

March 24, 2005



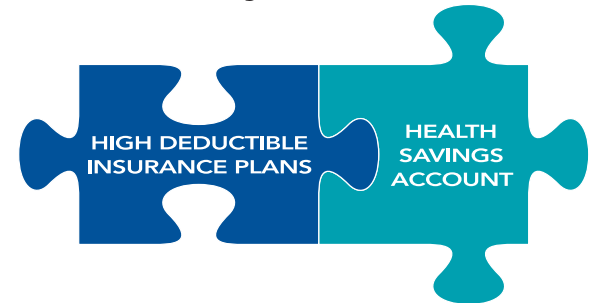
CONSUMER MARKETS

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*A message from Peter B. Rodes,
Divisional Vice President, Consumer Markets*

Exciting NEW BlueEdge High Deductible Plans That Qualify for Use with a Health Savings Account (HSA)

A Perfect Fit for Your Clients: The Low Premiums of a High Deductible Plan Plus the Many Advantages of a Health Savings Account (HSA)



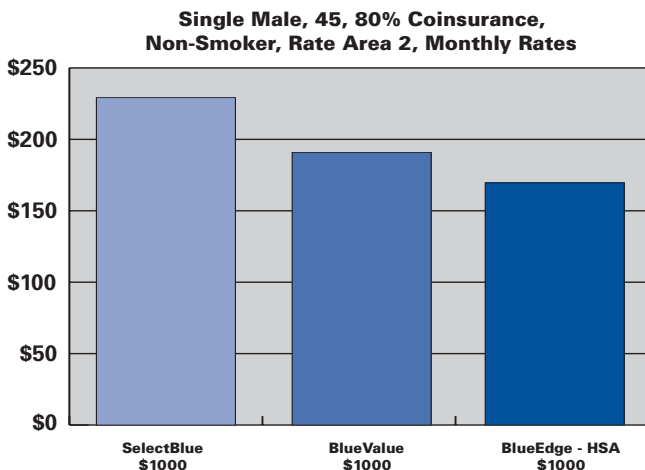
Dear Producer,

There's no doubt about it: the best way to increase your sales is to offer your clients what they want. At Blue Cross and Blue Shield of Illinois, we make it our business to listen and [adapt](#) to the changing needs of individuals and families — to help give them peace of mind and to help you expand your product portfolio and grow your business.

Our new [BlueEdgeSM Individual HSA](#) and [BlueEdgeSM Individual HSA 5000](#) high deductible plans reflect our commitment to develop timely, innovative products that respond to the demands of the marketplace. These plans, which build on the success of our current High Deductible Plan, capitalize on recently passed federal legislation that lets you offer your clients lower, more affordable rates combined with the many advantages of a Health Savings Account (HSA).

An HSA is a tax-advantaged, individually owned savings account that can be used to cover a wide range of qualified medical expenses. That includes the policy's annual deductible and, if applicable, any out-of-pocket cost-sharing for covered services. It is similar to a 401K plan or IRA, except the funds you withdraw from this account to spend on qualified medical expenses are tax-free. And any balance remaining in your account at the end of each year can be "rolled over" to the next year while it earns tax-free interest.

As you can see, our BlueEdge plans are a great value. Not only are they among the lowest priced plans in our product line, but they also feature a wider range of deductibles and reliable coverage — including optional maternity care benefits. Family rates, excluding maternity coverage, are discounted 10%. In addition, you'll be able to offer your clients...



- [Control](#) of the money they spend for their health care services.
- [Flexibility](#) to deposit and withdraw their money without a tax penalty as long as the money is used for qualified medical expenses.
- [Portability](#) of their Health Savings Account (HSA), which means clients can take their HSA with them regardless of any change in employment status and continue to make contributions and withdrawals.
- [Tax Advantages](#) — An HSA provides three types of tax-savings opportunities: account contributions are tax-free, investments accumulate on a tax-free basis and withdrawals for qualified medical expenses are tax-free.

over, please...

Our BlueEdge Plans Fit the Needs of a Wide Range of Prospects!

In general, you can expect BlueEdge Individual HSA and BlueEdge Individual HSA 5000 high deductible plans to appeal to individuals and families who like to take control of their health care decisions — e.g., those who want the ability to decide what doctors to see, when to see them and how much to spend. Potential clients include:

- [Early retirees](#), who are able to roll over their HSA and use tax-advantaged dollars to pay for health care expenses in their retirement. If they are between the ages of 55 and 64, they can make catch-up contributions to their HSA (up to \$600 is allowed in 2005).
- [Self-employed individuals](#), who will welcome affordability, reliable benefits and the ability to save and invest with their HSA. They may also be able to deduct their premiums.
- [Professionals](#) looking for additional tax shelters.
- [Healthy individuals and families](#), who appreciate the affordability and who are not as likely to have huge medical expenses associated with major illnesses; catastrophic coverage is especially important.
- [Small employers](#) (less than 10 employees) looking for a way to help their employees affordably self-insure.
- [Working uninsured](#) seeking lower premiums, reliable benefits and the “ownership” of their HSA; catastrophic coverage is especially important to these individuals.

“Size Up” Your Rewards in Bonus Dollars

As part of this new product introduction of our BlueEdge plans, we’re offering a \$100 bonus for all **BlueEdge Individual HSA and BlueEdge Individual HSA 5000** high deductible policies that are issued and paid. Plan changes and replacement policies are excluded from the bonus. Applications must be submitted prior to August 1, 2005. *Don’t miss the action!*

Upgrades and Downgrades for Our New BlueEdge Portfolio

If you have recently activated clients who would like to enjoy the benefits of the BlueEdge portfolio, we are offering a [temporary lift on the 12-month upgrade waiting period](#) for certain members, for a limited time.

Active Members with Effective Dates of January 1, 2005 – March 31, 2005

Any active individual under 65 member with an effective date of January 1, 2005 through March 31, 2005, with the exception of those with Basic Blue coverage, has the option of switching to a BlueEdge plan without underwriting. This change must be requested in writing using the [Change of Coverage Application](#) form (#30205). The form must be received by Hallmark no later than May 31, 2005. The Change of Coverage Application is available on the Producer Web site at www.bcsil.com/country.

For active members with effective dates of January 1, 2005 through March 31, 2005 who elect to take advantage of this opportunity to move to a BlueEdge portfolio, the effective date of the BlueEdge coverage will coincide with the paid to date of the existing coverage. For existing High Deductible plan members, the HSA tax advantage is effective from the original effective date of the High Deductible plan. For all others, the tax advantage is effective as of the effective date of the BlueEdge coverage.



Applicants Pending in Underwriting

Applicants pending in underwriting can request a plan change to BlueEdge, prior to underwriting approval via phone call or written request. The request will be accepted from the applicant or the writing agent. The Amendatory Endorsement will be used to change the plan in these cases.

Conditionally Approved Applicants

Clients who have been conditionally approved must activate the coverage applied for, prior to requesting a BlueEdge product.

Active Members with Effective Dates Prior to January 1, 2005 and Requests Made after May 31, 2005

For members who do not have effective dates of January 1, 2005 through March 31, 2005, and following the expiration of this special offer for all other members, requests for new business rates, irrespective of whether the change involves an upgrade or a downgrade based on benefits, will be considered an upgrade, may be considered only once every 12 months, and will require a new application and full underwriting.

For those clients who want to switch benefits only, and are not requesting new business rates, please follow the guidelines outlined on page 11 of the Product Guide.

If you have a specific question about a change in coverage or rates, please contact CCSI Brokerage.

A New Sales Guide, Salespack and Other Materials Make It Easy to Promote Our BlueEdge Plans

We've enclosed everything you need to get started, including an HSA Sales Guide, Salespack, Mailers, Product Guide and Rate Book — all the information you need to understand and appreciate the value of our BlueEdge high deductible plans. Plus we created an HSA Sales Guide as an educational piece — just for Producers.

You'll find concise product profiles; an easy-to-read benefit chart; a section on how to help clients determine which BlueEdge plan is right for them; guidelines on eligible expenses, contributions, distributions and tax information on HSAs; online resources for learning more about HSAs; and more.

We Are Looking to Offer a Packaged Solution to Make It Easy for Your Clients to Set Up an HSA

In the future, you'll be able to offer your clients an easier way to set up an HSA. We will let you know when this capability is available. Of course, your clients are free to choose any financial provider for their HSA.

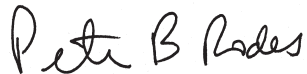
For more information, and to print or order additional BlueEdge sales supplies, go to www.bcbsil.com/country.

Here's Another Perfect Fit: You and Blue Cross and Blue Shield of Illinois

I encourage you to take some time now to review the enclosed materials. Consider how our new BlueEdge high deductible plans — with lower rates, tax advantages and more — can fit the needs of more clients than ever before. Our HSA compatible health plans provide several advantages over our competitor's HSA plans. We are the only carrier to offer optional maternity coverage. In addition, these new HSA compatible health plans have richer mental health and well-child care coverage than our competitor's plans. As always, we are here for you with the sales support, competitive commissions and solid brand reputation that fit your goals for success!

On behalf of everyone here at Consumer Markets, I thank you for your relationship with us and hope you share our excitement about the expanded selling opportunities these new under-65 plans offer. We look forward to helping you enjoy a measurable sales increase in the months ahead!

Sincerely,



Peter B. Rodes

Divisional Vice President, Consumer Markets

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