	7.6

NORTH CAROLINA

United	17.3%
Novant	16.2
CIGNA	14.2
BCBS of North Carolina	12.0
Kaiser	7.7

TENNESSEE

BCBS of Tennessee	39.6%
Medical Care	14.5
CIGNA	9.5
Xantus	8.3
United	7.3

GEORGIA

Cerulean	28.3%
Kaiser	19.5
United	16.2
Aetna	13.0
Prudential	7.6

FLORIDA

BCBS of Florida	19.5%
United	15.8
Humana	14.3
Prudential	12.7
AvMed Health Plan	7.6

SOUTH CAROLINA

BCBS of South Carolina	39.1%
United	29.2
CIGNA	25.6
HealthFirst	4.2
Select Health	1.8

Source: InterStudy HMO data as of January 1999.

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BENCHMARK ANALYSIS

CareFirst is positioned among the leaders on both a local and national market basis.

POSITION WITHIN "HOME" MARKETS (1)

Company	Members	Revenue	Shareholders' Equity(3)
WellPoint	1	1	3
HCSC	2	2	4
HighMark	3	3	1
Anthem	4	4	2
IBC	5	5	6
CareFirst	**6**	**6**	**7**
Horizon	7	7	8
Trigon	8	8	5
MAMSI	9	9	9
Kaiser Mid-Atlantic	10	10	10

NATIONAL MARKETS (2)

Company	Members	Revenue	Shareholders' Equity(3)
Aetna	1	1	1
CIGNA	2	3	2
United Health	3	2	3
WellPoint	4	7	5
Humana	5	4	6
Foundation	6	6	8
PacifiCare	7	5	4
CareFirst	**8**	**8**	**9**
Oxford	9	9	10
Trigon	10	10	7

Source: Andersen Consulting and company reports.
(1) Based on 12/31/98 amounts.
(2) Based on 12/31/99 amounts.
(3) Includes preferred and common equity, paid-in capital, retained earnings and FAS 115 adjustments.

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DRIVERS OF FUTURE SUCCESS

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DRIVERS OF FUTURE SUCCESS

Based on the current market environment, there are several key drivers which will determine the future success of CareFirst.

	Characteristic	Benefits
Strong Regional Leadership Position	ς Significant presence in multiple adjacent markets • Large, growing population • Strong underlying economic trends • Provider over-supply • Concentrated membership base ς Leading local market share position	ς Employer and provider contracting leverage ς Access to national accounts ς Economies of scale ς Risk diversification
Comprehensive Product Offerings	ς Strong participation in all market segments • Gatekeeper HMO → PPO/Indemnity • Large group → individual • Government programs (where profitable) • Ancillary products • Multiple price points	ς Service all potential customers ς Single-source solution ς Employer and provider contracting leverage
State-of-the-Art Information Technology	ς Customer service focus ς Billing and claims processing excellence ς Medical management is a core activity ς Equal focus on managing medical outcomes and financial performance	ς Sound actuarial behavior ς Deliver superior quality of care ς Operational consistency

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DRIVERS OF FUTURE SUCCESS (CONT'D)

	Characteristic	Benefits
Superior Brand Identity	ς Attractive product offerings ς Strong customer service reputation ς Leading providers in networks ς Reputation for high quality of care	ς Incumbency advantage ς Significant barrier to entry ς Pricing flexibility ς Reservoir of Goodwill
Best of Breed Financial Performance	ς Solid, profitable growth ς Focus on profits, not market share ς Underwriting excellence - low MLR ς Administrative excellence - low administrative ratio	ς Ability to be low cost provider ς Flexibility to pursue new markets and strategic combinations
Efficient Access to Capital	ς Low cost funding • Debt • Equity	ς Ability to pursue strategic combinations ς Access new markets/develop new products ς Insure financial security ς Satisfy capital requirements, if necessary

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DRIVERS OF FUTURE SUCCESS (CONT'D)

	Characteristic	Benefits
Management Excellence	ς Operational ς Medical ς Technology ς Financial	ς Nothing is possible without management

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SUMMARY RECOMMENDATIONS

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SUMMARY RECOMMENDATIONS

Our preliminary environmental scan has produced the following summary conclusions.

- **National Analysis**

  Industry focus has shifted from growth to profitability

  Accelerating consolidation trend

- **BSBC Analysis**

  Unlike many large managed care plans, the BCBS sector has benefited from strong consumer preference for less-managed products and broader provider networks

  Larger BCBS plans are now viewed as competing directly with public market counterparts

- **Local Analysis**

  Price is emerging as an important selection criteria as a greater proportion of premium cost is being passed on to employees

  Local market competition is increasing as industry consolidation increases presence of large national players

BASED ON DLJ'S SUMMARY CONCLUSIONS, WE STRONGLY SUPPORT THE COMPANY'S STRATEGIC PLAN FOR CHANGE

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