Statement of Licensee

Blue Cross and Blue Shield of Kansas is licensed by the Blue Cross and Blue Shield Association to offer certain products and services under the Blue Cross and Blue Shield brand names within the company’s own geographic service area — all Kansas counties except Johnson and Wyandotte.

Blue Cross and Blue Shield of Kansas is an independently licensed company governed by its own board of directors and is solely responsible for its own debts and other obligations. Neither the Association nor any other organization using Blue Cross and Blue Shield brand names acts as a guarantor of Blue Cross and Blue Shield of Kansas obligations.

The Blue Cross and Blue Shield system of individual Plans is not a single company but an association of independent companies.
A Message from our President

If you are a sports fan you know that there are a few universal truths about competition. First, no successful coach waits until the day of the contest to build a strategy or game plan; rather, hours are spent in practice, watching film and designing plays. Secondly, no matter what opponent-specific strategy a coach might devise, he or she will not completely abandon the core identity or strengths of the team; a running team will still run the ball and a zone-minded team will continue to play the zone.

It could be said that Blue Cross and Blue Shield of Kansas took a similar approach to Jan. 1, 2014, the much-anticipated date on which major changes would occur in our country’s health care delivery system. We honed and adjusted our game plan throughout 2013 while remaining committed to our core identity of serving Kansans.

A strategy for success

Our employees joined regulators, medical providers and advocates for the uninsured in working diligently for more than three years to prepare for a new market where access to health insurance would be available to most every Kansan, regardless of their health or job status. We spent all of 2013 putting our game plan into place. We finalized dozens of new benefit plans, devised different ways to market and sell them, installed new systems to improve our electronic processes and educated Kansans about what the Affordable Care Act (ACA) meant to them. We were ready to go when the open enrollment period began Oct. 1, 2013.
In light of the technical challenges the federal Marketplace website experienced, I am particularly proud that our new website and sales portal worked efficiently for our customers. For the first time, Kansans were able to purchase a health insurance plan from us entirely online.

We also enhanced our website in 2013 to provide more educational information on health care reform, before going on the road with 14 “ACA and You” town hall meetings in 11 different locations throughout the state. Late in the year, we re-launched BlueAccess®, the secure portal of our website where individual members can create accounts to manage their benefits and take advantage of numerous online tools.

Most importantly, our employees exhibited a “can do” attitude in the wake of the numerous changes that occurred. There were admittedly some bumps in the road as we complied with last minute requests to re-issue previously cancelled policies and extend enrollment deadlines. We truly appreciate the patience our members showed as we worked to answer all their questions.

**Remaining true to our core identity of service**

Despite the changes to our strategy, we remained fully committed to our core identity of Kansans serving Kansans. With roots that are 72 years deep, Blue Cross and Blue Shield of Kansas is the state’s only locally-owned and operated health insurance carrier, and we take great pride in that.

We are dedicated to serving Kansans by offering individual and group health plans in each and every one of the 103 counties in which we operate, both urban and rural. When unexpected changes occurred, we made decisions that we believed were in the best interest of those we serve – our family, friends and neighbors.

As a mutual insurance company, we are committed to providing Kansans with the security and dependability that only a financially strong company can. We remained an efficient business in 2013, operating on about 10 cents of a premium dollar, meaning 90 cents
went to pay claims or build claims reserves. We paid out $2,129,211,290 – we processed nearly 16.5 million claims – while contributing an additional $162.3 million to the economy through payroll and taxes.

Financial strength in times of change

Strong financial reserves are particularly important during this period of continuing uncertainty and change due to health care reform. It remains unclear how the multiple extensions, delays, new taxes and a rocky rollout of the federal Marketplace will impact the health insurance industry and the future premiums that Kansans pay. Likewise, it is unclear whether the programs created in the law to help stabilize premiums will be effective.

We anticipate that many of our newest members will have pre-existing conditions or other serious health concerns for which they will rightfully seek treatment. Strong policyholders’ reserves will allow us to offer moderate premium increases and, if necessary, pay higher-than-anticipated claims expense during the next few years.

As our country moves forward in this new era, our members can rest assured that Blue Cross and Blue Shield of Kansas has a strategy for success and that providing superior service to our members, contracting providers and business partners will remain the core of our corporate identity.

Andrew C. Corbin
President/CEO
Blue Cross and Blue Shield of Kansas
Blue Cross and Blue Shield of Kansas, Inc.

CONDENSED CONSOLIDATED BALANCE SHEET†
December 31, 2013 and 2012

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Investments</td>
<td>$1,422,574,191</td>
<td>$1,357,251,119</td>
</tr>
<tr>
<td>Premiums and Other Receivables</td>
<td>77,974,720</td>
<td>62,236,772</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>98,529,200</td>
<td>76,686,244</td>
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<tr>
<td>Investments in Subsidiaries*</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Other Assets</td>
<td>95,381,245</td>
<td>126,635,645</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,694,459,356</td>
<td>1,622,809,780</td>
</tr>
</tbody>
</table>

| **Liabilities**         |                     |                     |
| Claims Incurred and Unpaid | $246,154,139  | $239,913,269        |
| Premiums Received in Advance | 141,995,613  | 143,466,327         |
| Accounts Payable and Other Liabilities | 297,602,557 | 368,733,555         |
| **Total Liabilities**   | 685,752,309        | 752,113,151         |

| Policyholders’ Reserves | 1,008,707,047 | 870,696,629 |

**Total Liabilities and Policyholders’ Reserves** | $1,694,459,356 | $1,622,809,780 |

† As derived from the audited financial statements of Blue Cross and Blue Shield of Kansas, Inc.

* Investments in subsidiaries of $47,833,792 and $45,378,379 for 2013 and 2012 respectively, are eliminated for consolidated financial statements.
Board of Directors

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President/CEO, Midwest Minerals, Inc.

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Andrew C. Corbin, Topeka
President/CEO, Blue Cross and Blue Shield of Kansas

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Neosho County Memorial Hospital (physician, OB/GYN)

Kenneth W. Winter, Dodge City
General manager, Winter Feed Yard
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BlueCross BlueShield of Kansas

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