WELLPOINT, INC
Form 10-Q
July 27, 2011
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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, 2011**

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	(I.R.S. Employer
incorporation or organization)	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 15, 2011**
Common Stock, $0.01 par value	360,660,278 shares

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WellPoint, Inc.

Quarterly Report on Form 10-Q

For the Period Ended June 30, 2011

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WellPoint, Inc.

Consolidated Balance Sheets

(In millions, except share data)	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,699.8**	$ 1,788.8
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of $15,840.9 and $15,545.4)	**16,462.7**	16,069.5
Equity securities (cost of $941.8 and $861.4)	**1,375.5**	1,236.2
Other invested assets, current	**20.8**	21.1
Accrued investment income	**179.7**	177.4
Premium and self-funded receivables	**3,100.9**	3,041.6
Other receivables	**909.5**	878.6
Income taxes receivable	**248.8**	32.3
Securities lending collateral	**810.3**	900.3
Deferred tax assets, net	**347.3**	460.9
Other current assets	**1,601.5**	1,534.1
Total current assets	**26,756.8**	26,140.8
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of $217.1 and $215.8)	**223.0**	221.8
Equity securities (cost of $32.2 and $32.8)	**34.4**	33.4
Other invested assets, long-term	**945.7**	865.4
Property and equipment, net	**1,212.9**	1,155.5
Goodwill	**13,263.7**	13,264.9
Other intangible assets	**7,883.4**	7,996.8
Other noncurrent assets	**557.3**	488.3
Total assets	**$ 50,877.2**	$ 50,166.9
Liabilities and shareholders equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	**$ 5,341.6**	$ 4,852.4
Reserves for future policy benefits	**56.0**	56.4
Other policyholder liabilities	**1,955.6**	1,909.1
Total policy liabilities	**7,353.2**	6,817.9
Unearned income	**1,038.1**	891.4
Accounts payable and accrued expenses	**2,599.7**	2,942.2
Security trades pending payable	**108.2**	33.3
Securities lending payable	**811.8**	901.5
Short-term borrowings	**100.0**	100.0
Current portion of long-term debt	**456.3**	705.9
Other current liabilities	**1,640.0**	1,617.3
Total current liabilities	**14,107.3**	14,009.5
Long-term debt, less current portion	**8,292.1**	8,147.8
Reserves for future policy benefits, noncurrent	**638.0**	646.7
Deferred tax liabilities, net	**2,639.3**	2,586.9
Other noncurrent liabilities	**1,019.2**	963.4

Total liabilities	**26,695.9**	26,354.3
Commitments and contingencies Note 9		
Shareholders equity		
Preferred stock, without par value, shares authorized 100,000,000; shares issued and outstanding none		
Common stock, par value $0.01, shares authorized 900,000,000; shares issued and outstanding: 362,223,698 and 377,736,929	**3.6**	3.8
Additional paid-in capital	**12,415.9**	12,862.6
Retained earnings	**11,418.1**	10,721.6
Accumulated other comprehensive income	**343.7**	224.6
Total shareholders equity	**24,181.3**	23,812.6
Total liabilities and shareholders equity	**$ 50,877.2**	$ 50,166.9

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 2011	Three Months Ended June 30 2010	Six Months Ended June 30 2011	Six Months Ended June 30 2010
Revenues				
Premiums	**$ 13,913.6**	$ 13,257.1	**$ 27,597.7**	$ 27,167.0
Administrative fees	**957.7**	923.2	**1,919.7**	1,850.5
Other revenue	**8.5**	18.3	**17.2**	24.2
Total operating revenue	**14,879.8**	14,198.6	**29,534.6**	29,041.7
Net investment income	**187.8**	202.3	**372.6**	403.4
Net realized gains on investments	**41.5**	36.5	**98.6**	84.9
Other-than-temporary impairment losses on investments:				
Total other-than-temporary impairment losses on investments	**(11.1)**	(14.9)	**(15.9)**	(42.8)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	**2.7**	8.8	**5.1**	17.0
Other-than-temporary impairment losses recognized in income	**(8.4)**	(6.1)	**(10.8)**	(25.8)
Total revenues	**15,100.7**	14,431.3	**29,995.0**	29,504.2
Expenses				
Benefit expense	**11,922.0**	10,985.9	**23,150.0**	22,368.2
Selling, general and administrative expense:				
Selling expense	**405.6**	403.1	**802.6**	805.5
General and administrative expense	**1,605.5**	1,751.6	**3,285.0**	3,523.3
Total selling, general and administrative expense	**2,011.1**	2,154.7	**4,087.6**	4,328.8
Interest expense	**103.6**	100.2	**209.5**	199.6
Amortization of other intangible assets	**56.6**	60.9	**113.4**	121.6
Impairment of other intangible assets				21.1
Total expenses	**14,093.3**	13,301.7	**27,560.5**	27,039.3
Income before income tax expense	**1,007.4**	1,129.6	**2,434.5**	2,464.9
Income tax expense	**305.8**	407.2	**806.3**	865.7
Net income	**$ 701.6**	$ 722.4	**$ 1,628.2**	$ 1,599.2
Net income per share				
Basic	**$ 1.92**	$ 1.73	**$ 4.40**	$ 3.73
Diluted	**$ 1.89**	$ 1.71	**$ 4.34**	$ 3.68
Dividends per share	**$ 0.25**	$	**$ 0.50**	$

See accompanying notes.

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WellPoint, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

(In millions)	Six Months Ended June 30 2011	2010
Operating activities		
Net income	**$ 1,628.2**	$ 1,599.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net realized gains/losses on investments	**(98.6)**	(84.9)
Other-than-temporary impairment losses recognized in income	**10.8**	25.8
Loss on disposal of assets	**1.8**	1.4
Deferred income taxes	**111.3**	67.7
Amortization, net of accretion	**258.3**	233.3
Impairment of other intangible assets		21.1
Depreciation expense	**47.2**	53.4
Share-based compensation	**60.9**	57.1
Excess tax benefits from share-based compensation	**(36.1)**	(22.9)
Changes in operating assets and liabilities, net of effect of business combinations:		
Receivables, net	**(58.6)**	(305.3)
Other invested assets	**(18.9)**	8.9
Other assets	**(137.6)**	(94.1)
Policy liabilities	**526.6**	(57.8)
Unearned income	**146.7**	(14.8)
Accounts payable and accrued expenses	**(456.2)**	(296.8)
Other liabilities	**(186.2)**	82.6
Income taxes	**108.1**	(1,307.6)
Other, net	**(21.0)**	(33.1)
Net cash provided by (used in) operating activities	**1,886.7**	(66.8)
Investing activities		
Purchases of fixed maturity securities	**(6,351.1)**	(4,674.6)
Proceeds from fixed maturity securities:		
Sales	**4,982.9**	3,097.9
Maturities, calls and redemptions	**1,204.8**	1,870.6
Purchases of equity securities	**(194.9)**	(122.9)
Proceeds from sales of equity securities	**72.4**	116.4
Purchases of other invested assets	**(61.3)**	(48.0)
Proceeds from sales of other invested assets	**14.0**	21.7
Changes in securities lending collateral	**89.7**	(337.8)
Purchases of subsidiaries, net of cash acquired		(0.3)
Purchases of property and equipment	**(206.6)**	(222.8)
Proceeds from sales of property and equipment	**3.0**	5.4
Other, net	**(23.1)**	(25.5)
Net cash used in investing activities	**(470.2)**	(319.9)
Financing activities		
Net proceeds from (repayments of) commercial paper borrowings	**600.9**	(0.5)
Proceeds from long-term borrowings		100.0
Repayments of long-term borrowings	**(702.7)**	(71.8)
Proceeds from short-term borrowings	**100.0**	100.0
Repayments of short-term borrowings	**(100.0)**	
Changes in securities lending payable	**(89.7)**	337.8
Changes in bank overdrafts	**71.1**	(96.4)
Repurchase and retirement of common stock	**(1,456.3)**	(2,881.4)

Cash dividends	**(183.9)**	
Proceeds from issuance of common stock under employee stock plans	**215.2**	92.4
Excess tax benefits from share-based compensation	**36.1**	22.9
Net cash used in financing activities	**(1,509.3)**	(2,397.0)
Effect of foreign exchange rates on cash and cash equivalents	**3.8**	(4.5)
Change in cash and cash equivalents	**(89.0)**	(2,788.2)
Cash and cash equivalents at beginning of period	**1,788.8**	4,816.1
Cash and cash equivalents at end of period	**$ 1,699.8**	$ 2,027.9

See accompanying notes.

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WellPoint, Inc.

Consolidated Statements of Shareholders Equity

(Unaudited)

(In millions)	Common Stock				Accumulated	
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income (Loss)	Total Shareholders Equity
January 1, 2011	**377.7**	**$ 3.8**	**$ 12,862.6**	**$ 10,721.6**	**$ 224.6**	**$ 23,812.6**
Net income				**1,628.2**		**1,628.2**
Change in net unrealized gains/losses on investments					**98.0**	**98.0**
Non-credit component of other-than-temporary impairment losses on investments, net of taxes					**4.3**	**4.3**
Change in net unrealized gains/losses on cash flow hedges					**0.7**	**0.7**
Change in net periodic pension and postretirement costs					**13.7**	**13.7**
Foreign currency translation adjustments					**2.4**	**2.4**
Comprehensive income						**1,747.3**
Repurchase and retirement of common stock	**(20.8)**	**(0.2)**	**(710.2)**	**(745.9)**		**(1,456.3)**
Dividends and dividend equivalents				**(185.8)**		**(185.8)**
Issuance of common stock under employee stock plans, net of related tax benefits	**5.3**		**263.5**			**263.5**
June 30, 2011	**362.2**	**$ 3.6**	**$ 12,415.9**	**$ 11,418.1**	**$ 343.7**	**$ 24,181.3**

See accompanying notes.

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WellPoint, Inc.

Consolidated Statements of Shareholders Equity

(Unaudited)

(In millions)	Common Stock				Accumulated	
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	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

See accompanying notes.

WellPoint, Inc.

Notes to Consolidated Financial Statements

(Unaudited)

June 30, 2011

(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 34.2 medical members through our affiliated health plans and a total of more than 69.0 individuals through our subsidiaries as of June 30, 2011. 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 and long-term care insurance. 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 and Blue Shield, Blue Cross and Blue Shield of Georgia, Empire Blue Cross Blue Shield, or Empire Blue Cross (in our New York service areas). We also serve customers throughout the country as UniCare.

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. We have omitted certain footnote disclosures that would substantially duplicate the disclosures in our 2010 Annual Report on Form 10-K, unless the information contained in those disclosures materially changed or is required by GAAP for interim reporting. 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, 2011 and 2010 have been recorded. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2010 included in our 2010 Annual Report on Form 10-K.

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2. Basis of Presentation (continued)

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.

In 2010, the U.S. Federal government enacted legislation requiring that certain lines of business meet specified minimum medical loss ratios. For this purpose, the Department of Health and Human Services, or HHS, issued guidance specifying the types of costs that should be included in benefit expense for purposes of calculating medical loss ratios. This definition varied from our prior classification under GAAP. Where appropriate, we have adopted this revised classification effective January 1, 2011 to further align our GAAP basis classification to that used in the calculation for determining medical loss ratios under the HHS guidance. However, certain components of the medical loss ratio computation as defined by HHS cannot be classified consistently under GAAP. Accordingly, benefit expense ratios shown in our GAAP basis presentation are different than the medical loss ratios in accordance with HHS guidance for purposes of calculating rebates. Prior period amounts have not been reclassified due to immateriality.

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

3. Restructuring Activities

As a result of restructuring activities implemented during 2010 and 2009, we recorded liabilities for employee termination costs and lease and other contract exit costs. The restructuring activities are classified as components of general and administrative expenses in the consolidated statements of income for the respective period in which they occurred.

The 2010 restructuring activities were initiated as a result of a change in strategic focus primarily in response to Federal health care reform legislation. Activity related to these liabilities for the six months ended June 30, 2011, by segment, is as follows:

	Commercial	Consumer	Other	Total
2010 Restructuring Activities				
Employee termination costs:				
Liability for employee termination costs at January 1, 2011	$ 53.1	$ 19.0	$ 4.9	$ 77.0
Payments	(14.5)	(5.2)	(1.3)	(21.0)
Liability released	(8.7)	(3.1)	(0.8)	(12.6)
Liability for employee termination costs at June 30, 2011	29.9	10.7	2.8	43.4
Lease and other contract exit costs:				
Liability for lease and other contract exit costs at January 1, 2011	14.4	4.3	1.9	20.6
Payments	(2.2)	(0.6)	(0.3)	(3.1)
Liability released	(2.2)	(0.7)	(0.3)	(3.2)
Liability for lease and other contract exit costs at June 30, 2011	10.0	3.0	1.3	14.3
Total liability for 2010 restructuring activities at June 30, 2011	$ 39.9	$ 13.7	$ 4.1	$ 57.7

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3. Restructuring Activities (continued)

The 2009 restructuring activities were executed as a result of a strategic realignment to our corporate strategy. Activity related to these liabilities for the six months ended June 30, 2011, by segment, is as follows:

	Commercial	Consumer	Other	Total
2009 Restructuring Activities				
Employee termination costs:				
Liability for employee termination costs at January 1, 2011	$ 12.0	$ 2.7	$ 1.3	$ 16.0
Payments	(6.4)	(1.4)	(0.7)	(8.5)
Liability released	(2.5)	(0.5)	(0.3)	(3.3)
Liability for employee termination costs at June 30, 2011	3.1	0.8	0.3	4.2
Lease and other contract exit costs:				
Liability for lease and other contract exit costs at January 1, 2011	27.4	3.0	8.7	39.1
Payments	(0.6)	(0.1)	(0.2)	(0.9)
Liability for lease and other contract exit costs at June 30, 2011	26.8	2.9	8.5	38.2
Total liability for 2009 restructuring activities at June 30, 2011	$ 29.9	$ 3.7	$ 8.8	$ 42.4

4. 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 $8.4 and $6.1 for the three months ended June 30, 2011 and 2010, respectively. Other-than-temporary impairment losses recognized in income totaled $10.8 and $25.8 for the six months ended June 30, 2011 and 2010, respectively. There were no individually significant other-than-temporary impairment losses on investments by issuer during the three and six months ended June 30, 2011 and 2010. 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, 2011 and 2010.

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4. Investments (continued)

A summary of current and long-term investments, available-for-sale, at June 30, 2011 and December 31, 2010 is as follows:

	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
June 30, 2011:						
Fixed maturity securities:						
United States Government securities	**$ 366.7**	**$ 14.0**	**$ (0.8)**	**$**	**$ 379.9**	**$**
Government sponsored securities	**252.7**	**4.7**	**(0.1)**		**257.3**	
States, municipalities and political subdivisions tax-exempt	**5,077.4**	**211.4**	**(7.9)**	**(27.5)**	**5,253.4**	
Corporate securities	**6,831.4**	**358.2**	**(22.4)**	**(4.3)**	**7,162.9**	
Options embedded in convertible debt securities	**89.0**				**89.0**	
Residential mortgage-backed securities	**2,780.4**	**111.5**	**(6.0)**	**(10.9)**	**2,875.0**	**(2.4)**
Commercial mortgage-backed securities	**424.8**	**13.1**	**(0.6)**	**(1.8)**	**435.5**	
Other debt obligations	**235.6**	**5.5**	**(0.2)**	**(8.2)**	**232.7**	**(0.2)**
Total fixed maturity securities	**16,058.0**	**718.4**	**(38.0)**	**(52.7)**	**16,685.7**	**$ (2.6)**
Equity securities	**974.0**	**443.5**	**(7.6)**		**1,409.9**	
Total investments, available-for-sale	**$ 17,032.0**	**$ 1,161.9**	**$ (45.6)**	**$ (52.7)**	**$ 18,095.6**	
December 31, 2010:						
Fixed maturity securities:						
United States Government securities	$ 500.9	$ 14.1	$ (3.6)	$	$ 511.4	$
Government sponsored securities	325.6	6.0	(0.8)		330.8	
States, municipalities and political subdivisions tax-exempt	4,630.2	130.5	(38.9)	(29.6)	4,692.2	
Corporate securities	6,850.1	385.1	(16.9)	(7.1)	7,211.2	(0.8)
Options embedded in convertible debt securities	108.3				108.3	
Residential mortgage-backed securities	2,747.2	113. 7	(9.0)	(15.4)	2,836.5	(6.2)
Commercial mortgage-backed	330.9	9.2	(1.5)	(2.2)	336.4	

securities						
Other debt obligations	268.0	6.2	(0.3)	(9.4)	264.5	(2.1)
Total fixed maturity securities	15,761.2	664.8	(71.0)	(63.7)	16,291.3	$ (9.1)
Equity securities	894.2	383.2	(7.8)		1,269.6	
Total investments, available-for-sale	$ 16,655.4	$ 1,048.0	$ (78.8)	$ (63.7)	$ 17,560.9	

At June 30, 2011, we owned $3,310.5 of mortgage-backed securities and $232.7 of asset-backed securities out of a total available-for-sale investment portfolio of $18,095.6. These securities included sub-prime and Alt-A securities with fair values of $68.8 and $216.5, respectively. These sub-prime and Alt-A securities had accumulated net unrealized losses of $4.4 and $3.5, respectively. The average credit rating of the sub-prime and Alt-A securities was BBB and B , respectively.

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4. Investments (continued)

The following tables summarize for fixed maturity securities and equity securities in an unrealized loss position at June 30, 2011 and December 31, 2010, 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, 2011:						
Fixed maturity securities:						
United States Government securities	**13**	**$ 64.3**	**$ (0.8)**		**$**	**$**
Government sponsored securities	**6**	**16.9**	**(0.1)**			
States, municipalities and political subdivisions tax-exempt	**196**	**672.8**	**(7.9)**	**93**	**159.7**	**(27.5)**
Corporate securities	**778**	**1,253.0**	**(22.4)**	**28**	**44.4**	**(4.3)**
Residential mortgage-backed securities	**274**	**539.5**	**(6.0)**	**67**	**96.7**	**(10.9)**
Commercial mortgage-backed securities	**30**	**68.5**	**(0.6)**	**3**	**7.7**	**(1.8)**
Other debt obligations	**19**	**52.3**	**(0.2)**	**33**	**35.3**	**(8.2)**
Total fixed maturity securities	**1,316**	**2,667.3**	**(38.0)**	**224**	**343.8**	**(52.7)**
Equity securities	**690**	**77.8**	**(7.6)**			
Total fixed maturity and equity securities	**2,006**	**$ 2,745.1**	**$ (45.6)**	**224**	**$ 343.8**	**$ (52.7)**
December 31, 2010:						
Fixed maturity securities:						
United States Government securities	23	$ 142.9	$ (3.6)		$	$
Government sponsored securities	24	103.5	(0.8)			
States, municipalities and political subdivisions tax-exempt	449	1,493.1	(38.9)	101	166.1	(29.6)
Corporate securities	742	1,436.3	(16.9)	65	92.9	(7.1)
Residential mortgage-backed securities	279	512.6	(9.0)	82	149.9	(15.4)
Commercial mortgage-backed securities	34	107.5	(1.5)	3	8.1	(2.2)
Other debt obligations	28	60.9	(0.3)	38	46.4	(9.4)
Total fixed maturity securities	1,579	3,856.8	(71.0)	289	463.4	(63.7)
Equity securities	365	81.6	(7.8)			
Total fixed maturity and equity securities	1,944	$ 3,938.4	$ (78.8)	289	$ 463.4	$ (63.7)

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4. Investments (continued)

The amortized cost and fair value of fixed maturity securities at June 30, 2011, 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	$ 553.2	$ 590.4
Due after one year through five years	5,003.4	5,224.3
Due after five years through ten years	4,517.6	4,712.1
Due after ten years	2,778.6	2,848.4
Mortgage-backed securities	3,205.2	3,310.5
Total available-for-sale fixed maturity securities	$ 16,058.0	$ 16,685.7

During the six months ended June 30, 2011, we sold $5,055.3 of fixed maturity and equity securities which resulted in gross realized gains of $155.5 and gross realized losses of $57.1. 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.

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 Financial Accounting Standards Board, or 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.

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

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5. Fair Value (continued)

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. 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, 2011 and 2010 that were material to the consolidated financial statements.

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5. Fair Value (continued)

A summary of fair value measurements by level for assets measured at fair value on a recurring basis at June 30, 2011 and December 31, 2010 is as follows:

	Level I	Level II	Level III	Total
June 30, 2011:				
Assets:				
Cash equivalents	**$ 1,234.0**	**$**	**$**	**$ 1,234.0**
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	**379.9**			**379.9**
Government sponsored securities		**257.3**		**257.3**
States, municipalities and political subdivisions tax-exempt		**5,253.4**		**5,253.4**
Corporate securities		**6,980.3**	**182.6**	**7,162.9**
Options embedded in convertible debt securities		**89.0**		**89.0**
Residential mortgage-backed securities		**2,875.0**		**2,875.0**
Commercial mortgage-backed securities		**422.4**	**13.1**	**435.5**
Other debt obligations		**168.9**	**63.8**	**232.7**
Total fixed maturity securities	**379.9**	**16,046.3**	**259.5**	**16,685.7**
Equity securities	**1,263.2**	**117.7**	**29.0**	**1,409.9**
Other invested assets, current	**20.8**			**20.8**
Securities lending collateral	**414.1**	**396.2**		**810.3**
Derivatives excluding embedded options (reported with other noncurrent assets)		**90.2**		**90.2**
Total assets	**$ 3,312.0**	**$ 16,650.4**	**$ 288.5**	**$ 20,250.9**
December 31, 2010:				
Assets:				
Cash equivalents	$ 1,374.9	$	$	$ 1,374.9
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	511.4			511.4
Government sponsored securities		330.8		330.8
States, municipalities and political subdivisions tax-exempt		4,692.2		4,692.2
Corporate securities		6,932.8	278.4	7,211.2
Options embedded in convertible debt securities		108.3		108.3
Residential mortgage-backed securities		2,832.7	3.8	2,836.5
Commercial mortgage-backed securities		328.6	7.8	336.4
Other debt obligations		183.1	81.4	264.5
Total fixed maturity securities	511.4	15,408.5	371.4	16,291.3
Equity securities	1,202.3	50.0	17.3	1,269.6
Other invested assets, current	21.1			21.1
Securities lending collateral	355.7	544.6		900.3
Derivatives excluding embedded options (reported with other noncurrent assets)		95.3		95.3
Total assets	$ 3,465.4	$ 16,098.4	$ 388.7	$ 19,952.5

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5. Fair Value (continued)

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, 2011 and 2010 is as follows:

	Corporate Securities	Residential Mortgage-backed Securities	Commercial Mortgage-backed Securities	Other Debt Obligations	Equity Securities	Total
Three Months Ended June 30, 2011:						
Beginning balance at April 1, 2011	**$ 252.0**	**$ 3.6**	**$ 8.0**	**$ 71.8**	**$ 28.2**	**$ 363.6**
Total gains (losses):						
Recognized in net income	**5.1**			**(0.1)**	**(2.4)**	**2.6**
Recognized in accumulated other comprehensive income	**(4.9)**			**(1.1)**	**2.9**	**(3.1)**
Purchases	**9.8**			**2.7**	**0.1**	**12.6**
Sales	**(3.9)**	**(3.6)**		**(4.8)**		**(12.3)**
Issuances						
Settlements	**(116.9)**		**(0.4)**	**(4.7)**		**(122.0)**
Transfers into Level III	**41.4**		**5.5**		**0.2**	**47.1**
Transfers out of Level III						
Ending balance at June 30, 2011	**$ 182.6**	**$**	**$ 13.1**	**$ 63.8**	**$ 29.0**	**$ 288.5**
Change in unrealized losses included in net income related to assets still held for the three months ended June 30, 2011	**$**	**$**	**$**	**$ (0.2)**	**$ (2.4)**	**$ (2.6)**
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)

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5. Fair Value (continued)

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, 2011 and 2010 is as follows:

	Corporate Securities	Residential Mortgage-backed Securities	Commercial Mortgage-backed Securities	Other Debt Obligations	Equity Securities	Total
Six Months Ended June 30, 2011:						
Beginning balance at January 1, 2011	**$ 278.4**	**$ 3.8**	**$ 7.8**	**$ 81.4**	**$ 17.3**	**$ 388.7**
Total gains (losses):						
Recognized in net income	**6.5**			**(0.6)**	**(3.9)**	**2.0**
Recognized in accumulated other comprehensive income	**(6.5)**		**0.5**	**1.0**	**5.7**	**0.7**
Purchases	**15.3**			**3.5**	**10.1**	**28.9**
Sales	**(23.9)**	**(3.6)**		**(11.5)**	**(0.4)**	**(39.4)**
Issuances						
Settlements	**(128.6)**	**(0.2)**	**(0.7)**	**(10.0)**		**(139.5)**
Transfers into Level III	**41.4**		**5.5**		**0.2**	**47.1**
Transfers out of Level III						
Ending balance at June 30, 2011	**$ 182.6**	**$**	**$ 13.1**	**$ 63.8**	**$ 29.0**	**$ 288.5**
Change in unrealized losses included in net income related to assets still held for the six months ended June 30, 2011	**$**	**$**	**$**	**$ (0.3)**	**$ (3.9)**	**$ (4.2)**
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)

There were no material transfers between Levels I, II or III during the three and six months ended June 30, 2011 and 2010.

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5. Fair Value (continued)

The carrying values and estimated fair values of financial instruments not recorded at fair value on our consolidated balance sheet at June 30, 2011 and December 31, 2010 are as follows:

	June 30, 2011		December 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Other invested assets, long-term	**$ 945.7**	**$ 945.7**	$ 865.4	$ 865.4
Liabilities:				
Debt:				
Short-term borrowings	**100.0**	**100.0**	100.0	100.0
Commercial paper	**937.1**	**937.1**	336.2	336.2
Notes and capital leases	**7,811.3**	**8,410.2**	8,517.5	9,010.6

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 and capital leases: The fair value of notes is based on quoted market prices for the same or similar debt, or, if no quoted market prices are 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 receivable/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

During the three months ended June 30, 2011 and 2010, we recognized income tax expense of $305.8 and $407.2, respectively, which represents effective tax rates of 30.4% and 36.0%, respectively. During the six months ended June 30, 2011 and 2010, we recognized income tax expense of $806.3 and $865.7, respectively, which represents effective tax rates of 33.1% and 35.1%, respectively. The decrease in effective tax rates primarily resulted from prior tax year federal and state audit settlements.

7. Retirement Benefits

The components of net periodic benefit cost (credit) included in the consolidated statements of income for the three months ended June 30, 2011 and 2010 are as follows:

	Pension Benefits		Other Benefits	
	2011	**2010**	**2011**	**2010**
Service cost	**$ 4.3**	$ 4.3	**$ 1.5**	$ 1.8
Interest cost	**21.2**	22.1	**7.8**	8.6
Expected return on assets	**(32.0)**	(34.9)	**(4.3)**	(2.5)
Recognized actuarial loss	**6.4**	6.4	**2.6**	2.0
Settlement loss	**3.3**			
Amortization of prior service credit	**(0.2)**	(0.2)	**(3.0)**	(2.4)
Net periodic benefit cost (credit)	**$ 3.0**	$ (2.3)	**$ 4.6**	$ 7.5

The components of net periodic benefit cost (credit) included in the consolidated statements of income for the six months ended June 30, 2011 and 2010 are as follows:

	Pension Benefits		Other Benefits	
	2011	**2010**	**2011**	**2010**
Service cost	**$ 8.6**	$ 8.6	**$ 3.2**	$ 3.7
Interest cost	**42.4**	44.3	**16.2**	17.3
Expected return on assets	**(64.1)**	(69.8)	**(8.6)**	(5.1)
Recognized actuarial loss	**12.9**	12.8	**5.2**	3.9
Settlement loss	**10.7**			
Amortization of prior service credit	**(0.4)**	(0.4)	**(5.4)**	(4.8)
Net periodic benefit cost (credit)	**$ 10.1**	$ (4.5)	**$ 10.6**	$ 15.0

For the year ending December 31, 2011, 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. No contributions to our retirement benefit plans were made during the six months ended June 30, 2011.

8. 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 $2,000.0, and matures on September 30, 2013. There were no amounts outstanding under this facility as of June 30, 2011 or at any time during the six months then ended.

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, 2011, we had $937.1 outstanding under this program.

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9. Commitments and Contingencies

Litigation

In the ordinary course of business, we are defendants in or parties to a number of pending or threatened legal actions or proceedings. To the extent a plaintiff or plaintiffs in the following cases have specified in their complaint or in other court filings the amount of damages being sought, we have noted those alleged damages in the descriptions below. With respect to the cases described below, we contest liability and/or the amount of damages in each matter and believe we have meritorious defenses.

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. Final approval of the class action settlement was granted on July 13, 2010, and no appeals were filed. Payments pursuant to the terms of the settlement commenced in the first quarter of 2011 and were completed during the second quarter of 2011. The payments did not have a material impact on our consolidated financial position or results of operations. The Los Angeles City Attorney filed an amended complaint in October 2010, adding claims of misrepresentation arising from several public statements made by the Company during 2010. The Los Angeles City Attorney is requesting two thousand five hundred dollars ($2,500) per alleged violation of the California Business and Professions Code. We intend to vigorously defend this suit; however, the ultimate outcome cannot be presently determined.

We are currently defending several certified or putative class actions filed as a result of the 2001 demutualization of Anthem Insurance Companies, Inc., or AICI, and the initial public offering of common stock, or IPO, for its holding company, Anthem, Inc. (n/k/a WellPoint, Inc.). 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.; Jeffrey D. Jorling v. Anthem, Inc., et al;* and *Ronald E. Mell, Sr., et al. v. Anthem, 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 extinguishing 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 on July 26, 2006 with regard to the issue of sovereign immunity asserted by co-defendant, the State of Connecticut (the State). The court also denied our motion for summary judgment as to plaintiffs claims on January 10, 2005. The State appealed the denial of its motion to the Connecticut Supreme Court. We filed a cross-appeal on the sovereign immunity issue. 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 and dismissed our cross-appeal. The case was remanded to the trial court for further proceedings. Plaintiffs motion for class certification was argued on June 10, 2011 and remains pending. 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 violations of federal and state securities laws, for violations of the Indiana Demutualization Law, for unjust enrichment, and for negligent misrepresentation with respect to ESMs residing in Indiana. On September 29, 2009, a class was certified with respect to some but not all claims asserted in the plaintiffs Fourth Amended Complaint. The class consists of all ESMs residing in Ohio, Indiana, Kentucky or Connecticut who received cash distributions in connection with the demutualization. The class does not include employers located in Ohio and Connecticut that received cash distributions pursuant to the Plan. As a result of certain theories advanced by plaintiffs, we have filed a conditional motion to decertify the class and plaintiffs

9. Commitments and Contingencies (continued)

have filed a motion to narrow the class definition. On July 1, 2011, the Court issued an Order granting in part and denying in part our motion for summary judgment. The Court held that we were entitled to judgment on all of plaintiffs claims except those tort claims in connection with the pricing and sizing of the Anthem, Inc. IPO. In court filings, the plaintiffs in *Ormond* have alleged that the plaintiff class is entitled to compensatory damages ranging from approximately $265.0 to $545.0 on the remaining claims, plus prejudgment interest at the maximum rate allowed by law running from the demutualization in 2001, postjudgment interest at the maximum rate allowed by law, punitive damages in amounts not less than $500.0, and their costs and expenses in the action. Plaintiffs also have filed a motion for partial summary judgment, which we have opposed and moved to strike. On December 23, 2010, plaintiff s motion for class certification was denied in the *Jorling* suit. Plaintiff renewed his motion for class certification on May 1, 2011 and requested that a new named plaintiff be joined in the lawsuit. In court filings, plaintiff has alleged that the putative class in *Jorling*, if certified as originally proposed, would be entitled to compensatory damages ranging from approximately $350.0 to $385.0, plus prejudgment interest at the maximum rate allowed by law running from the demutualization in 2001, postjudgment interest at the maximum rate allowed by law, and his costs and expenses in the action. We have moved for summary judgment on all claims, and plaintiff has moved for partial summary judgment as to certain claims. Those motions are pending. On November 4, 2009, a class was certified in the *Mell* suit. That class consists of persons 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 United States Court of Appeals for the Sixth Circuit, which is pending. We intend to vigorously defend these suits; however, their ultimate outcomes 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 members of some of our affiliates and subsidiaries dental plans. The dentists sue as purported assignees of their patients rights to benefits under our dental plans. The complaint alleges that we breached our contractual obligations in violation of ERISA by paying usual, customary and reasonable (UCR) rates, rather than the dentists actual charges, allegedly relying on undisclosed, non-existent or flawed UCR data. The plaintiffs claim, among other things, that the data failed to account for differences in geography, provider specialty, outlier (high) charges, and complexity of procedure. The complaint further alleges that we were aware that the data was inappropriate to set UCR rates and that we routinely paid OON dentists less than their actual charges representing that its OON payments were properly determined UCR rates. The suit was pending in the United States District Court for the Southern District of Florida. The district court granted our motion for summary judgment and dismissed the case. The plaintiffs filed a notice of appeal with the United States Court of Appeals for the Eleventh Circuit. We intend to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

We are a defendant in eleven putative class actions relating to OON reimbursement that were consolidated into a single multi-district lawsuit called *In re WellPoint, Inc. Out-of-Network UCR Rates Litigation* that is pending in the United States District Court for the Central District of California. The lawsuits were filed in 2009. The plaintiffs include current and former members on behalf of a putative class of members who received OON services for which the defendants paid less than billed charges, the American Medical Association, four state medical associations, OON physicians, chiropractors, clinical psychologists, podiatrists, psychotherapists, the American Podiatric Association, California Chiropractic Association and the California Psychological Association on behalf of a putative class of all physicians and all non-physician health care providers, and an OON surgical center. In the consolidated complaint, the plaintiffs allege that the defendants violated RICO, the Sherman Antitrust Act, ERISA, federal regulations, and state law by relying on databases provided by Ingenix in

9. Commitments and Contingencies (continued)

determining OON reimbursement. A consolidated amended complaint was filed to add allegations in the lawsuit that OON reimbursement was calculated improperly by methodologies other than the Ingenix databases. We filed a motion to dismiss the amended consolidated complaint, which is pending. At the end of 2009, we filed a motion to enjoin the claims brought by the medical doctors and doctors of osteopathy and certain medical associations based on prior litigation releases, which was granted earlier this year, and the court ordered the plaintiffs to dismiss their claims that are barred by the release. The physician and medical association plaintiffs filed an emergency motion to stay the preliminary injunction pending appeal, for the right to pursue an interlocutory appeal, and for an expedited appeal, all of which were denied. The plaintiffs also filed a petition for declaratory judgment asking the Court to find that these claims are not barred by the releases from the prior litigation. We filed a motion to dismiss the declaratory judgment action, which was granted. The plaintiffs filed a notice of appeal from the dismissal of the declaratory judgment action with the United States Court of Appeals for the Eleventh Circuit. We intend to vigorously defend these suits; however, their ultimate outcomes cannot be presently determined.

Where available information indicates that it is probable that a loss has been incurred as of the date of the consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income. In many proceedings, however, it is difficult to determine whether any loss is probable or reasonably possible. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously identified loss contingency, it is not always possible to reasonably estimate the amount of the possible loss or range of loss.

With respect to many of the proceedings to which we are a party, we cannot provide an estimate of the possible losses, or the range of possible losses in excess of the amount, if any, accrued, for various reasons, including but not limited to some or all of the following: (i) there are novel or unsettled legal issues presented, (ii) the proceedings are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or decertified or the ultimate size and scope of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) in many cases, the plaintiffs have not specified damages in their complaint or in court filings. For those legal proceedings where a loss is probable, or reasonably possible, and for which it is possible to reasonably estimate the amount of the possible loss or range of loss, we currently believe that the range of possible losses, in excess of established reserves, for all of those proceedings is from $0 to approximately $500.0 at June 30, 2011. This estimated aggregate range of reasonably possible losses is based upon currently available information taking into account our best estimate of such losses for which such an estimate can be made.

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

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9. Commitments and Contingencies (continued)

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, and although liquidation hearings are currently underway, 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 state guaranty association assessments in future periods. Given the uncertainty around whether Penn Treaty will ultimately be declared insolvent and, if so, the amount of the insolvency, the amount and timing of any associated future guaranty fund assessments and the availability and amount of any potential premium tax and other offsets, we currently cannot estimate our net exposure, if any, to this potential insolvency. 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

On December 1, 2009, we entered into a ten-year agreement with Express Scripts, Inc., or Express Scripts, to provide pharmacy benefit management services for our plans. Under this agreement, Express Scripts will be the exclusive provider of certain specified pharmacy benefit management services, such as pharmacy network management, home delivery, pharmacy customer service, claims processing, rebate management, drug utilization and specialty pharmaceutical management services. Accordingly, the agreement contains certain financial and operational requirements obligating both Express Scripts and us. Express Scripts primary obligations relate to the performance of such services and meeting certain pricing guarantees and performance standards. Our primary obligations relate to oversight, provision of data, payment for services, transition services and certain minimum script volume requirements. The failure by either party to meet the respective requirements could potentially serve as a basis for financial penalties or early termination of the contract. We believe we have appropriately recognized all rights and obligations under this contract at June 30, 2011.

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, 2011 was $298.6 over a five year period. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

During 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, 2011 was $904.1 over a four year period. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

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10. Capital Stock

Use of Capital

We regularly review the appropriate use of capital, including common stock repurchases and dividends to shareholders. The declaration and payment of any dividends or repurchases of our common stock are at the discretion of our Board of Directors and depend upon our financial condition, results of operations, future liquidity needs, regulatory and capital requirements and other factors deemed relevant by our Board of Directors.

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.

During the six months ended June 30, 2011, we repurchased and retired approximately 20.8 shares at an average per share price of $69.92, for an aggregate cost of $1,456.3. 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. 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 February 3, February 22 and May 17, 2011, our Board of Directors increased the share repurchase authorization by $375.0, $1,100.0 and $500.0, respectively. As of June 30, 2011, $667.2 remained authorized for future repurchases. Subsequent to June 30, 2011, we repurchased and retired approximately 1.7 shares for an aggregate cost of approximately $133.7, leaving approximately $533.5 for authorized future repurchases at July 15, 2011. 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.

On July 26, 2011, our Board of Directors declared a quarterly dividend in the amount of $0.25 per share on the outstanding shares of our common stock. The dividend will be paid on September 23, 2011 to the shareholders of record as of September 9, 2011.

On May 17, 2011, our Board of Directors declared a quarterly dividend in the amount of $0.25 per share on the outstanding shares of our common stock. The dividend of $91.1 was paid on June 24, 2011 to the shareholders of record as of June 10, 2011.

On February 22, 2011, our Board of Directors declared a quarterly dividend in the amount of $0.25 per share on the outstanding shares of our common stock. The dividend of $92.8 was paid on March 25, 2011 to the shareholders of record as of March 10, 2011.

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10. Capital Stock (continued)

Stock Incentive Plans

A summary of stock option activity for the six months ended June 30, 2011 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, 2011	24.9	$ 59.60		
Granted	1.5	66.12		
Exercised	(4.2)	51.68		
Forfeited or expired	(1.1)	62.34		
Outstanding at June 30, 2011	21.1	61.47	4.3	$ 373.9
Exercisable at June 30, 2011	16.2	64.40	3.9	$ 241.6

A summary of the status of nonvested restricted stock activity, including restricted stock units, for the six months ended June 30, 2011 is as follows:

	Restricted Stock Shares And Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at January 1, 2011	4.2	$ 44.71
Granted	1.6	66.10
Vested	(1.8)	43.45
Forfeited	(0.2)	46.71
Nonvested at June 30, 2011	3.8	54.74

Fair Value

We use a binomial lattice valuation model to estimate the fair value of all stock options granted. For a more detailed discussion of our stock incentive plan fair value methodology, see Note 15, Capital Stock, to our audited consolidated financial statements as of and for the year ended December 31, 2010 included in our 2010 Annual Report on Form 10-K.

The following weighted-average assumptions were used to estimate the fair values of options granted during the six months ended June 30, 2011 and 2010:

	2011	2010

Risk-free interest rate	**2.84%**	3.09%
Volatility factor	**34.00%**	34.00%
Quarterly dividend yield	**0.379%**	
Weighted-average expected life	**4.0 years**	4.0 years

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10. Capital Stock (continued)

The following weighted-average fair values were determined for the six months ended June 30, 2011 and 2010:

	2011	2010
Options granted during the period	**$ 17.81**	$ 18.82

11. Earnings per Share

The denominator for basic and diluted earnings per share for the three and six months ended June 30, 2011 and 2010 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Denominator for basic earnings per share weighted average shares	**366.1**	417.3	**370.1**	429.1
Effect of dilutive securities employee and director stock options and non-vested restricted stock awards	**5.4**	4.5	**5.3**	5.0
Denominator for diluted earnings per share	**371.5**	421.8	**375.4**	434.1

During the three months ended June 30, 2011 and 2010, weighted average shares related to certain stock options of 8.1 and 18.0, 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, 2011 and 2010, weighted average shares related to certain stock options of 10.1 and 17.1, 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, 2011, we issued approximately 1.6 restricted stock units under our stock incentive plans, 0.7 of whose vesting is contingent upon us meeting specified annual performance targets for 2011. The contingent 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.

12. Segment Information

Our organizational structure is comprised of three reportable segments: Commercial, Consumer and Other, as further described in Note 20, Segment Information, to our audited consolidated financial statements as of and for the year ended December 31, 2010, included in our 2010 Annual Report on Form 10-K.

Financial data by reportable segment for the three and six months ended June 30, 2011 and 2010 is as follows:

	Commercial	Consumer	Other	Total
Three Months Ended June 30, 2011:				
Operating revenue from external customers	**$ 8,646.8**	**$ 4,353.4**	**$ 1,879.6**	**$ 14,879.8**
Operating gain	**747.2**	**176.7**	**22.8**	**946.7**
Three Months Ended June 30, 2010:				
Operating revenue from external customers	$ 8,463.0	$ 3,992.0	$ 1,743.6	$ 14,198.6
Operating gain	745.7	300.9	11.4	1,058.0
Six Months Ended June 30, 2011:				
Operating revenue from external customers	**$ 17,210.9**	**$ 8,587.8**	**$ 3,735.9**	**$ 29,534.6**

Operating gain	**1,872.3**	**382.5**	**42.2**	**2,297.0**
Six Months Ended June 30, 2010:				
Operating revenue from external customers	$ 17,541.2	$ 8,005.1	$ 3,495.4	$ 29,041.7
Operating gain (loss)	1,724.1	626.9	(6.3)	2,344.7

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12. Segment Information (continued)

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, 2011 and 2010 is as follows:

	Three Months Ended June 30		Six Months Ended June 30
	2011	2010	