



SHARING INFORMATION AND IDEAS WITH PARTNERS OF BCS FINANCIAL CORPORATION

E X C H A N G E

BCS IS NOW WHOLLY OWNED BY ALL PRIMARY BCBS LICENSEES



Initially created in 1948 to provide insurance for Blue Cross and Blue Shield national accounts, BCS Financial Corporation is proud to announce it is now the only entity owned by *all primary Blue Cross and Blue Shield licensees*. As of August 2010, Arkansas Blue Cross and Blue Shield, Blue Cross and Blue Shield of South Carolina, and Blue Cross and Blue Shield of Vermont have a shareholder investment in BCS. In addition to our three new investors, Blue Cross and Blue Shield of Alabama and Blue Cross and Blue Shield of Nebraska expanded their ownership in BCS. These transactions were facilitated by the reduction of shares held by WellPoint.

Today, BCS is a \$400 million-plus entity possessing life, health, property and casualty insurance licensure in *all 50 states*. Our organization's Board of Directors is comprised of Chief Executive Officers and Presidents representing 12 Blue Cross and Blue Shield companies and the Blue Cross and Blue Shield Association. As partners in the Blue system, we share a long history enabling us to work with our owners as a strategic and seamless asset on a national level.

Possessing strong A.M. Best ratings of A- (Excellent), extremely favorable BCAR/RBC ratios, and insurance licensing assets nationwide, BCS is uniquely positioned for responsible growth. Innovation is key as we partner with our shareholder Blue Cross and Blue Shield companies leading the industry through the next generation of national and international insurance and reinsurance solutions.

— Susan Pickar, Senior Vice President, Finance and Treasurer

THE IMPORTANCE OF KEEPING YOUR GREEN ... BLUE



Drip. Drip. Drip. A few drips from a leaking faucet create a puddle; a few drips from many faucets over time cause damage. The Blue Cross and Blue Shield companies have a strong track record of developing shared resources. However, today's marketplace requires a new look at how the system protects its assets. Addressing the sustained leakage of Blue Cross and Blue Shield revenues outside the system's core abilities is a simple yet critical place to begin. This represents the importance of Keeping Your Green ... Blue. In answering this challenge, our vision is to enhance the success and competitive advantage of the Blue Cross and Blue Shield system. Now the *only* insurance organization owned by all primary Blue Cross and Blue Shield licensees and the Blue Cross and Blue Shield Association, together we are building momentum as BCS continues to evolve into a stronger, more competitive and adaptive organization.

In Blue Cross and Blue Shield markets, BCS offers solutions to licensees, subsidiaries, clients, agents, and providers on behalf of Blue Cross and Blue Shield companies. Our Blue portfolio includes Medical Stop Loss, Reinsurance Capabilities, Issuing Carrier, Professional Liability, Medical Malpractice, Agents' E&O, Group Universal Life, and Limited Benefit products. BCS also has been approved for multiple special purpose Blue Cross and Blue Shield licenses. We encourage you to let us know how we can best assist you in Keeping Your Green ... Blue.

— Matt Brannigan, Senior Vice President, Sales and Marketing

CONTINUED ON REVERSE

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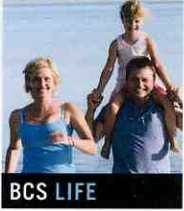
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BCS APPROVED FOR TWO NEW SPECIAL PURPOSE LICENSES



The Blue Cross and Blue Shield Association Board of Directors recently approved two special purpose Blue Cross and Blue Shield licenses for BCS.

The first special purpose license will permit BCS to serve as an underwriter for Blue-branded business in limited circumstances; such as, to support meeting regulatory requirements. The second special purpose license will authorize BCS to act as an alternate underwriter for Expatriate, Short Term Business Travel, Student/Faculty Travel, and other travel-related products under the *Blue International Solutions* brand. These programs will grant BCS the potential to expand on our current role as an underwriter for the *Blue Worldwide ExPat* program.

As a condition to approving BCS for both special purpose Blue Cross and Blue Shield licenses, our life insurance company will be renamed and rebranded in the near future. Look for the exciting unveiling of our new brand in upcoming issues of *Exchange*.

BCBS ASSOCIATION COLLABORATIVE WORKGROUP FEATURES BCS IN HEALTH CARE REFORM WEBINARS



With the initial effects of health care reform imminent, it is anticipated many environmental changes may arise from the actual implementation of the legislation. In the spring of 2010, the Blue Cross and Blue Shield Association created an Individual and Small Group Strategy Collaborative Workgroup to tackle complex and challenging issues in both markets. Based on these collaborative strategy sessions, many system leaders anticipate that health care reform may indirectly motivate small group markets to migrate to self-funded programs in an effort to mitigate costs.

On May 11, 2010, the Workgroup requested that BCS develop medical stop loss insurance and reinsurance options for small groups entering self-funded arrangements. In response, the Blue Cross and Blue Shield Association, in conjunction with BCS, held a webinar on June 28, 2010, presenting an optimal product solution: a new medical stop loss product designed specifically for self-funded small groups with 50-plus contracts.

The four variations of the small-group stop loss product maintain all account management and administrative responsibilities with the individual Blue Cross and Blue Shield companies. The insurance risk in each variation, meanwhile, may reside solely with BCS, solely with the Blue Cross and Blue Shield entity, or may be shared as agreed upon between both entities.

For more information on medical stop loss arrangements designed specifically for self-funded small groups, please contact Craig Irvine, Vice President of Sales, at 630.472.7713 or cirvine@bcsgroup.com.

2010 PROFESSIONAL LIABILITY CONFERENCE HIGHLIGHTS CYBER RISK LIABILITY



September 15–18
Colorado Springs

BCS will host our Annual Professional Liability Conference this September at The Broadmoor Hotel in Colorado Springs.

This year's conference will focus on two important issues to Blue Cross and Blue Shield organizations: cyber risk liability and health care reform.

BCS will introduce its new Cyber Risk Liability coverage which will be available at year's end. This new policy will address information security and privacy coverage, privacy breach response services and regulatory defense costs for Blue Cross and Blue Shield companies. Cyber risk liability is a timely issue in today's business world in light of increasing press coverage dedicated to corporate security breaches.

Meeting attendees will also discuss the challenges and opportunities facing the Blue Cross and Blue Shield system in the post health care reform insurance environment.

If you have not done so already, please encourage your organization's Risk Managers to attend this year's conference.

For more information on attending this year's conference, please contact Sharon Dold, Vice President of Property and Casualty Sales, at 630.472.7729 or sdold@bcsgroup.com.