



January 12, 2023

Board of Directors of Louisiana Health Service & Indemnity Company,  
d/b/a Blue Cross and Blue Shield of Louisiana ("BCBSLA")  
5525 Reitz Avenue  
Baton Rouge, Louisiana 70809

Ladies and Gentleman:

Chaffe & Associates, Inc. ("Chaffe") understands that BCBSLA, a licensee of the Blue Cross Blue Shield Association ("BCBS"), is considering a proposed demutualization pursuant to La. R.S. 22:236, *et seq.* It is also proposed that, simultaneously with the demutualization, BCBSLA would be sold to another licensee of BCBS (the "Sale Transaction") that would make the demutualization, in effect, a "sponsored" demutualization. As a result of the demutualization and Sale Transaction, BCBSLA will be converted to a stock company and the membership interests of existing BCBSLA members would be extinguished. The newly issued shares of stock sold pursuant to the Sale Transaction would be treated under the Internal Revenue Code as if they had been issued directly to BCBSLA members in exchange for their pre-existing membership interests. A private letter ruling has been requested from the Internal Revenue Service confirming the propriety of such treatment for tax purposes.

In order to effectuate the conversion, BCBSLA will submit a proposed plan of reorganization that meets with the requirements of La. R.S. 22:236.2, a draft of which dated January 12, 2023 has been provided to Chaffe. The plan of reorganization is required to be adopted by action of not less than two-thirds of BCBSLA's members present and voting in person or represented by proxy at a special meeting of members and two-thirds of BCBSLA's directors and, following a public hearing, approved by the Louisiana Commissioner of Insurance.

One of the requirements for the plan of reorganization is to provide for the distribution of consideration, in a fair and equitable manner, to all eligible members upon extinguishment of their membership interests. The reorganizing mutual must obtain an opinion addressed to the board of directors of the reorganizing mutual from a qualified investment bank that "the provision of consideration upon the extinguishment of the membership interests pursuant to the plan of reorganization is fair to the eligible members, as a group, from a financial point of view." BCBSLA has retained Chaffe for the exclusive purpose of rendering an opinion that "the provision of consideration" to BCBSLA's Eligible Members upon the extinguishment of their membership interests pursuant to the plan of reorganization is fair to the Eligible Members, as a group, from a financial point of view. Accordingly, Chaffe's opinion is limited to the fairness, from a financial point of view, of the methodology under which the aggregate amount of consideration to be paid to the Eligible Members as a group is determined.

As used in this letter, the term “Eligible Member” has the same meaning as in the January 12, 2023 draft of the plan of reorganization.

La. R.S. 22:236(9) defines “membership interest” to mean:

. . . with respect to a mutual insurer, all rights and interests of a policyholder as a member arising under the mutual insurer’s articles of incorporation and bylaws, by law or otherwise, which rights include but are not limited to the right, if any, to vote and the right, if any, with regard to the surplus of the mutual insurer not apportioned or declared by the board of directors for policyholder dividends.

BCBSLA’s articles of incorporation grant its members the right to vote, but they provide that BCBSLA shall issue no dividends. Moreover, the articles are silent with regard to any right of the members to BCBSLA’s surplus or the proceeds of its liquidation, and BCBSLA and its legal counsel are unaware of any provision of law providing such rights.

In light of the above, BCBSLA’s proposed methodology is to allocate a portion of the consideration to the existing Eligible Member group according to the percentage obtained by dividing the total number of “member months” that an Eligible Member was covered by an insurance policy issued by BCBSLA, as adjusted to account for member months attributable to employees only (not including dependents) for group policies, by the total number of “member months” all members covered by an insurance policy issued by BCBSLA or one of its subsidiaries since its formation in 1975 (excluding member months attributable to self-insured members).

Chaffe’s opinion expressed in this letter is limited to the fairness, from a financial point of view, of the above methodology. Chaffe expresses no opinion as to the fairness, from a financial point of view or otherwise, of any other matter.

Chaffe also does not express an opinion on any other matter, including, but not limited to the following:

- (1) the value or range of values of BCBSLA, and the fairness from a financial point of view of such value, range of values, any point within such range, and the value of a member month;
- (2) the total amount of consideration to be paid in the demutualization and Sale Transaction or its fairness from a financial point of view, and Chaffe understands that the total amount of consideration may be based upon a valuation performed by another investment bank and/or will be the subject of a fairness opinion rendered by such bank;
- (3) the accuracy or completeness of the information used by BCBSLA to compute the total member months of all members since BCBSLA’s formation and of the number of member months attributable to existing Eligible Members individually or as a group, and the accuracy of and methodology underlying such calculations;
- (4) the methodology and underlying assumptions for the allocation of consideration among Eligible Members;

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- (5) the decision by BCBSLA to employ the methodology stated above for the allocation of the transaction consideration to the Eligible Member group as compared to any other methodology;
  - (6) the form of the consideration to be distributed to the Eligible Members;
  - (7) the structure, form and conditions of the plan of reorganization under which the demutualization will be effected, or the structure, form and conditions of the Sale Transaction or any other arrangement or agreement contemplated by the plan of reorganization;
  - (8) the rationale underlying the business decision of BCBSLA to effect the plan of reorganization, the resulting demutualization or the Sale Transaction; and
  - (9) the correctness, soundness or fairness of the decision of the Louisiana Commissioner of Insurance with respect to the plan of reorganization, the Sale Transaction or any other matter.

Chaffe has not been engaged to make, and does not make, a recommendation to the members of BCBSLA or any other person whether to vote to approve or not approve the plan of reorganization or the Sale Transaction or as to how such person should otherwise act with respect to the plan of reorganization of Sale Transaction.

In this assignment, Chaffe used the professional care and diligence of investment bankers in its review of material provided to it or developed by it and in its consideration of the factors there presented. Chaffe's opinion is based upon a review and analysis of the allocation of consideration consistent with the standards of the investment banking industry.

In addition, Chaffe has, to the extent it deemed relevant in accordance with the standards of the investment banking industry, considered other factors in rendering its opinion, including but not limited to the views of the Louisiana Commissioner of Insurance and the rights associated with a membership interest in BCBSLA, which do not include a right to dividends or surplus pursuant to its articles of incorporation, and other factors customarily considered in a transaction of the type being addressed by Chaffe in this letter.

It should be understood that developments subsequent to this date may affect this opinion, but Chaffe is under no obligation to, and will not, update, revise or reaffirm its opinion.

Chaffe, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, financings, and fairness opinions for corporate and various other purposes. Chaffe will receive a fee upon delivery of this opinion. Chaffe's compensation for this opinion is not dependent or contingent upon the completion of the any transaction and is not related to or based upon the nature of the findings made herein. BCBSLA has agreed to reimburse Chaffe for its expenses related to this assignment. BCBSLA has also agreed to indemnify Chaffe for certain liabilities that may arise in connection with the engagement.

Chaffe has not provided services to BCBSLA prior to this assignment. Chaffe confirms that none of its subsidiaries, affiliates; officers, directors, shareholders, or employees are Eligible Members.

Chaffe has not provided services to Elevance Health, Inc or its affiliates and Chaffe confirms that none of its subsidiaries, affiliates; officers, directors, shareholders, or employees are Elevance Health, Inc. policyholders.

For the purpose of rendering this opinion, Chaffe has reviewed and relied upon, with your consent, the following written materials provided by the management of BCBSLA, some of which contain the estimates and judgments of the management of BCBSLA:

- Draft Louisiana Health Service & Indemnity Company d/b/a Blue Cross and Blue Shield of Louisiana Plan of Reorganization to a Stock Insurance Company, as of January 12, 2023 (inclusive of Exhibit E, dated January 12, 2023);
- Draft Agreement and Plan of Acquisition by and among Elevance Health, Inc., as Parent, ATH Holding Company, LLC, as Purchaser, The Accelerate Louisiana Initiative, Inc., as the Foundation, and Louisiana Health Service & Indemnity Company (d/b/a Blue Cross and Blue Shield of Louisiana), as the Company, as of January 5, 2023;
- Draft Project River Step Plan, prepared by PwC, dated October 7, 2022;
- Draft Memorandum Re: Request of Elevance, Inc. and Blue Cross and Blue Shield of Louisiana for a Private Letter Ruling, dated December 22, 2022;
- Project River – Member Months and Policyholder Consideration Spreadsheet, including but not limited to estimates of assumptions by BCBSLA of cumulative member months since inception of BCBSLA, accumulated member months for active members (as of 8/31/2022), voting right adjustment to member month calculation for group related members, and adjustment to member month calculation for group related members assuming that employer portion of policy cost is 75% and 50%, dated November 17, 2022;
- Memorandum from Korey Harvey to Vanessa Brown Claiborne, Re: Engagement & Management Recommendation, dated September 30, 2022;
- Memorandum from McGlinchey Stafford PLLC to Korey Harvey, Re: Conversion of Louisiana Health Service & Indemnity Company d/b/a Blue Cross Blue Shield of Louisiana from a Mutual Insurer to a Stock Insurer, dated July 27, 2022;
- Bylaws of Louisiana Health Service & Indemnity Company, adopted May 21, 2019;
- Third Amendment to the Amended and Restated Articles of Incorporation of Louisiana Health Service & Indemnity Company, dated February 19, 2019;
- Second Amendment to the Amended and Restated Articles of Incorporation of Louisiana Health Service & Indemnity Company, dated February 16, 2016;
- Articles of Amendment to the Amended and Restated Articles of Incorporation of Louisiana Health Service & Indemnity Company, dated February 21, 2007;
- Authentic Act of Amended and Restated Articles of Incorporation of Louisiana Health Service & Indemnity Company, dated February 18, 2003;

- Memorandum from Korey Harvey to Vanessa Brown Claiborne, Re: Engagement & Management Recommendation, dated August 24, 2022;
- Annual Statements of The HMO Louisiana, Inc. for the years ended December 31, 1988-1997, 2000-2004, 2014-2018, and 2020-2021; and
- Annual Statements of the Louisiana Health Service and Indemnity Company for the years ended December 31, 1987, 1996-2006, and 2008-2021.

Chaffe has further relied upon the assurances of the management of BCBSLA that they are not aware of any facts that would render the above information inaccurate, incomplete or misleading. Chaffe has also assumed, at BCBSLA's direction, that the estimates of BCBSLA's management reflected in the information and materials supplied to Chaffe have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management as to the matters covered thereby, and Chaffe has relied, at BCBSLA's direction, on the same. Chaffe also participated in discussions with members of BCBSLA's management regarding their assessment of the materials listed above and other internal data relied upon them in recommending the methodology by which BCBSLA proposes to allocate consideration to the Eligible Members.

Chaffe has not taken responsibility for the independent verification of, and has not independently verified, and Chaffe expresses no view or opinion of, any information considered in connection with rendering its opinion, whether publicly available or furnished or otherwise made available to it, by BCBSLA or others, including without limitation, any financial information. For purposes of its opinion, Chaffe has, with BCBSLA's permission, assumed and relied upon the accuracy, completeness, and fair presentation of all such information reviewed by it. Chaffe has not made an independent evaluation or appraisal of the value of any of BCBSLA's assets or liabilities (contingent or otherwise), and Chaffe has not been furnished with any such evaluation or appraisal. Chaffe is not an actuary. In that regard, Chaffe has made no analysis of, and expresses no opinion as to, the adequacy of policy reserves, future policy benefits, other policyholder funds or other related actuarial items.

In rendering this opinion, Chaffe has, with your consent, assumed that in all respects material to its analysis, the Sale Transaction will be consummated in accordance with the terms described in the Draft Memorandum Re: Request of Elevance, Inc. and Blue Cross and Blue Shield of Louisiana for a Private Letter Ruling, dated December 22, 2022, without any material waiver, amendment or delay of any term, condition or agreement. Chaffe has also assumed, with your consent, that all governmental, regulatory, or other consents and approvals necessary for the consummation of the Sale Transaction will be obtained without any effects that would be material to Chaffe's analysis.

This fairness opinion has been approved and authorized for issuance by Chaffe's fairness opinion review committee. This opinion is provided solely for the benefit and use of Board of Directors of BCBSLA in connection with and for the purposes of their consideration of the methodology used to allocate consideration to Eligible Members, as a group, in the proposed demutualization. Chaffe has not been asked to, nor does it express any view on, and its opinion does not address, any other term or aspect of the plan of reorganization. Chaffe's opinion will be referenced and included as an exhibit in the BCBSLA plan of reorganization and filed with the Louisiana Insurance Commissioner and the insurance commissioners of Arkansas and Mississippi and the National Association of Insurance Commissioners. Chaffe's opinion may be provided to the Antitrust Division of the U.S. Department of Justice or the Federal Trade Commission, as

applicable, upon its request in connection with its review of the Sale Transaction under the Hart-Scott -Rodino Antitrust Improvements Act of 1976, as amended. In addition, Chaffe's opinion will be referenced in and included as an exhibit to the materials provided to BCBSLA's members in connection with the special meeting of members held to consider approval of the plan of reorganization. Otherwise, Chaffe's opinion may not be reproduced, summarized, described or referred to or given to any other person without Chaffe's prior written consent.

Based upon and subject to the foregoing, including the various factors considered, assumptions made, qualifications to the opinion and limitations on the scope of the review undertaken and opinions given as set forth herein, and based upon such other matters as Chaffe considered relevant, it is Chaffe's opinion, as of the date hereof, that BCBSLA's proposed methodology to allocate the consideration to the existing Eligible Member group according to the percentage obtained by dividing the number of "member months" that an Eligible Member was covered by an insurance policy issued by BCBSLA, as adjusted to account for member months attributable to employees only (not including dependents) for group policies, by the total number of "member months" all members covered by an insurance policy issued by BCBSLA or one of its subsidiaries since its formation in 1975 (excluding member months attributable to self-insured members) upon the proposed demutualization is fair, to the existing Eligible Members, as a group, from a financial point of view.

Very truly yours,

**CHAFFE & ASSOCIATES, INC.**

*Chaffe & Associates, Inc*