

# Trigon Healthcare, Inc.

## **NEWS RELEASE**

**FOR RELEASE 8:15 A.M.**

Date: October 5, 1999

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**TRIGON ANNOUNCES MID-SOUTH EXIT  
OF HEALTH INSURANCE MARKET  
Approximately \$49-\$52 million after-tax charge  
Raises EPS estimates for fourth quarter and 2000**

RICHMOND, Va. – Trigon Healthcare Inc. (NYSE: TGH) today announced that Mid-South Insurance Co., a subsidiary headquartered in Fayetteville, N.C., intends to exit the health insurance market effective April 30, 2000.

Trigon said the action will result in a third quarter after-tax charge of between \$49 million and \$52 million, or \$1.17 to \$1.24 per share. The company added that ongoing results of Mid-South operations for the third quarter of 1999 will not be included in the charge.

Trigon added that it is comfortable with current First Call consensus estimates of \$0.53, excluding the Mid-South charge, for the third quarter. Trigon plans to report third quarter results on Nov. 3.

As a result of taking this action, Trigon said earnings per share should improve over current Wall Street consensus estimates by approximately \$0.04 for the fourth quarter of 1999, and by approximately \$0.33 to \$0.36 for the full year 2000.

Mid-South provides health care coverage for approximately 100,000 mostly small group and individual members in rural areas of several Southeastern states, including North Carolina, South Carolina and Georgia.

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“For some months, we have been taking a number of steps to improve Mid-South performance,” said Trigon President and CEO Thomas G. Snead Jr. “Despite all of our efforts, Mid-South’s financial performance remains unacceptable. In fact, during the third quarter we experienced an unexpected increase in medical costs. We have now concluded that it is clear that the timeframe required to bring financial performance up to expectations is simply too long, and, therefore, we must regrettably exit the business.”

Snead said that Mid-South’s exit of the insurance market will allow Trigon to intensify its focus on growing its successful business in Virginia as well as to continue to pursue more substantial opportunities for growth in the surrounding region. “Given our strength in Virginia and our outstanding service and cost position, we have the opportunity for substantial growth within Virginia, and we can now more intensely focus on this opportunity,” he added.

The after-tax charge includes approximately \$36 million for intangibles and goodwill, \$13 million for closed pool reserves and \$2 million for other costs associated with the market exit.

“With at least six months’ notice of the market exit, we anticipate that Mid-South customers should have sufficient time to acquire health insurance coverage elsewhere,” Snead said.

The Mid-South exit will affect about 100 employees in North Carolina, most of them in Fayetteville, and about 200 employees in Virginia, most of them in Roanoke. “While this decision is a necessary one, we deeply regret its impact on employees,” Snead said. “We recognize their contributions over the years, and we appreciate their dedication and hard work.”

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Affected employees will receive a work-through bonus and severance pay as well as career development services such as outplacement programs and career coaching.

Trigon is Virginia's largest managed health care company, providing a broad range of health, wellness and health care financing programs and services to approximately 1.9 million members.

*Cautionary statement: This release contains forward-looking statements with respect to the financial condition, results of operations and business of Trigon Healthcare Inc. and its subsidiaries. Such forward-looking statements are subject to inherent risks and uncertainties that may cause actual results to differ materially from those contemplated by such forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include rising health care costs, business conditions and competition in the managed care industry, development in health care reform and other regulatory issues. Additional risk factors are listed from time to time in the Company's various SEC reports, including but not limited to the Company's Annual Report or Form 10-K for the year ended December 31, 1998, and the 1999 quarterly Form 10-Q filings.*