WELLPOINT, INC
Form 10-Q
July 28, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended **June 30, 2010**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________

Commission file number: 001-16751

WELLPOINT, INC.

(Exact name of registrant as specified in its charter)

INDIANA	**35-2145715**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
120 MONUMENT CIRCLE; INDIANAPOLIS, INDIANA	**46204-4903**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (317) 488-6000

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer [X] Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Title of Each Class	**Outstanding at July 21, 2010**
Common Stock, $0.01 par value	399,739,503 shares

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WellPoint, Inc.

Quarterly Report on Form 10-Q

For the Period Ended June 30, 2010

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WellPoint, Inc.

Consolidated Balance Sheets

(In millions, except share data)	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 2,027.9	$ 4,816.1
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of $14,917.1 and $15,203.1)	15,579.5	15,696.9
Equity securities (cost of $825.8 and $799.1)	962.2	1,010.7
Other invested assets, current	17.5	26.5
Accrued investment income	173.9	172.8
Premium and self-funded receivables	3,499.5	3,281.0
Other receivables	1,224.1	879.5
Income taxes receivable	100.1	
Securities lending collateral	733.0	394.8
Deferred tax assets, net	445.3	523.8
Other current assets	1,318.7	1,268.6
Total current assets	26,081.7	28,070.7
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of $221.8 and $223.0)	230.8	230.4
Equity securities (cost of $32.6 and $33.4)	32.3	32.5
Other invested assets, long-term	822.5	775.3
Property and equipment, net	1,171.2	1,099.6
Goodwill	13,265.5	13,264.6
Other intangible assets	8,116.9	8,259.3
Other noncurrent assets	439.1	393.0
Total assets	$ 50,160.0	$ 52,125.4
Liabilities and shareholders equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	$ 5,080.5	$ 5,450.5
Reserves for future policy benefits	61.0	62.6
Other policyholder liabilities	1,939.1	1,617.6
Total policy liabilities	7,080.6	7,130.7
Unearned income	1,035.2	1,050.0
Accounts payable and accrued expenses	2,634.3	2,994.1
Income taxes payable		1,228.7
Security trades pending payable	277.7	37.6
Securities lending payable	734.4	396.6
Short-term borrowings	100.0	
Current portion of long-term debt	1,113.8	60.8
Other current liabilities	1,860.5	1,775.2
Total current liabilities	14,836.5	14,673.7
Long-term debt, less current portion	7,334.8	8,338.3
Reserves for future policy benefits, noncurrent	656.9	664.6
Deferred tax liabilities, net	2,481.0	2,470.4

Other noncurrent liabilities	1,060.3	1,115.1
Total liabilities	26,369.5	27,262.1
Commitments and contingencies Note 10		
Shareholders equity		
Preferred stock, without par value, shares authorized 100,000,000; shares issued and outstanding none		
Common stock, par value $0.01, shares authorized 900,000,000; shares issued and outstanding: 403,251,606 and 449,789,672	4.0	4.5
Additional paid-in capital	13,648.3	15,192.2
Retained earnings	9,997.5	9,598.5
Accumulated other comprehensive income	140.7	68.1
Total shareholders equity	23,790.5	24,863.3
Total liabilities and shareholders equity	$ 50,160.0	$ 52,125.4

See accompanying notes.

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WellPoint, Inc.

Consolidated Statements of Income

(Unaudited)

(In millions, except per share data)	Three Months Ended June 30		Six Months Ended June 30	
	2010	**2009**	**2010**	**2009**
Revenues				
Premiums	$ 13,257.1	$ 14,123.3	$ 27,167.0	$ 28,326.5
Administrative fees	949.1	976.8	1,902.0	1,918.3
Other revenue	18.3	165.7	24.2	319.7
Total operating revenue	14,224.5	15,265.8	29,093.2	30,564.5
Net investment income	202.3	205.7	403.4	402.8
Net realized gains (losses) on investments	36.5	15.7	84.9	(31.8)
Other-than-temporary impairment losses on investments:				
Total other-than-temporary impairment losses on investments	(14.9)	(107.8)	(42.8)	(412.8)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	8.8	33.8	17.0	33.8
Other-than-temporary impairment losses recognized in income	(6.1)	(74.0)	(25.8)	(379.0)
Total revenues	14,457.2	15,413.2	29,555.7	30,556.5
Expenses				
Benefit expense	10,985.0	11,849.9	22,366.4	23,574.3
Selling, general and administrative expense:				
Selling expense	403.1	421.2	805.5	853.2
General and administrative expense	1,778.4	1,784.7	3,576.6	3,581.6
Total selling, general and administrative expense	2,181.5	2,205.9	4,382.1	4,434.8
Cost of drugs		121.3		233.7
Interest expense	100.2	117.0	199.6	233.1
Amortization of other intangible assets	60.9	66.6	121.6	134.5
Impairment of other intangible assets			21.1	
Total expenses	13,327.6	14,360.7	27,090.8	28,610.4
Income before income tax expense	1,129.6	1,052.5	2,464.9	1,946.1
Income tax expense	407.2	359.0	865.7	672.2
Net income	$ 722.4	$ 693.5	$ 1,599.2	$ 1,273.9
Net income per share				
Basic	$ 1.73	$ 1.44	$ 3.73	$ 2.60
Diluted	$ 1.71	$ 1.43	$ 3.68	$ 2.59

See accompanying notes.

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WellPoint, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

(In millions)	Six Months Ended June 30	
	2010	**2009**
Operating activities		
Net income	$ 1,599.2	$ 1,273.9
Adjustments to reconcile net income to net cash		
(used in) provided by operating activities:		
Net realized (gains) losses on investments	(84.9)	31.8
Other-than-temporary impairment losses recognized in income	25.8	379.0
Loss on disposal of assets	1.4	0.9
Deferred income taxes	67.7	18.1
Amortization, net of accretion	233.3	225.0
Impairment of other intangible assets	21.1	
Depreciation expense	53.4	52.3
Share-based compensation	57.1	76.7
Excess tax benefits from share-based compensation	(22.9)	(1.7)
Changes in operating assets and liabilities, net of effect of business combinations:		
Receivables, net	(305.3)	(376.5)
Other invested assets	8.9	(19.0)
Other assets	(94.1)	33.3
Policy liabilities	(57.8)	(367.3)
Unearned income	(14.8)	(14.1)
Accounts payable and accrued expenses	(296.8)	28.3
Other liabilities	82.6	135.2
Income taxes	(1,307.6)	93.0
Other, net	(33.1)	0.7
Net cash (used in) provided by operating activities	(66.8)	1,569.6
Investing activities		
Purchases of fixed maturity securities	(4,674.6)	(4,174.6)
Proceeds from fixed maturity securities:		
Sales	3,097.9	2,221.3
Maturities, calls and redemptions	1,870.6	785.3
Purchases of equity securities	(122.9)	(160.3)
Proceeds from sales of equity securities	116.4	420.1
Purchases of other invested assets	(48.0)	(24.0)
Proceeds from sales of other invested assets	21.7	2.2
Changes in securities lending collateral	(337.8)	198.1
Purchases of subsidiaries, net of cash acquired	(0.3)	(66.3)
Purchases of property and equipment	(222.8)	(157.9)
Proceeds from sales of property and equipment	5.4	0.4
Other, net	(25.5)	(3.2)
Net cash used in investing activities	(319.9)	(958.9)
Financing activities		
Net repayments of commercial paper borrowings	(0.5)	(249.4)
Repayment of long-term borrowings	(71.8)	(393.2)
Proceeds from long-term borrowings	100.0	990.3
Net proceeds from short-term borrowings	100.0	2.0
Changes in securities lending payable	337.8	(198.1)
Changes in bank overdrafts	(96.4)	(149.6)
Repurchase and retirement of common stock	(2,881.4)	(1,118.2)
Proceeds from exercise of employee stock options and employee stock purchase plan	92.4	43.3

Excess tax benefits from share-based compensation	22.9	1.7
Net cash used in financing activities	(2,397.0)	(1,071.2)
Effect of foreign exchange rates on cash and cash equivalents	(4.5)	1.2
Change in cash and cash equivalents	(2,788.2)	(459.3)
Cash and cash equivalents at beginning of period	4,816.1	2,183.9
Cash and cash equivalents at end of period	$ 2,027.9	$ 1,724.6

See accompanying notes.

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WellPoint, Inc.

Consolidated Statements of Shareholders Equity

(Unaudited)

(In millions)	**Common Stock**					
	Number of Shares	**Par Value**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Shareholders Equity**
January 1, 2010	449.8	$ 4.5	$ 15,192.2	$ 9,598.5	$ 68.1	$ 24,863.3
Net income				1,599.2		1,599.2
Change in net unrealized gains/losses on investments					79.1	79.1
Non-credit component of other-than-temporary impairment losses on investments, net of taxes					(3.3)	(3.3)
Change in net unrealized gains/losses on cash flow hedges					(7.7)	(7.7)
Change in net periodic pension and postretirement costs					6.8	6.8
Foreign currency translation adjustments					(2.3)	(2.3)
Comprehensive income						1,671.8
Repurchase and retirement of common stock	(49.7)	(0.5)	(1,680.7)	(1,200.2)		(2,881.4)
Issuance of common stock under employee stock plans, net of related tax benefits	3.2		136.8			136.8
June 30, 2010	403.3	$ 4.0	$ 13,648.3	$ 9,997.5	$ 140.7	$ 23,790.5
January 1, 2009	503.2	$ 5.0	$ 16,843.0	$ 5,479.4	$ (895.7)	$ 21,431.7
Cumulative effect of adoption of FASB OTTI guidance, net of taxes				88.9	(88.9)	
Net income				1,273.9		1,273.9
Change in net unrealized gains/losses on investments					583.1	583.1
Non-credit component of other-than-temporary impairment losses on investments, net of taxes					(21.3)	(21.3)
Change in net unrealized gains/losses on cash flow hedges					(2.1)	(2.1)
Change in net periodic pension and postretirement costs					(0.4)	(0.4)
Foreign currency translation adjustments					2.0	2.0
Comprehensive income						1,835.2
Repurchase and retirement of common stock	(27.4)	(0.2)	(915.3)	(202.7)		(1,118.2)
Issuance of common stock under employee stock plans, net of related tax benefits	1.5		104.2			104.2
June 30, 2009	477.3	$ 4.8	$ 16,031.9	$ 6,639.5	$ (423.3)	$ 22,252.9

See accompanying notes.

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WellPoint, Inc.

Notes to Consolidated Financial Statements

(Unaudited)

June 30, 2010

(In Millions, Except Per Share Data or Otherwise Stated Herein)

1. Organization

References to the terms we , our , us , WellPoint or the Company used throughout these Notes to Consolidated Financial Statements refer to WellPoint, Inc., an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries.

We are the largest health benefits company in terms of commercial membership in the United States, serving 33.5 medical members as of June 30, 2010. We offer a broad spectrum of network-based managed care plans to large and small employer, individual, Medicaid and senior markets. Our managed care plans include: preferred provider organizations, or PPOs; health maintenance organizations, or HMOs; point-of-service, or POS, plans; traditional indemnity plans and other hybrid plans, including consumer-driven health plans, or CDHPs; and hospital only and limited benefit products. In addition, we provide a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services. We also provide an array of specialty and other products and services such as life and disability insurance benefits, dental, vision, behavioral health benefit services, radiology benefit management, analytics-driven personal health care guidance, long-term care insurance and flexible spending accounts. We are licensed to conduct insurance operations in all 50 states through our subsidiaries.

We are an independent licensee of the Blue Cross and Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California; the Blue Cross and Blue Shield, or BCBS, licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (as the BCBS licensee in 10 New York City metropolitan and surrounding counties and as the Blue Cross or BCBS licensee in selected upstate counties only), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas we do business as Anthem Blue Cross, Anthem Blue Cross Blue Shield or Empire Blue Cross Blue Shield (in our New York service areas). We also serve customers throughout much of the country as UniCare.

During the first quarter of 2010, the U.S. Congress passed and the President signed into law the Patient Protection and Affordable Care Act as well as the Health Care and Education Reconciliation Act of 2010, which represent significant changes to the current U.S. health care system. The legislation is far-reaching and is intended to expand access to health insurance coverage over time by increasing the eligibility thresholds for most state Medicaid programs and providing certain other individuals and small businesses with tax credits to subsidize a portion of the cost of health insurance coverage. The legislation includes a requirement that most individuals obtain health insurance coverage beginning in 2014 and that most large employers offer coverage to their employees or they will be required to pay a financial penalty. In addition, the new laws encompass certain new taxes and fees, including an excise tax on high premium insurance policies, limitations on the amount of compensation that is tax deductible and new fees on companies in our industry which may not be deductible for income tax purposes.

The legislation also imposes new regulations on the health insurance sector, including, but not limited to, guaranteed coverage requirements, prohibitions on some annual and all lifetime limits on amounts paid on behalf of or to our members, increased restrictions on rescinding coverage, establishment of minimum medical loss ratio requirements, a requirement to cover preventive services on a first dollar basis, the establishment of state

insurance exchanges and essential benefit packages and greater limitations on how we price certain of our products. The legislation also reduces the reimbursement levels for health plans participating in the Medicare Advantage program over time.

Some provisions of the health care reform legislation become effective this year, including those that bar health insurance companies from placing lifetime limits on insurance coverage, those related to the increased restrictions on rescinding coverage and those that extend coverage of dependents to the age of 26. The establishment of minimum medical loss ratios, which could have a significant impact on our operations, will take effect for certain of our businesses beginning in 2011. Lastly, other significant changes, including the annual fees on health insurance companies, the excise tax on high premium insurance policies, the guaranteed coverage requirements and the requirement that individuals obtain coverage, do not become effective until 2014 or later.

Many of the details of the new law, including, but not limited to, the medical loss ratio requirements, require additional guidance and specificity to be provided by the Department of Health and Human Services, the Department of Labor, the Department of the Treasury and the National Association of Insurance Commissioners. While proposed regulations on some provisions have been released for review and comment, all of which we are carefully evaluating, it is too early to fully understand the impacts of the legislation on our overall business. Certain provisions of the new law are likely to have significant impacts on our future operations, which, in turn, could impact the value of our business model and results of operations, including potential impairments of our goodwill and other intangible assets. We will continue to evaluate the impact of this legislation as additional guidance is made available.

In addition, federal and state regulatory agencies may further restrict our ability to implement changes in premium rates or impose additional restrictions, under new or existing laws, such as minimum medical loss ratio requirements or restricted definitions of costs to be included when calculating medical loss ratios under such definitions. Our ability to secure sufficient premium rates, including regulatory approval for and implementation of such rates on a timely basis, may be restricted by additional changes in federal and state regulations or by the application of existing federal and state regulations. A limitation on our ability to increase or maintain our premium rates and more restrictive medical loss ratio requirements could adversely affect our business, cash flows, financial condition and results of operations.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, necessary for a fair statement of the consolidated financial statements as of and for the three and six months ended June 30, 2010 and 2009 have been recorded. The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2009 included in our Annual Report on Form 10-K.

Certain of our subsidiaries operate outside of the United States and have functional currencies other than the U.S. dollar, or USD. We translate the assets and liabilities of those subsidiaries to USD using the exchange rate in effect at the end of the period. We translate the revenues and expenses of those subsidiaries to USD using the average exchange rates in effect during the period. The net effect of these translation adjustments is included in Foreign currency translation adjustments in our consolidated statements of shareholders equity.

Our benefit expense includes costs of care for health services consumed by our members, such as outpatient care, inpatient hospital care, professional services (primarily physician care) and pharmacy benefit costs. Beginning January 1, 2010, we began classifying certain claims-related costs, which were historically classified

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as administrative expense, as benefit expense to better reflect costs incurred for our members traditional medical care as well as those expenses which improve our members health and medical outcomes. These reclassified costs are comprised of expenses incurred for: (i) medical management, including case and utilization management; (ii) health and wellness, including disease management services for such things as diabetes, high-risk pregnancies, congestive heart failure and asthma management and wellness initiatives like weight-loss programs and smoking cessation treatments; and (iii) clinical health policy. These types of claims-related costs ultimately lower our members cost of care. Prior year amounts have been reclassified to conform to the new presentation.

Certain other prior year amounts have been reclassified to conform to the current year presentation.

3. Investments

We evaluate our investment securities for other-than-temporary declines based on qualitative and quantitative factors. Other-than-temporary impairment losses recognized in income totaled $6.1 and $74.0 for the three months ended June 30, 2010 and 2009, respectively. Other-than-temporary impairment losses recognized in income totaled $25.8 and $379.0 for the six months ended June 30, 2010 and 2009, respectively. There were no individually significant other-than-temporary impairment losses on investments by issuer during the three and six months ended June 30, 2010 and 2009. We continue to review our investment portfolios under our impairment review policy. Given the current market conditions and the significant judgments involved, there is a continuing risk that further declines in fair value may occur and additional material other-than-temporary impairment losses on investments may be recorded in future periods.

The changes in the amount of the credit component of other-than-temporary impairment losses on fixed maturity securities recognized in income, for which a portion of the other-than-temporary impairment losses was recognized in other comprehensive income, was not material for the three months and six months ended June 30, 2010 and 2009.

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A summary of current and long-term investments, available-for-sale, at June 30, 2010 and December 31, 2009 is as follows:

			Gross Unrealized Losses			
	Cost or Amortized Cost	**Gross Unrealized Gains**	**Less than 12 Months**	**Greater than 12 Months**	**Estimated Fair Value**	**Non-Credit Component of Other-Than-Temporary Impairments Recognized in AOCI**
June 30, 2010:						
Fixed maturity securities:						
United States Government securities	$ 956.6	$ 31.2	$	$	$ 987.8	$
Government sponsored securities	364.3	9.0			373.3	
States, municipalities and political subdivisions tax-exempt	4,010.4	196.3	(0.9)	(26.4)	4,179.4	
Corporate securities	6,375.5	371.2	(20.8)	(14.1)	6,711.8	(0.9)
Options embedded in convertible debt securities	65.0				65.0	
Residential mortgage-backed securities	2,902.6	160.3	(0.6)	(28.5)	3,033.8	(6.5)
Commercial mortgage-backed securities	170.2	6.9	(0.1)	(3.3)	173.7	
Other debt obligations	294.3	5.9	(1.4)	(13.3)	285.5	(1.2)
Total fixed maturity securities	15,138.9	780.8	(23.8)	(85.6)	15,810.3	$ (8.6)
Equity securities	858.4	168.2	(32.1)		994.5	
Total investments, available-for-sale	$ 15,997.3	$ 949.0	$ (55.9)	$ (85.6)	$ 16,804.8	

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	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses: Less than 12 Months	Gross Unrealized Losses: Greater than 12 Months	Estimated Fair Value	Non-Credit Component of Other-Than-Temporary Impairments Recognized in AOCI
December 31, 2009:						
Fixed maturity securities:						
United States Government securities	$ 715.4	$ 14.8	$ (2.4)	$ (0.2)	$ 727.6	$
Government sponsored securities	632.8	8.3	(0.4)		640.7	
States, municipalities and political subdivisions tax-exempt	4,019.4	167.0	(5.7)	(34.4)	4,146.3	(0.5)
Corporate securities	6,219.3	352.2	(12.9)	(34.5)	6,524.1	(3.3)
Options embedded in convertible debt securities	88.3				88.3	
Residential mortgage-backed securities	3,295.0	120.0	(7.9)	(47.0)	3,360.1	(9.0)
Commercial mortgage-backed securities	137.6	3.6	(0.1)	(4.9)	136.2	
Other debt obligations	318.3	8.7	(1.1)	(21.9)	304.0	(5.7)
Total fixed maturity securities	15,426.1	674.6	(30.5)	(142.9)	15,927.3	$ (18.5)
Equity securities	832.5	221.9	(11.2)		1,043.2	
Total investments, available-for-sale	$ 16,258.6	$ 896.5	$ (41.7)	$ (142.9)	$ 16,970.5	

At June 30, 2010, we owned $3,207.5 of mortgage-backed securities and $285.5 of asset-backed securities out of a total available-for-sale investment portfolio of $16,804.8. These securities included sub-prime and Alt-A securities with fair values of $87.3 and $261.5, respectively. These sub-prime and Alt-A securities had accumulated net unrealized losses of $11.8 and $17.6, respectively. The average credit rating of the sub-prime and Alt-A securities was BBB and BB , respectively.

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The following tables summarize for fixed maturity securities and equity securities in an unrealized loss position at June 30, 2010 and December 31, 2009, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position.

	12 Months or Less			Greater than 12 Months		
(Securities are whole amounts)	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss
June 30, 2010:						
Fixed maturity securities:						
States, municipalities and political subdivisions tax-exempt	54	$ 134.8	$ (0.9)	175	$ 271.5	$ (26.4)
Corporate securities	486	1,349.5	(20.8)	113	175.6	(14.1)
Residential mortgage-backed securities	13	31.3	(0.6)	107	211.4	(28.5)
Commercial mortgage-backed securities	6	30.3	(0.1)	4	7.8	(3.3)
Other debt obligations	29	58.7	(1.4)	49	56.7	(13.3)
Total fixed maturity securities	588	1,604.6	(23.8)	448	723.0	(85.6)
Equity securities	1,025	311.6	(32.1)			
Total fixed maturity and equity securities	1,613	$ 1,916.2	$ (55.9)	448	$ 723.0	$ (85.6)

	12 Months or Less			Greater than 12 Months		
(Securities are whole amounts)	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss
December 31, 2009:						
Fixed maturity securities:						
United States Government securities	18	$ 286.8	$ (2.4)	3	$ 3.1	$ (0.2)
Government sponsored securities	17	149.3	(0.4)			
States, municipalities and political subdivisions tax-exempt	162	417.6	(5.7)	185	314.8	(34.4)
Corporate securities	462	914.5	(12.9)	233	404.3	(34.5)
Residential mortgage-backed securities	219	439.0	(7.9)	128	256.1	(47.0)
Commercial mortgage-backed securities	7	9.8	(0.1)	14	39.9	(4.9)
Other debt obligations	24	112.5	(1.1)	49	61.0	(21.9)
Total fixed maturity securities	909	2,329.5	(30.5)	612	1,079.2	(142.9)
Equity securities	788	99.0	(11.2)			
Total fixed maturity and equity securities	1,697	$ 2,428.5	$ (41.7)	612	$ 1,079.2	$ (142.9)

The amortized cost and fair value of fixed maturity securities at June 30, 2010, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,329.0	$ 1,337.3
Due after one year through five years	4,862.0	5,118.4
Due after five years through ten years	3,591.8	3,791.4
Due after ten years	2,283.3	2,355.7
Mortgage-backed securities	3,072.8	3,207.5
Total available-for-sale fixed maturity securities	$ 15,138.9	$ 15,810.3

During the six months ended June 30, 2010, we sold $3,214.3 of fixed maturity and equity securities which resulted in gross realized gains of $137.3 and gross realized losses of $52.4. In the ordinary course of business, we may sell securities at a loss for a number of reasons, including, but not limited to: (i) changes in the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; or (v) changes in expected cash flow.

All securities sold resulting in investment gains and losses are recorded on the trade date. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold.

4. Derivative Instruments and Hedging Activities

In accordance with Financial Accounting Standards Board, or FASB, guidance, all investments in derivatives are recorded as assets or liabilities at fair value. A derivative is typically defined as an instrument whose value is derived from an underlying instrument, index or rate, has a notional amount, requires little or no initial investment and can be net settled. We typically invest in the following types of derivative financial instruments: interest rate swaps, forward contracts, put and call options, credit default swaps, embedded derivatives and warrants. Derivatives embedded within non-derivative instruments (such as options embedded in convertible fixed maturity securities) are bifurcated from the host instrument when the embedded derivative is not clearly and closely related to the host instrument.

Our use of derivatives is limited by statutes and regulations promulgated by the various regulatory bodies to which we are subject, and by our own derivative policy. Our derivative use is generally limited to hedging purposes and we generally do not use derivative instruments for speculative purposes.

We have exposure to economic losses due to interest rate risk arising from changes in the level or volatility of interest rates. We attempt to mitigate our exposure to interest rate risk through active portfolio management, which includes rebalancing our existing portfolios of assets and liabilities, as well as changing the characteristics of investments to be purchased or sold in the future. In addition, derivative financial instruments are used to modify the interest rate exposure of certain liabilities or forecasted transactions. These strategies include the use of interest rate swaps and forward contracts, which are used to lock interest rates or to hedge (on an economic basis) interest rate risks associated with variable rate debt. We have used these types of instruments as designated hedges against specific liabilities.

If certain correlation, hedge effectiveness and risk reduction criteria are met, a derivative may be specifically designated as a hedge of exposure to changes in fair value or cash flow. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the nature of any hedge designation thereon. Amounts excluded from the assessment of hedge effectiveness, if any, as well as the ineffective portion of the gain or loss, are reported in results of operations immediately. We test for hedge

effectiveness at hedge inception and re-assess at the end of each reporting period. No amounts were excluded from the assessment of hedge effectiveness. If the derivative is not designated as a hedge, the gain or loss resulting from the change in the fair value of the derivative is recognized in results of operations in the period of change.

We discontinue hedge accounting prospectively when it is determined that one of the following has occurred: (i) the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item; (ii) the derivative expires or is sold, terminated or exercised; (iii) the derivative is no longer designated as a hedge instrument because it is unlikely that a forecasted transaction will occur; (iv) a hedged firm commitment no longer meets the definition of a firm commitment; or (v) we otherwise determine that the designation of the derivative as a hedge instrument is no longer appropriate.

If hedge accounting is discontinued, the derivative will continue to be carried on our consolidated balance sheets at its fair value. When hedge accounting is discontinued because the derivative no longer qualifies as an effective fair value hedge, the related hedged asset or liability will no longer be adjusted for fair value changes. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the accumulated unrealized gains and losses included in accumulated other comprehensive income will be recognized immediately in results of operations. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, any asset or liability that was recorded pursuant to the firm commitment will be removed from the balance sheet and recognized as a gain or loss in current period results of operations. In all other situations in which hedge accounting is discontinued, changes in the fair value of the derivative are recognized in current period results of operations.

From time to time, we may also purchase derivatives to hedge, on an economic basis, our exposure to foreign currency exchange fluctuations associated with the operations of certain of our subsidiaries. We generally use futures or forward contracts for these transactions. We generally do not designate these contracts as hedges and, accordingly, the changes in fair value of these derivatives are recognized in income immediately. In addition, we purchase put and call options designed to reduce the volatility in the value of our equity securities portfolio due to changes in fair value. These options are not designated as hedges and, accordingly, the changes in fair value of these derivatives are recognized in income immediately.

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the consolidated balance sheets. We attempt to mitigate the risk of non-performance by selecting counterparties with high credit ratings and monitoring their creditworthiness and by diversifying derivatives among multiple counterparties. At June 30, 2010, we believe there were no material concentrations of credit risk with any individual counterparty.

Certain of our derivative agreements contain credit support provisions that require us to post collateral if our net exposure to the counterparty exceeds certain minimum thresholds, which is triggered based on declines in our credit rating. There was no collateral posted with counterparties as of June 30, 2010.

The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and are not representative of the potential for gain or loss on these instruments. Interest rates and equity prices may affect the fair value of derivatives. The fair values generally represent the estimated amounts that we would expect to receive or pay upon termination of the contracts at the reporting date. Fair values of options embedded in convertible debt securities are generally based on quoted market prices in active markets. Fair values of interest rate swaps are based on the quoted market prices by the financial institution that is the counterparty to the swap. We independently verify prices provided by the counterparties using valuation models that incorporate market observable inputs for similar interest rate swaps.

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A summary of the aggregate contractual or notional amounts, balance sheet location and estimated fair values of derivative financial instruments at June 30, 2010 and December 31, 2009 is as follows:

	Contractual/ Notional Amount	Balance Sheet Classification	Estimated Fair Value	
			Asset	(Liability)
June 30, 2010:				
Hedging instruments				
Swaps	$ 1,905.0	Other noncurrent assets/Other noncurrent liabilities	$ 105.1	$ (12.3)
Non-hedging instruments				
Derivatives embedded in convertible debt securities	404.3	Fixed maturity securities	65.0	
Credit default swaps	19.9	Equity securities	0.6	
Options	6,182.7	Equity securities	2.1	(3.2)
Subtotal non-hedging instruments	6,606.9		67.7	(3.2)
Total derivatives	$ 8,511.9		$ 172.8	$ (15.5)
December 31, 2009:				
Hedging instruments				
Swaps	$ 1,775.0	Other noncurrent assets/Other noncurrent liabilities	$ 85.1	$ (0.3)
Non-hedging instruments				
Derivatives embedded in convertible debt securities	359.5	Fixed maturity securities	88.3	
Credit default swaps	19.3	Equity securities		(0.2)
Subtotal non-hedging instruments	378.8		88.3	(0.2)
Total derivatives	$ 2,153.8		$ 173.4	$ (0.5)

Fair Value Hedges

During the year ended December 31, 2009, we entered into a fair value hedge with a total notional value of $600.0. The hedge is an interest rate swap agreement to receive a fixed 5.000% rate and pay a LIBOR-based floating rate and expires on January 15, 2011.

During the year ended December 31, 2006, we entered into two fair value hedges with a total notional value of $440.0. The first hedge is a $240.0 notional amount interest rate swap agreement to receive a fixed 6.800% rate and pay a LIBOR-based floating rate and expires on August 1, 2012. The second hedge is a $200.0 notional amount interest rate swap agreement to receive a fixed 5.000% rate and pay a LIBOR-based floating rate and expires on December 15, 2014.

During the year ended December 31, 2005, we entered into two fair value hedges with a total notional value of $660.0, which was subsequently reduced to $440.0 during 2008. The first hedge is a $240.0 notional amount interest rate swap agreement to exchange a fixed 6.800% rate for a LIBOR-based floating rate and expires on August 1, 2012. The second hedge is a $200.0 notional amount interest rate swap agreement to exchange a fixed 5.000% rate for LIBOR-based floating rate and expires December 15, 2014.

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A summary of the effect of fair value hedges on our income statement for the three and six months ended June 30, 2010 and 2009 is as follows:

Type of Fair Value Hedge	Income Statement Classification of Derivative Gain (Loss)	Hedge Gain (Loss) Recognized		Hedged Item	Income Statement Classification of Hedged Item Gain (Loss)	Hedged Item Gain (Loss) Recognized	
Three Months Ended June 30, 2010:							
Swaps	Interest expense	$	10.4	Fixed rate debt	Interest expense	$	(10.4)
Three Months Ended June 30, 2009:							
Swaps	Interest expense	$	9.1	Fixed rate debt	Interest expense	$	(9.1)
Six Months Ended June 30, 2010:							
Swaps	Interest expense	$	22.0	Fixed rate debt	Interest expense	$	(22.0)
Six Months Ended June 30, 2009:							
Swaps	Interest expense	$	17.2	Fixed rate debt	Interest expense	$	(17.2)

Cash Flow Hedges

During the second quarter of 2010, we entered into forward starting pay fixed interest rate swaps with a total combined notional amount of $325.0. The objective of these hedges is to eliminate the variability of the cash flows associated with interest payments on debt securities expected to be issued in the future. We agreed to pay a fixed interest rate. The swap agreements expire on December 31, 2020.

Beginning in the fourth quarter of 2009 and continuing into the second quarter of 2010, we entered into a series of forward starting pay fixed interest rate swaps with a total combined notional amount of $250.0. The objective of this series of hedges is to eliminate the variability of the cash flows associated with interest payments on our senior term loan. We agreed to receive a LIBOR-based floating rate and pay a fixed rate. The swaps began to expire on a monthly basis starting on April 30, 2010, with the final swaps in the series expiring on September 30, 2010. The aggregate outstanding total notional amount of these swaps at June 30, 2010 was $100.0.

In January 2009, we entered into forward starting pay fixed interest rate swaps with an aggregate notional amount of $800.0. The objective of these hedges was to eliminate the variability of cash flows in the interest payments on the debt securities issued in February 2009. These swaps were terminated in February 2009, and we paid a net $3.2, the net fair value at the time of termination. In addition, we recorded a loss of $2.1, net of tax, in other comprehensive income. Following the February 5, 2009 issuance of debt securities, the unamortized fair value of the forward starting pay fixed interest rate swaps included in accumulated other comprehensive income began amortizing into earnings as an increase to interest expense. In addition, we have amounts recorded in accumulated other comprehensive income for certain forward starting pay fixed swaps that were terminated in prior years. The hedged debt securities have maturity dates ranging from 2014 to 2036.

The unrecognized losses for all cash flow hedges included in accumulated other comprehensive income at June 30, 2010 and December 31, 2009 were $18.5 and $10.8, respectively. As of June 30, 2010, the total amount of amortization over the next twelve months for all cash flow hedges will increase interest expense by approximately $0.5.

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A summary of the effect of cash flow hedges on our financial statements for the three and six months ended June 30, 2010 and 2009 is as follows:

	Effective Portion			Ineffective Portion	
Type of Cash Flow Hedge	Pretax Hedge Gain (Loss) Recognized in Other Comprehensive Income	Income Statement Classification of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Hedge Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Income Statement Classification of Gain (Loss) Recognized	Hedge Gain (Loss) Recognized
Three Months Ended June 30, 2010:					
Forward starting pay fixed swaps	$ (12.2)	Interest expense	$ (0.4)	None	$
Other fixed pay swaps	$	Interest expense	$	None	$
Three Months Ended June 30, 2009:					
Forward starting pay fixed swaps	$	Interest expense	$ 0.1	None	$
Six Months Ended June 30, 2010:					
Forward starting pay fixed swaps	$ (12.2)	Interest expense	$ (0.2)	None	$
Other fixed pay swaps	$	Interest expense	$ 0.2	None	$
Six Months Ended June 30, 2009:					
Forward starting pay fixed swaps	$ (3.2)	Interest expense	$ 0.2	None	$

Non-Hedging Derivatives

In June 2010, we entered into a series of put and call options on the Standard & Poor s 500, or S&P 500, index with a total notional value of $6,182.7. The objective of these instruments is to hedge our exposure to fluctuations in the fair value of our equity securities portfolio.

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A summary of the effect of non-hedging derivatives on our income statement and included in net realized gains on investments for the three and six months ended June 30, 2010 and 2009 is as follows:

Type of Non-hedging Derivatives	Income Statement Classification of Gains (Losses) Recognized	Derivative Gain (Loss) Recognized
Three Months Ended June 30, 2010:		
Derivatives embedded in convertible debt securities	Net realized gains (losses) on investments	$ (22.7)
Credit default swaps	Net realized gains (losses) on investments	(1.2)
Options	Net realized gains (losses) on investments	0.6
Total		$ (23.3)
Three Months Ended June 30, 2009:		
Derivatives embedded in convertible debt securities	Net realized gains (losses) on investments	$ (4.5)
Credit default swaps	Net realized gains (losses) on investments	(1.9)
Options	Net realized gains (losses) on investments	(6.5)
Futures	Net realized gains (losses) on investments	4.2
Foreign currency derivatives	Net realized gains (losses) on investments	0.8
Total		$ (7.9)
Six Months Ended June 30, 2010:		
Derivatives embedded in convertible debt securities	Net realized gains (losses) on investments	$ (15.7)
Credit default swaps	Net realized gains (losses) on investments	(1.2)
Options	Net realized gains (losses) on investments	0.6
Total		$ (16.3)
Six Months Ended June 30, 2009:		
Derivatives embedded in convertible debt securities	Net realized gains (losses) on investments	$ 4.9
Credit default swaps	Net realized gains (losses) on investments	0.1
Options	Net realized gains (losses) on investments	(3.7)
Futures	Net realized gains (losses) on investments	0.8
Foreign currency derivatives	Net realized gains (losses) on investments	0.8
Total		$ 2.9

5. Fair Value

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by FASB guidance for fair value measurements and disclosures, are as follows:

Level Input:	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.

Level III Unobservable inputs that reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Transfers between Levels, if any, are recorded as of the beginning of the reporting period.

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The following methods and assumptions were used to determine the fair value of each class of the following assets and liabilities recorded at fair value in the consolidated balance sheets:

Cash equivalents: Cash equivalents primarily consist of highly rated money market funds with maturities of three months or less, and are purchased daily at par value with specified yield rates. Due to the high ratings and short-term nature of the funds, we designate all cash equivalents as Level I.

Fixed maturity securities, available-for-sale: Fair values of available-for-sale fixed maturity securities are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs, for the determination of fair value to facilitate fair value measurements and disclosures. United States Government securities represent Level I securities, while Level II securities primarily include corporate securities, securities from states, municipalities and political subdivisions and mortgage-backed securities. For securities not actively traded, the third party pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. We also have certain fixed maturity securities, primarily corporate debt and other fixed maturity securities, that are designated Level III securities. For these securities, the valuation methodologies may incorporate broker quotes or assumptions for benchmark yields, credit spreads, default rates and prepayment speeds that are not observable in the markets.

Equity securities, available-for-sale: Fair values of equity securities are generally designated as Level I and are based on quoted market prices. For certain equity securities, quoted market prices for the identical security are not always available and the fair value is estimated by reference to similar securities for which quoted prices are available. These securities are designated Level II. In addition, we invest in certain put and call options for which quoted market prices are not available and fair value is estimated based on inputs such as spot rates, interest rates, dividend rates and volatility assumptions, which are observable in the equity markets. These securities are also designated Level II. We also have certain equity securities, including private equity securities, for which the fair value is estimated based on each security s current condition and future cash flow projections. Such securities are designated Level III.

Other invested assets, current: Other invested assets, current include securities held in rabbi trusts that are classified as trading. Fair values are based on quoted market prices.

Securities lending collateral: Fair values of securities lending collateral are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs, for the determination of fair value to facilitate fair value measurements and disclosures.

Derivatives interest rate swaps: Fair values are based on the quoted market prices by the financial institution that is the counterparty to the swap. We independently verify prices provided by the counterparties using valuation models that incorporate market observable inputs for similar interest rate swaps.

We obtain only one quoted price for each security from third party pricing services, which are derived through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. As we are responsible for the determination of fair value, we perform monthly analysis on the prices received from third parties to determine whether the prices are reasonable estimates of fair value. Our analysis includes a review of month-to-month price fluctuations. If unusual fluctuations are noted in this review, we may obtain additional information from other pricing services to validate the quoted price. There were no adjustments to quoted market prices obtained from third party pricing services during the three and six months ended June 30, 2010 and 2009 that were material to the consolidated financial statements.

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A summary of fair value measurements by level for assets measured at fair value on a recurring basis at June 30, 2010 and December 31, 2009 is as follows:

	Level I	Level II	Level III	Total
June 30, 2010:				
Assets:				
Cash equivalents	$ 1,423.5	$	$	$ 1,423.5
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	987.9			987.9
Government sponsored securities		373.2		373.2
States, municipalities and political subdivisions tax-exempt		4,179.5		4,179.5
Corporate securities		6,484.3	227.3	6,711.6
Options embedded in convertible debt securities		65.0		65.0
Residential mortgage-backed securities		3,033.9		3,033.9
Commercial mortgage-backed securities		166.5	7.2	173.7
Other debt obligations		197.3	88.2	285.5
Total fixed maturity securities	987.9	14,499.7	322.7	15,810.3
Equity securities	932.1	58.5	3.9	994.5
Other invested assets, current	17.5			17.5
Securities lending collateral	464.5	268.5		733.0
Derivatives excluding embedded options (reported with other noncurrent assets)		105.1		105.1
Total	$ 3,825.5	$ 14,931.8	$ 326.6	$ 19,083.9
Liabilities:				
Derivatives (reported with other noncurrent liabilities)	$	$ (12.3)	$	$ (12.3)
December 31, 2009:				
Assets:				
Cash equivalents	$ 4,461.0	$	$	$ 4,461.0
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	727.6			727.6
Government sponsored securities		640.7		640.7
States, municipalities and political subdivisions tax-exempt		4,146.3		4,146.3
Corporate securities		6,292.4	231.7	6,524.1
Options embedded in convertible debt securities		88.3		88.3
Residential mortgage-backed securities		3,358.1	2.0	3,360.1
Commercial mortgage-backed securities		129.1	7.1	136.2
Other debt obligations		198.0	106.0	304.0
Total fixed maturity securities	727.6	14,852.9	346.8	15,927.3
Equity securities	980.4	58.3	4.5	1,043.2
Other invested assets, current	26.5			26.5
Securities lending collateral	305.3	89.5		394.8
Derivatives excluding embedded options (reported with other noncurrent assets)		85.1		85.1
Total	$ 6,500.8	$ 15,085.8	$ 351.3	$ 21,937.9
Liabilities:				
Derivatives (reported with other noncurrent liabilities)	$	$ (0.3)	$	$ (0.3)

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A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the three months ended June 30, 2010 and 2009 is as follows:

	Corporate Securities	Residential Mortgage-backed Securities	Commercial Mortgage-backed Securities	Other Debt Obligations	Equity Securities	Total
Three Months Ended June 30, 2010:						
Beginning balance at April 1, 2010	$ 235.7	$	$ 7.4	$ 105.8	$ 4.5	$ 353.4
Total gains (losses):						
Recognized in net income	0.3			(0.8)		(0.5)
Recognized in accumulated other comprehensive income	2.6		0.1	3.8	(1.1)	5.4
Purchases, sales, issuances and settlements, net	(15.3)		(0.3)	(20.6)	0.5	(35.7)
Transfers into Level III	4.0					4.0
Transfers out of Level III						
Ending balance at June 30, 2010	$ 227.3	$	$ 7.2	$ 88.2	$ 3.9	$ 326.6
Change in unrealized losses included in net income related to assets still held for the three months ended June 30, 2010	$	$	$	$ (0.1)	$	$ (0.1)
Three Months Ended June 30, 2009:						
Beginning balance at April 1, 2009	$ 186.8	$ 8.0	$ 8.4	$ 113.6	$ 6.6	$ 323.4
Total gains (losses):						
Recognized in net income				(13.1)	(0.1)	(13.2)
Recognized in accumulated other comprehensive income	12.0	(1.7)	(2.4)	18.8	(1.0)	25.7
Purchases, sales, issuances and settlements, net	(0.1)	(0.5)	(0.4)	(4.6)	(1.0)	(6.6)
Transfers into Level III	1.2				1.0	2.2
Transfers out of Level III				(9.0)		(9.0)
Ending balance at June 30, 2009	$ 199.9	$ 5.8	$ 5.6	$ 105.7	$ 5.5	$ 322.5
Change in unrealized losses included in net income related to assets still held for the three months ended June 30, 2009	$	$	$	$ (13.1)	$	$ (13.1)

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A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the six months ended June 30, 2010 and 2009 is as follows:

	Corporate Securities	Residential Mortgage-backed Securities	Commercial Mortgage-backed Securities	Other Debt Obligations	Equity Securities	Total
Six Months Ended June 30, 2010:						
Beginning balance at January 1, 2010	$ 231.7	$ 2.0	$ 7.1	$ 106.0	$ 4.5	$ 351.3
Total gains (losses):						
Recognized in net income	0.3			(2.4)	(0.8)	(2.9)
Recognized in accumulated other comprehensive income	7.5		0.6	7.9	(0.3)	15.7
Purchases, sales, issuances and settlements, net	(16.2)	(2.0)	(0.5)	(23.3)	0.5	(41.5)
Transfers into Level III	4.0					4.0
Transfers out of Level III						
Ending balance at June 30, 2010	$ 227.3	$	$ 7.2	$ 88.2	$ 3.9	$ 326.6
Change in unrealized losses included in net income related to assets still held for the six months ended June 30, 2010	$	$	$	$ (0.2)	$ (0.8)	$ (1.0)
Six Months Ended June 30, 2009:						
Beginning balance at January 1, 2009	$ 191.1	$ 7.0	$ 9.7	$ 138.7	$ 11.2	$ 357.7
Total gains (losses):						
Recognized in net income	(0.2)			(45.8)	(0.5)	(46.5)
Recognized in accumulated other comprehensive income	1.4	(0.3)	(3.4)	33.0	(0.2)	30.5
Purchases, sales, issuances and settlements, net	(11.3)	(0.9)	(0.7)	(11.2)	(6.0)	(30.1)
Transfers into Level III	20.1				1.0	21.1
Transfers out of Level III	(1.2)			(9.0)		(10.2)
Ending balance at June 30, 2009	$ 199.9	$ 5.8	$ 5.6	$ 105.7	$ 5.5	$ 322.5
Change in unrealized losses included in net income related to assets still held for the six months ended June 30, 2009	$	$	$	$ (13.1)	$	$ (13.1)

There were no material transfers between Levels I, II or III during the three and six months ended June 30, 2010 and 2009.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. We completed our acquisition of DeCare Dental, LLC, or DeCare, on April 9, 2009. On that date, we acquired net assets with a fair value of $82.8 and recorded goodwill with a fair value of $15.0, which was subsequently reduced to $14.4 resulting from purchase accounting adjustments. The net assets acquired and resulting goodwill were recorded at fair value using Level III inputs. The fair value of the net assets acquired was internally estimated based on a blend of the income approach and market value approach. The income approach estimates fair value based on calculations of discounted future cash flows using internal estimates for inputs, including, but not limited to, revenue and expense projections and discount rates. The market value approach

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estimates fair value based on the market prices of actual sales of similar assets and on asking prices for similar assets available for sale. There were no other assets or liabilities measured at fair value on a nonrecurring basis during the three and six months ended June 30, 2010 and 2009.

The carrying values and estimated fair values of financial instruments not recorded at fair value on our consolidated balance sheet at June 30, 2010 and December 31, 2009 are as follows:

	June 30, 2010		December 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Other invested assets, long-term	$ 822.5	$ 822.5	$ 775.3	$ 775.3
Liabilities:				
Debt:				
Short-term borrowings	100.0	100.0		
Commercial paper	500.1	500.1	500.6	500.6
Notes, term loan and capital leases	7,948.5	8,478.9	7,898.5	8,128.8

The following methods and assumptions were used to estimate the fair value of each class of the following financial instruments:

Other invested assets, long-term: Other invested assets, long-term include primarily our investments in limited partnerships, joint ventures and other non-controlled corporations, as well as the cash surrender value of corporate-owned life insurance policies. Investments in limited partnerships, joint ventures and other non- controlled corporations are carried at our share in the entities undistributed earnings, which approximates fair value. The carrying value of corporate-owned life insurance policies are the cash surrender value as reported by the respective insurer.

Short-term borrowings: The fair value of our short-term borrowings is based on quoted market prices for the same or similar debt, or, if no quoted market prices are available, the current rates estimated to be available to us for debt of similar terms and remaining maturities.

Long-term debt commercial paper: The carrying amount for commercial paper approximates fair value as the underlying instruments have variable interest rates at market value.

Long-term debt notes, term loan and capital leases: The fair value of notes and amounts due under our senior term loan is based on quoted market prices for the same or similar debt, or, if no quoted market prices were available, on the current rates estimated to be available to us for debt of similar terms and remaining maturities. Capital leases are carried at the unamortized present value of the minimum lease payments, which approximates fair value.

Non-financial instruments such as real estate, property and equipment, other current assets, deferred income taxes and intangible assets, and certain financial instruments such as policy liabilities are excluded from the fair value disclosures. Therefore, the fair value amounts cannot be aggregated to determine our underlying economic value.

The carrying amounts reported in the consolidated balance sheets for cash, accrued investment income, premium and self-funded receivables, other receivables, unearned income, accounts payable and accrued expenses, income taxes payable, security trades pending payable, securities lending payable and certain other current liabilities approximate fair value because of the short term nature of these items. These assets and liabilities are not listed in the table above.

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6. Income Taxes

As of June 30, 2010, as further described below, certain of our tax years are being examined by the Internal Revenue Service, or IRS, and various state and local authorities. In addition, we continue to discuss certain industry issues with the IRS.

As of June 30, 2010, the examinations of our 2008, 2007, 2006, 2005 and 2004 tax years are nearing conclusion. In addition, there are several years with ongoing disputes related to our companies pre-acquisition years that are nearing conclusion. Many of the issues in open tax years have been resolved; however, several of the examinations still require approval from the United States Congress Joint Committee on Taxation before they can be finalized.

During the three months ended June 30, 2010 and 2009, we recognized income tax expense of $407.2 and $359.0, respectively, which represents effective tax rates of 36.0% and 34.1%, respectively. During the six months ended June 30, 2010 and 2009, we recognized income tax expense of $865.7 and $672.2, respectively, which represents effective tax rates of 35.1% and 34.5%, respectively. The increase in effective tax rates primarily resulted from state tax adjustments in 2009, audit settlements and the impact of compensation deduction limitations associated with health care reform legislation in 2010.

During the first quarter of 2010, we made tax payments of $1,208.0 to the IRS, principally related to the gain we realized on the sale of our prescription benefits management, or PBM, business which occurred in the fourth quarter of 2009.

In March 2010, the Court of Appeals in the Seventh Circuit issued a decision ruling that various payments made to several states in prior years should be a deferred tax asset and not a current tax deduction for the year being litigated. The ruling did not have a material impact on our results of operations, financial position or cash flow.

7. Goodwill and Other Intangible Assets

In the first quarter of 2010, we recognized an impairment charge of $21.1 for certain intangible assets associated with the UniCare provider networks, due to a decision we made to transfer certain membership to an alternative network.

8. Retirement Benefits

The components of net periodic benefit (credit) cost included in the consolidated statements of income for the three months ended June 30, 2010 and 2009 are as follows:

	Pension Benefits		Other Benefits	
	2010	**2009**	**2010**	**2009**
Service cost	$ 4.3	$ 5.9	$ 1.8	$ 1.8
Interest cost	22.1	23.0	8.6	8.0
Expected return on assets	(34.9)	(35.9)	(2.5)	(0.7)
Recognized actuarial loss	6.4	0.5	2.0	1.8
Amortization of prior service credit	(0.2)	(0.2)	(2.4)	(2.5)
Net periodic benefit (credit) cost	$ (2.3)	$ (6.7)	$ 7.5	$ 8.4

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The components of net periodic benefit (credit) cost included in the consolidated statements of income for the six months ended June 30, 2010 and 2009 are as follows:

	Pension Benefits		Other Benefits	
	2010	2009	2010	2009
Service cost	$ 8.6	$ 11.4	$ 3.7	$ 3.6
Interest cost	44.3	45.7	17.3	15.9
Expected return on assets	(69.8)	(71.4)	(5.1)	(1.3)
Recognized actuarial loss	12.8	1.1	3.9	3.5
Amortization of prior service credit	(0.4)	(0.4)	(4.8)	(4.9)
Net periodic benefit (credit) cost	$ (4.5)	$ (13.6)	$ 15.0	$ 16.8

For the year ending December 31, 2010, no material contributions are expected to be necessary to meet the Employee Retirement Income Security Act, or ERISA, required funding levels; however, we may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. Contributions of $15.0 and $0.3 were made to our retirement benefit plans during the six months ended June 30, 2010 and 2009, respectively.

9. Debt

We have a senior revolving credit facility, or the facility, with certain lenders for general corporate purposes. The facility, as amended, provides credit up to $2,392.0, which matures on September 30, 2011. The interest rate on this facility is based on either (i) the LIBOR rate plus a predetermined percentage rate based on our credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement. Our ability to borrow under this facility is subject to compliance with certain covenants. There were no amounts outstanding under this facility as of June 30, 2010 or during the three or six months then ended. At June 30, 2010, we had $2,392.0 available under this facility.

We have an authorized commercial paper program of up to $2,500.0, the proceeds of which may be used for general corporate purposes. At June 30, 2010, we had $500.1 outstanding under this program. Commercial paper borrowings have been classified as long-term debt at June 30, 2010 and December 31, 2009 in accordance with FASB guidance for short-term obligations expected to be refinanced, as our practice and intent is to replace short-term commercial paper outstanding at expiration with additional short-term commercial paper for an uninterrupted period extending for more than one year or our ability to redeem our commercial paper with borrowings under the senior credit facility described above.

We are a member of the Federal Home Loan Bank of Indianapolis and the Federal Home Loan Bank of Cincinnati, collectively, the FHLBs, and as a member we have the ability to obtain cash advances subject to certain requirements. In order to obtain cash advances, we are required to pledge securities as collateral to the FHLBs, initially equal to a certain percentage of the cash borrowings, depending on the type of securities pledged as collateral. The market value of the collateral is monitored daily by the FHLBs, and if it falls below the required percentage of the cash borrowings, we are required to pledge additional securities as collateral or repay a portion of the outstanding cash advance balance. In addition, our borrowings may be limited based on the amount of our investment in the FHLBs common stock. Our investment in the FHLBs common stock at June 30, 2010 totaled $11.4, which is reported in Investments available-for-sale Equity securities on the consolidated balance sheets. On May 11, 2010, we borrowed $100.0 from the FHLBs with a six-month term at a fixed interest rate of 0.360%, which is reported in Short-term borrowings on the consolidated balance sheets. In addition, on April 12, 2010, we borrowed $100.0 from the FHLBs with a two-year term at a fixed interest rate of 1.430%, which is reported with Long-term debt, less current portion on the consolidated balance sheets. Securities, primarily certain U.S. government sponsored mortgage-backed securities, with a fair value of $235.6 at June 30, 2010, have been pledged as collateral. The securities pledged are reported in Investments available-for-sale Fixed maturity securities on the consolidated balance sheets.

During April 2010, we repaid our 9.125% surplus notes with a remaining outstanding face amount of $42.0.

10. Commitments and Contingencies

Litigation

In various California state courts, we are defending a number of individual lawsuits, including one filed by the Los Angeles City Attorney, and one purported class action alleging the wrongful rescission of individual insurance policies. The suits name WellPoint as well as Blue Cross of California, or BCC, and BC Life & Health Insurance Company, or BCL&H (which name changed to Anthem Blue Cross Life and Health Insurance Company in July 2007), both WellPoint subsidiaries. The lawsuits generally allege breach of contract, bad faith and unfair business practices in a purported practice of rescinding new individual members following the submission of large claims. The parties agreed to mediate most of these lawsuits and the mediation resulted in the resolution of some of these lawsuits. Preliminary approval of the class action settlement was granted on June 3, 2010.

We are currently defending several putative class actions filed as a result of the 2001 Anthem Insurance Companies, Inc., or AICI, demutualization. The suits name AICI as well as Anthem, Inc., or Anthem, n/k/a WellPoint, Inc. The suits are captioned as *Ronald Gold, et al. v. Anthem, Inc. et al.; Mary E. Ormond, et al. v. Anthem, Inc,. et al.; Ronald E. Mell, Sr., et al. v. Anthem, Inc., et al; and Jeffrey D. Jorling, et al., v. Anthem, Inc. (n/k/a WellPoint, Inc.) et al.* AICI s 2001 Plan of Conversion, or the Plan, provided for the conversion of AICI from a mutual insurance company into a stock insurance company pursuant to Indiana law. Under the Plan, AICI distributed the fair value of the company at the time of conversion to its Eligible Statutory Members, or ESMs, in the form of cash or Anthem common stock in exchange for their membership interests in the mutual company. The lawsuits generally allege that AICI distributed value to the wrong ESMs or distributed insufficient value to the ESMs. In *Gold*, cross motions for summary judgment were granted in part and denied in part with regard to the issue of sovereign immunity asserted by co-defendant, the State of Connecticut (the State). The State appealed this denial to the Connecticut Supreme Court. We filed a cross-appeal. Oral argument was held in November 2008. On May 11, 2010, the Court reversed the judgment of the trial court denying the State s motion to dismiss the plaintiff s claims under sovereign immunity. Our cross-appeal was dismissed by the Court. The case was remanded to the trial court for further proceedings. In the *Ormond* suit, our Motion to Dismiss was granted in part and denied in part on March 31, 2008. The Court dismissed the claims for violation of federal and state securities laws, for violation of the Indiana Demutualization Law and for unjust enrichment. On September 29, 2009, a class was certified in the *Ormond* suit. The class consists of all ESMs residing in Ohio, Indiana, Kentucky or Connecticut who received cash compensation in connection with the demutualization. The class does not include employers located in Ohio and Connecticut that received compensation under the Plan. On November 4, 2009 a class was certified in the *Mell* suit. That class consisted of persons who were employees or retirees who were continuously enrolled in the health benefit plan sponsored by the City of Cincinnati between the dates of June 18, 2001 and November 2, 2001. On March 3, 2010, the Court issued an order granting our motion for summary judgment. As a result, the Mell suit has been dismissed. The plaintiffs have filed an appeal with the 6th Circuit Court of Appeals. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

We are currently a defendant in a putative class action relating to Out-of-Network, or OON, reimbursement of dental claims called *American Dental Association v. WellPoint Health Networks, Inc. and Blue Cross of California*. The lawsuit was filed in March 2002 by the American Dental Association, and three dentists who are suing on behalf of themselves and are seeking to sue on behalf of a nationwide class of all non-participating dental providers who were paid less than their actual charges for dental services provided to WellPoint dental members. The complaint alleges that WellPoint Health Networks Inc., Blue Cross of California and other WellPoint affiliates and subsidiaries (collectively, WellPoint) improperly set usual, customary and reasonable payment for OON dental services based on HIAA/Ingenix data. The plaintiffs claim, among other things, that the HIAA/Ingenix databases fail to account for differences in geography, provider specialty, outlier (high) charges,

and complexity of procedure. The complaint further alleges that WellPoint was aware that this data was inappropriate to set usual, customary and reasonable rates. The dentists sue as assignees of their patients rights to benefits under WellPoint s dental plans and assert that WellPoint breached its contractual obligations in violation of ERISA by routinely paying OON dentists less than their actual charges and representing that its OON payments were properly determined usual, customary and reasonable rates. The suit is currently pending in the United States District Court for the Southern District of Florida. Our motion for summary judgment was denied without prejudice to refiling it after additional discovery is conducted. We intend to vigorously defend this lawsuit; however, its ultimate outcome cannot be presently determined.

We are currently a defendant in eleven putative class actions relating to out-of-network reimbursement. The cases have been made part of a WellPoint-only multi-district litigation called *In re WellPoint, Inc. Out-of-Network UCR Rates Litigation* and are pending in the United States District Court for the Central District of California. The first lawsuit (*Darryl and Valerie Samsell v. WellPoint, Inc., WellPoint Health Networks, Inc. and Anthem, Inc*.) was filed in February 2009 by two former members on behalf of a putative class of members who received out-of-network services for which the defendants paid less than billed charges. The plaintiffs in that case allege that the defendants violated RICO, the Sherman Antitrust Act, ERISA, and federal regulations by relying on databases provided by Ingenix in determining out-of-network reimbursement. The second lawsuit (*AMA et al. v. WellPoint, Inc.*) was brought in March 2009 by the American Medical Association, or AMA, four state medical associations and two individual physicians on behalf of a putative class of out-of-network physicians. The third lawsuit (*Roberts v. UnitedHealth Group, Inc. et al.)* was brought in March 2009 by a WellPoint member as a putative class action on behalf of all persons or entities who have paid premiums for out-of-network health insurance coverage. The fourth lawsuit (*JBW v. UnitedHealth Group, Inc. et al.*) was brought in April 2009 by a WellPoint member as a putative class action on behalf of all persons who have paid premiums for out-of-network health insurance coverage. The fifth lawsuit (*O Brien, et al. v. WellPoint, Inc., et al*.) was brought in May 2009 by three WellPoint members as a putative class action on behalf of all persons who received out-of-network services. The sixth lawsuit (*Higashi, D.C. d/b/a Mar Vista Institute of Health v. Blue Cross of California d/b/a WellPoint, Inc*.) was brought in June 2009 by an out-of-network chiropractor as a putative class action on behalf of all out-of-network chiropractors. The seventh suit (*North Peninsula Surgical Center v. WellPoint, Inc., et al*.) was brought in June 2009 by an out-of-network surgical center as a putative class action on behalf of all out-of-network surgical centers. The eighth lawsuit (*American Podiatric Medical Association, et al. v. WellPoint, Inc*.) was brought in June 2009 by the American Podiatric Medical Association, California Chiropractic Association, California Psychological Association and an out-of-network clinical psychologist as a putative class action on behalf of out-of-network podiatrists, chiropractors and psychologists. The ninth lawsuit (*Michael Pariser, et al. v. WellPoint, Inc.*) was brought in July 2009 by an out-of-network psychologist as a putative class action on behalf of all out-of-network providers who are not medical doctors or doctors of osteopathy. The tenth lawsuit (*Harold S. Bernard, Ph.D., et al. v. WellPoint, Inc.*) was brought in July 2009 by an out-of-network psychologist as a putative class action on behalf of all non-medical doctor health care providers. The eleventh lawsuit (*Ken Unmacht, Psy.D., et al. v. WellPoint, Inc.*) was brought in August 2009 by an out-of-network licensed psychotherapist as a putative class action on behalf of all non-medical doctor health care providers. A consolidated complaint has been filed for the eleven cases. The plaintiffs filed an amended complaint which broadened the allegations in the lawsuit to out-of-network reimbursement methodologies beyond the use of Ingenix. We intend to file a revised motion to dismiss the amended consolidated complaint. At the end of 2009, we filed a motion to enjoin the claims brought by the medical doctors and doctors of osteopathy based on prior litigation releases. Plaintiffs recently filed a Petition for Declaratory Judgment asking the Court to find that those claims are not barred by the prior litigation releases. We intend to vigorously defend these suits; however, their ultimate outcomes cannot be presently determined.

Other Contingencies

From time to time, we and certain of our subsidiaries are parties to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. We, like HMOs and health insurers generally, exclude certain health care and other services from coverage under our HMO, PPO and other plans. We are, in the ordinary course of business, subject to the claims of our enrollees arising out of decisions to

restrict or deny reimbursement for uncovered services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on us. In addition, the risk of potential liability under punitive damage theories may increase significantly the difficulty of obtaining reasonable settlements of coverage claims.

In addition to the lawsuits described above, we are also involved in other pending and threatened litigation of the character incidental to our business, arising out of our operations and our revision of earnings guidance in 2008, and are from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits, reviews and administrative proceedings include routine and special inquiries by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on our business operations. Any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on our consolidated financial position or results of operations.

The National Organization of Life & Health Insurance Guaranty Associations, or NOLHGA, is a voluntary association consisting of the state life and health insurance guaranty organizations located throughout the U.S. State life and health insurance guaranty organizations, working together with NOLHGA, provide a safety net for their state s policyholders, ensuring that they continue to receive coverage even if their insurer is declared insolvent. We are aware that the Pennsylvania Insurance Commissioner, or Insurance Commissioner, has placed Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, or collectively Penn Treaty, in rehabilitation, an intermediate action before insolvency. The Insurance Commissioner has petitioned the state court for liquidation, however, we do not know when a decision will be made, although we believe it is likely the state court will rule within the next twelve months. In the event that Penn Treaty is declared insolvent and placed in liquidation, we and other insurers may be required to pay a portion of their policyholder claims through NOLHGA guaranty association assessments in future periods. We will continue to monitor the situation and may record a liability and expense in future reporting periods, which could be material to our operating results.

Contractual Obligations and Commitments

During 2009, we entered into an agreement with Affiliated Computer Services, Inc. to provide certain print and mailroom services that were previously performed in-house. Our remaining commitment under this agreement at June 30, 2010 was $361.4 over a six year period. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

During the first quarter of 2010, we entered into a new agreement with International Business Machines Corporation to provide information technology infrastructure services. This new agreement supersedes certain prior agreements and also includes provisions for additional services. Our commitment under this agreement at June 30, 2010 was $1,161.6 over a five year period. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

11. Capital Stock

Stock Repurchase Program

We regularly review the appropriate use of capital. Accordingly, under our Board of Directors authorization, we maintain a common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. The repurchases are effected from time to time in the open market, in private transactions, including accelerated share repurchase agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

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During the six months ended June 30, 2010, we repurchased and retired approximately 49.7 shares at an average per share price of $57.93, for an aggregate cost of $2,881.4. Under the share repurchase program, during the six months ended June 30, 2010, we entered into accelerated share repurchase, or ASR, programs with two counterparties. The ASR programs provided for repurchase of a number of our shares, equal to a total cost of $900.0, as determined by the dollar volume weighted average share price during a one to two month period for each program. Both ASR programs were settled prior to June 30, 2010 and we had repurchased a total of 15.7 shares under these programs. The shares repurchased under the ASR programs are included in the amount disclosed above as shares repurchased during the six months ended June 30, 2010. During the six months ended June 30, 2009, we repurchased and retired approximately 27.4 shares at an average per share price of $40.77, for an aggregate cost of $1,118.2. The excess of cost of the repurchased shares over par value is charged on a pro rata basis to additional paid-in capital and retained earnings.

On January 26, 2010, our Board of Directors increased the share repurchase authorization by $3,500.0. As of June 30, 2010, $1,002.4 remained authorized for future repurchases. Subsequent to June 30, 2010, we repurchased and retired approximately 2.4 shares for an aggregate cost of approximately $116.9, leaving approximately $885.5 for authorized future repurchases at July 21, 2010. Our stock repurchase program is discretionary as we are under no obligation to repurchase shares. We repurchase shares under the program when we believe it is a prudent use of capital.

Stock Incentive Plans

A summary of stock option activity for the six months ended June 30, 2010 is as follows:

	Number of Shares	Weighted-Average Option Price per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	26.5	$ 56.98		
Granted	2.9	61.96		
Exercised	(1.7)	36.63		
Forfeited or expired	(1.1)	62.66		
Outstanding at June 30, 2010	26.6	58.61	4.9	$ 146.3
Exercisable at June 30, 2010	18.2	63.50	4.5	$ 70.5

A summary of the status of nonvested restricted stock activity, including restricted stock units, for the six months ended June 30, 2010 is as follows:

	Restricted Stock Shares And Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at January 1, 2010	4.2	$ 36.02
Granted	1.6	61.94
Vested	(1.5)	39.89
Forfeited	(0.1)	39.01
Nonvested at June 30, 2010	4.2	44.60

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12. Earnings per Share

The denominator for basic and diluted earnings per share for the three and six months ended June 30, 2010 and 2009 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	**2009**	**2010**	**2009**
Denominator for basic earnings per share weighted average shares	417.3	482.5	429.1	489.2
Effect of dilutive securities employee and director stock options and non-vested restricted stock awards	4.5	3.8	5.0	3.0
Denominator for diluted earnings per share	421.8	486.3	434.1	492.2

During the three months ended June 30, 2010 and 2009, weighted average shares related to certain stock options of 18.0 and 17.5, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive. During the six months ended June 30, 2010 and 2009, weighted average shares related to certain stock options of 17.1 and 19.3, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive.

During the six months ended June 30, 2010, we issued approximately 1.6 restricted stock units under our stock incentive plans, 0.3 of whose vesting is contingent upon us meeting specified annual operating gain targets for 2010. The 0.3 restricted stock units have been excluded from the denominator for diluted earnings per share and will be included only if and when the contingency is met.

13. Segment Information

Our organizational structure is comprised of three reportable segments: Commercial, Consumer and Other. Our Commercial and Consumer segments both offer a diversified mix of managed care products, including PPOs, HMOs, traditional indemnity benefits and POS plans, as well as a variety of hybrid benefit plans, including CDHPs, hospital only and limited benefit products.

Our Commercial segment includes Local Group (including UniCare), National Accounts and certain other ancillary business operations (dental, vision, life and disability and workers compensation). Business units in the Commercial segment offer fully-insured products and provide a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services.

Our Consumer segment includes Senior, State-Sponsored and Individual business. Senior business includes services such as Medicare Part D, Medicare Advantage, and Medicare Supplement, while State-Sponsored business includes our managed care alternatives for the Medicaid and State Children s Health Insurance Plan programs.

Our Other segment includes the Comprehensive Health Solutions Business unit, or CHS, that brings together our resources focused on optimizing the quality of health care and cost of care management. CHS included our prescription benefits management, or PBM, business until its sale to Express Scripts, Inc. on December 1, 2009, and also includes provider relations, care and disease management, employee assistance programs, including behavioral health, radiology benefit management and analytics-driven personal health care guidance. Our Other segment also includes results from our Federal Government Solutions, or FGS, business. FGS business includes the Federal Employee Program and National Government Services, Inc., or NGS, which acts as a Medicare contractor in several regions across the nation. The Other segment also includes other businesses that do not meet the quantitative thresholds for an operating segment, as well as intersegment sales and expense eliminations and corporate expenses not allocated to the other reportable segments.

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As a result of cost-reduction initiatives implemented in 2009, we recorded liabilities for employee termination costs and lease and other contract exit costs. Activity related to these liabilities for the six months ended June 30, 2010 is as follows:

	Commercial	Consumer	Other	Total
Employee termination costs:				
Beginning balance at January 1, 2010	$ 89.7	$ 19.6	$ 9.9	$ 119.2
Payments	(35.9)	(7.8)	(4.0)	(47.7)
Liability released	(0.9)	(0.2)	(0.1)	(1.2)
Employee termination costs ending balance at June 30, 2010	52.9	11.6	5.8	70.3
Lease and other contract exit costs:				
Beginning balance at January 1, 2010	31.8	3.2	9.1	44.1
Accrued expenses	0.1		0.1	0.2
Payments	(3.8)	(0.1)	(0.3)	(4.2)
Lease and other contract termination costs ending balance at June 30, 2010	28.1	3.1	8.9	40.1
Total 2009 cost-reduction initiatives ending balance at June 30, 2010	$ 81.0	$ 14.7	$ 14.7	$ 110.4

Financial data by reportable segment for the three and six months ended June 30, 2010 and 2009 is as follows:

	Commercial	Consumer	Other and Eliminations	Total
Three Months Ended June 30, 2010:				
Operating revenue from external customers	$ 8,488.9	$ 3,992.0	$ 1,743.6	$ 14,224.5
Operating gain	745.7	300.9	11.4	1,058.0
Three Months Ended June 30, 2009:				
Operating revenue from external customers	$ 9,339.8	$ 4,090.5	$ 1,835.5	$ 15,265.8
Intersegment revenue			770.0	770.0
Elimination of intersegment revenue			(770.0)	(770.0)
Operating gain	582.8	382.1	123.8	1,088.7
Six Months Ended June 30, 2010:				
Operating revenue from external customers	$ 17,592.7	$ 8,005.1	$ 3,495.4	$ 29,093.2
Operating gain (loss)	1,724.1	626.9	(6.3)	2,344.7
Six Months Ended June 30, 2009:				
Operating revenue from external customers	$ 18,707.3	$ 8,125.9	$ 3,731.3	$ 30,564.5
Intersegment revenue			1,485.2	1,485.2
Elimination of intersegment revenue			(1,485.2)	(1,485.2)
Operating gain	1,485.5	600.8	235.4	2,321.7

A reconciliation of reportable segments operating revenues to total revenues reported in the consolidated statements of income for the three and six months ended June 30, 2010 and 2009 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Reportable segments operating revenues	$ 14,224.5	$ 15,265.8	$ 29,093.2	$ 30,564.5

Net investment income	202.3	205.7	403.4	402.8
Net realized gains (losses) on investments	36.5	15.7	84.9	(31.8)
Other-than-temporary impairment losses recognized in income	(6.1)	(74.0)	(25.8)	(379.0)
Total revenues	$ 14,457.2	$ 15,413.2	$ 29,555.7	$ 30,556.5

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A reconciliation of reportable segments operating gain to income before income tax expense included in the consolidated statements of income for the three and six months ended June 30, 2010 and 2009 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	**2009**	**2010**	**2009**
Reportable segments operating gain	$ 1,058.0	$ 1,088.7	$ 2,344.7	$ 2,321.7
Net investment income	202.3	205.7	403.4	402.8
Net realized gains (losses) on investments	36.5	15.7	84.9	(31.8)
Other-than-temporary impairment losses recognized in income	(6.1)	(74.0)	(25.8)	(379.0)
Interest expense	(100.2)	(117.0)	(199.6)	(233.1)
Amortization of other intangible assets	(60.9)	(66.6)	(121.6)	(134.5)
Impairment of other intangible assets			(21.1)	
Income before income tax expense	$ 1,129.6	$ 1,052.5	$ 2,464.9	$ 1,946.1

14. Comprehensive Income

The components of comprehensive income for the three and six months ended June 30, 2010 and 2009 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	**2009**	**2010**	**2009**
Net income	$ 722.4	$ 693.5	$ 1,599.2	$ 1,273.9
Change in net unrealized gains/losses on investments				