

# LETTER TO SHAREHOLDERS

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*On November 8, 2002 WellChoice, Inc. began trading on the New York Stock Exchange under the symbol “WC.” This historic event was the result of dedicated efforts by our employees and the culmination of a business transformation led by a proven and experienced management team. The Company’s conversion to for-profit status and our initial public offering were critical steps forward in our journey to be the leading health insurer in the New York marketplace and surrounding areas.*



We are the largest health insurance company in New York, based on HMO and PPO membership, and hold the leading market position in the New York metropolitan area, covering over 20 percent of the population. Total corporate enrollment was 4.6 million managed care and indemnity members nationwide at the end of 2002. We have served the health insurance needs of New Yorkers for 69 years and offer our products under the Empire Blue Cross Blue Shield brand in New York and the WellChoice brand in New Jersey.

WellChoice is committed to offering an expansive array of quality-driven health insurance products in combination with a steadfast focus on world-class customer service. Our product portfolio—from innovative managed care plans to traditional indemnity products—positions us to rapidly respond to market trends and effectively meet customer needs. We have a diverse customer base including large, middle-market and small groups, national accounts and individuals. Supporting our network-based products are the largest provider networks in our area. Our networks, which include hospitals, health care facilities, physicians and other medical professionals, offer members access to more than 80,000 provider sites in our service area.

To achieve our goal to be the leading health insurer in the New York marketplace and surrounding area, we must maintain and improve our current market position and financial performance by successfully executing on the following strategy:

- **Capitalize on local, regional and national growth opportunities.** We intend to grow our business in our local market by continuing to offer a broad spectrum of managed care products, with special emphasis on products that meet the unique needs of the profitable middle-market customer segment. We also view national accounts as an attractive growth opportunity. Our position in the New York metropolitan area, headquarters to a significant number of national businesses, coupled with our ability to offer the BlueCard® program, provides us with a competitive advantage in our efforts to increase national accounts enrollment. We also plan to be opportunistic in order to expand geographically, especially in or adjacent to our current service area.
- **Leverage the strength of the Blue Cross and Blue Shield brands.** Our license to use the Blue Cross and Blue Shield names and marks gives us a significant competitive advantage in New York. We will use this advantage in our efforts to retain current customers and members as well as to attract new ones.

- Continue to promote the use of medical information to offer innovative products and services to members and providers.** WellChoice intends to be a leader in the use of medical information to facilitate and enhance communications and the delivery of service among employers, employees and health care providers. We offer patient-centric and population-based disease management and care management programs as an integral part of many of our managed care products. We believe our members will increasingly desire and demand ready access to a repository of comprehensive, accurate and secure medical and health related information that will help enhance the quality of care they receive while helping to manage health care costs.
- Reduce costs through operational excellence.** By improving delivery of service, customer satisfaction and financial results through zero defects, rapid turnaround times and lower operating costs, we will be able to realize medical and administrative cost savings. We are implementing a variety of initiatives focused on three key areas—administrative performance, quality of care and medical management, and technology enhancements—to help us achieve this goal.

This was once again a year of solid financial performance and brings to 17 the number of consecutive quarters of underwriting gains. The Company reported net income of \$376.5 million, compared to the prior year's income of \$131 million. The favorable growth in income resulted from higher premium yields on insured accounts, improved claims trends and membership driven revenue increases in service fees on self-funded accounts. We continued to experience real momentum in managed care membership growth: enrollment in our commercial managed care products, excluding NYC and NYS PPO, increased 15.2 percent to 2.0 million at the end of the year. Membership in all commercial managed care products increased by 9.3 percent to 3.8 million as of December 31, 2002. Total corporate membership stood at 4.6 million at year-end, an increase of 1.3 percent from one year earlier. Total revenue increased 10.2 percent to \$5.1 billion for the year.

2002 has been exciting and successful for WellChoice: our strategic plan and direction has resulted in growing enrollment and profitability. We are positioned in the market with a solid capital base, superior networks, excellent customer service, strong brand identity, technology leadership, cost-effective quality products and services and significant flexibility to offer new products. These core strengths provide the foundation for the ongoing successful operation of our business and we look towards a bright future in anticipation of the new opportunities and accomplishments ahead.



**Philip Briggs**  
CHAIRMAN OF THE BOARD



**Michael A. Stocker, M.D.**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



Philip Briggs (left)  
Michael A. Stocker, M.D. (right)

NOVEMBER 8<sup>TH</sup>, 2002

