
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period ended **September 30, 2007**

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

(State or other jurisdiction of
incorporation or organization)

35-2145715

(I.R.S. Employer
Identification Number)

**120 MONUMENT CIRCLE
INDIANAPOLIS, INDIANA**

(Address of principal executive offices)

46204-4903

(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 ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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

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 October 17, 2007
Common Stock, \$0.01 par value	571,329,212 shares

WellPoint, Inc.
Quarterly Report on Form 10-Q
For the Period Ended September 30, 2007
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

WellPoint, Inc.
Consolidated Balance Sheets

(In millions, except share data)

	September 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,824.0	\$ 2,602.1
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$1,846.1 and \$481.5)	1,845.3	465.4
Equity securities (cost of \$1,770.2 and \$1,669.7)	2,081.9	1,984.5
Other invested assets, current	38.8	72.8
Accrued investment income	161.6	157.2
Premium and self-funded receivables	2,801.0	2,335.3
Other receivables	1,161.8	1,172.7
Securities lending collateral	891.5	904.7
Deferred tax assets, net	563.5	642.6
Other current assets	1,318.3	1,284.5
Total current assets	13,687.7	11,621.8
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$14,118.3 and \$15,004.6)	14,123.7	14,972.4
Equity securities (cost of \$78.4 and \$82.7)	79.5	86.2
Other invested assets, long-term	681.0	628.8
Property and equipment, net	957.8	988.6
Goodwill	13,544.5	13,383.5
Other intangible assets	9,296.9	9,396.2
Other noncurrent assets	528.6	497.4
Total assets	<u>\$ 52,899.7</u>	<u>\$ 51,574.9</u>
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 5,785.4	\$ 5,290.3
Reserves for future policy benefits	74.1	76.3
Other policyholder liabilities	2,212.4	2,055.7
Total policy liabilities	8,071.9	7,422.3
Unearned income	985.7	987.9
Accounts payable and accrued expenses	3,046.1	3,242.2
Income taxes payable	22.0	538.2
Security trades pending payable	92.0	124.8
Securities lending payable	891.5	904.7
Current portion of long-term debt	321.5	521.0
Other current liabilities	1,648.3	1,397.4
Total current liabilities	15,079.0	15,138.5
Long-term debt, less current portion	8,381.0	6,493.2
Reserves for future policy benefits, noncurrent	654.2	646.9
Deferred tax liability, net	2,914.4	3,350.2
Other noncurrent liabilities	2,197.2	1,370.3
Total liabilities	<u>29,225.8</u>	<u>26,999.1</u>
Commitments and contingencies – Note 14		
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: 575,210,894 and 615,500,865	5.7	6.1
Additional paid-in capital	18,976.9	19,863.5
Retained earnings	4,612.0	4,656.1
Accumulated other comprehensive income	79.3	50.1
Total shareholders' equity	<u>23,673.9</u>	<u>24,575.8</u>
Total liabilities and shareholders' equity	<u>\$ 52,899.7</u>	<u>\$ 51,574.9</u>

See accompanying notes.

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WellPoint, Inc.
Consolidated Statements of Income
(Unaudited)

(In millions, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Revenues				
Premiums	\$ 13,905.6	\$ 13,180.3	\$ 41,598.9	\$ 38,678.0
Administrative fees	911.9	891.3	2,760.3	2,690.4
Other revenue	149.2	150.4	445.4	448.6
Total operating revenue	14,966.7	14,222.0	44,804.6	41,817.0
Net investment income	257.7	222.8	757.7	653.4
Net realized gains (losses) on investments	9.5	4.6	10.6	(11.4)
Total revenues	15,233.9	14,449.4	45,572.9	42,459.0
Expenses				
Benefit expense	11,379.8	10,712.9	34,214.4	31,424.7
Selling, general and administrative expense:				
Selling expense	430.8	415.7	1,283.4	1,230.3
General and administrative expense	1,759.1	1,783.0	5,298.4	5,333.1
Total selling, general and administrative expense	2,189.9	2,198.7	6,581.8	6,563.4
Cost of drugs	99.4	102.8	303.5	313.7
Interest expense	119.6	105.6	322.6	303.5
Amortization of other intangible assets	73.8	74.8	215.5	223.1
Total expenses	13,862.5	13,194.8	41,637.8	38,828.4
Income before income tax expense	1,371.4	1,254.6	3,935.1	3,630.6
Income tax expense	503.4	443.8	1,448.8	1,336.8
Net income	<u>\$ 868.0</u>	<u>\$ 810.8</u>	<u>\$ 2,486.3</u>	<u>\$ 2,293.8</u>
Net income per share				
Basic	<u>\$ 1.47</u>	<u>\$ 1.31</u>	<u>\$ 4.12</u>	<u>\$ 3.63</u>
Diluted	<u>\$ 1.45</u>	<u>\$ 1.29</u>	<u>\$ 4.06</u>	<u>\$ 3.54</u>

See accompanying notes.

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WellPoint, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(In millions)

	Nine Months Ended September 30	
	2007	2006
Operating activities		
Net income	\$ 2,486.3	\$ 2,293.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized (gains) losses on investments	(10.6)	11.4
Loss on disposal of assets	10.3	0.4
Deferred income taxes	(229.4)	27.8
Amortization, net of accretion	350.7	348.9
Depreciation expense	91.4	101.3
Share-based compensation	153.6	212.3
Excess tax benefits from share-based compensation	(141.4)	(113.4)
Changes in operating assets and liabilities, net of effect of business combinations:		
Receivables, net	(441.4)	(676.2)
Other invested assets, current	34.4	(98.5)
Other assets	(61.0)	(229.4)
Policy liabilities	638.0	806.8
Unearned income	(3.4)	0.6
Accounts payable and accrued expenses	(199.0)	(45.2)
Other liabilities	158.3	122.7
Income taxes	424.8	(150.0)
Other, net	(21.3)	—
Net cash provided by operating activities	3,240.3	2,613.3
Investing activities		
Purchases of fixed maturity securities	(7,131.4)	(9,310.2)
Proceeds from fixed maturity securities:		
Sales	5,319.6	8,694.3
Maturities, calls and redemptions	595.1	426.8
Purchase of equity securities	(1,147.7)	(2,136.1)
Proceeds from sales of equity securities	1,750.9	1,841.5
Changes in securities lending collateral	13.2	490.9
Purchase of subsidiaries, net of cash acquired	(298.5)	(25.0)
Purchases of property and equipment	(211.5)	(130.5)
Proceeds from sales of property and equipment	52.6	11.3
Other, net	(30.9)	(24.7)
Net cash used in investing activities	(1,088.6)	(161.7)
Financing activities		
Net (repayment of) proceeds from commercial paper borrowings	(97.3)	29.0
Proceeds from long-term borrowings	1,978.3	2,668.9
Repayment of long-term borrowings	(206.2)	(2,159.5)
Changes in securities lending payable	(13.2)	(490.9)
Changes in bank overdrafts	(12.9)	414.5
Repurchase and retirement of common stock	(4,325.3)	(4,000.0)
Proceeds from exercise of employee stock options and employee stock purchase plan	605.4	462.3
Excess tax benefits from share-based compensation	141.4	113.4
Net cash used in financing activities	(1,929.8)	(2,962.3)
Change in cash and cash equivalents	221.9	(510.7)
Cash and cash equivalents at beginning of period	2,602.1	2,740.2
Cash and cash equivalents at end of period	\$ 2,824.0	\$ 2,229.5

See accompanying notes.

WellPoint, Inc.
Consolidated Statements of Shareholders' Equity
(Unaudited)

(In millions)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Unearned Share-Based Compensation</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
	<u>Number of Shares</u>	<u>Par Value</u>					
January 1, 2007	615.5	\$ 6.1	\$ 19,863.5	\$ 4,656.1	\$ —	\$ 50.1	\$ 24,575.8
Net income	—	—	—	2,486.3	—	—	2,486.3
Change in net unrealized gains on investments	—	—	—	—	—	27.2	27.2
Change in net unrealized losses on cash flow hedges	—	—	—	—	—	(1.9)	(1.9)
Change in net periodic pension and postretirement costs	—	—	—	—	—	3.9	3.9
Comprehensive income							2,515.5
Repurchase and retirement of common stock	(54.4)	(0.5)	(1,796.0)	(2,528.8)	—	—	(4,325.3)
Issuance of common stock under employee stock plans, net of related tax benefits	14.1	0.1	909.4	—	—	—	909.5
Adoption of FIN 48	—	—	—	(1.6)	—	—	(1.6)
September 30, 2007	<u>575.2</u>	<u>\$ 5.7</u>	<u>\$ 18,976.9</u>	<u>\$ 4,612.0</u>	<u>\$ —</u>	<u>\$ 79.3</u>	<u>\$ 23,673.9</u>
January 1, 2006	660.4	\$ 6.6	\$ 20,915.4	\$ 4,173.5	\$ (82.1)	\$ (20.3)	\$ 24,993.1
Net income	—	—	—	2,293.8	—	—	2,293.8
Change in net unrealized losses on investments	—	—	—	—	—	43.8	43.8
Change in net unrealized losses on cash flow hedges	—	—	—	—	—	(4.6)	(4.6)
Comprehensive income							2,333.0
Repurchase and retirement of common stock	(53.4)	(0.5)	(1,699.3)	(2,300.2)	—	—	(4,000.0)
Reclassification of unearned share-based compensation in connection with adoption of FAS 123R	—	—	(82.1)	—	82.1	—	—
Issuance of common stock under employee stock plans, net of related tax benefits	13.6	0.1	817.2	—	—	—	817.3
September 30, 2006	<u>620.6</u>	<u>\$ 6.2</u>	<u>\$ 19,951.2</u>	<u>\$ 4,167.1</u>	<u>\$ —</u>	<u>\$ 18.9</u>	<u>\$ 24,143.4</u>

See accompanying notes.

WellPoint, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
September 30, 2007
(In Millions, Except Per Share Data)

1. Organization

WellPoint, Inc. ("WellPoint"), which name changed from Anthem, Inc. effective November 30, 2004, is the largest health benefits company in terms of commercial membership in the United States, serving approximately 34.8 million members as of September 30, 2007. WellPoint and its consolidated subsidiaries (the "Company") offer a broad spectrum of network-based managed care plans to large and small employer, individual, Medicaid and senior markets. The Company's managed care plans include preferred provider organizations ("PPOs"), health maintenance organizations ("HMOs"), point-of-service ("POS") plans, traditional indemnity plans and other hybrid plans, including consumer-driven health plans ("CDHPs"), hospital only and limited benefit products. In addition, the Company provides 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 and other administrative services. The Company also provides an array of specialty and other products and services such as life and disability insurance benefits, pharmacy benefit management, specialty pharmacy, dental, vision, behavioral health benefit services, long-term care insurance and flexible spending accounts. The Company has licenses in all 50 states.

The Company is an independent licensee of the Blue Cross and Blue Shield Association ("BCBSA"), an association of independent health benefit plans, and serves its members as the Blue Cross licensee for California and as the Blue Cross and Blue Shield licensee for: Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (as Blue Cross Blue Shield in 10 New York City metropolitan and surrounding counties and as Blue Cross or Blue Cross Blue Shield in selected upstate counties only), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. The Company also serves customers throughout various parts of the country as UniCare.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("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 nine months ended September 30, 2007 and 2006 have been recorded. The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007. These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2006 included in WellPoint's Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

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

3. Investments

In accordance with Statement of Financial Accounting Standards ("FAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, fixed maturity and equity securities are classified as either "available-for-sale" or "trading" and are reported at fair value. The Company classifies its investments in available-for-sale fixed maturity securities as either current or noncurrent assets based on their contractual maturities. Certain investments which the Company intends to sell within the next twelve months are carried as

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current without regard to their contractual maturities. Additionally, certain investments used to satisfy contractual, regulatory or other requirements continue to be classified as long-term, without regard to contractual maturity. The unrealized gains or losses on both current and long-term fixed maturity and equity securities classified as available-for-sale are included in accumulated other comprehensive income as a separate component of shareholders' equity, unless the decline in value is deemed to be other-than-temporary and the Company does not have the intent and ability to hold such securities until their full cost can be recovered, in which case the securities are written down to fair value and the loss is charged to realized losses in current operations. The Company evaluates its investment securities for other-than-temporary declines based on quantitative and qualitative factors. The Company recorded realized losses from other-than-temporary impairments of \$42.4 and \$12.3 for the three months ended September 30, 2007 and 2006, respectively. The Company recorded realized losses from other-than-temporary impairments of \$150.2 and \$46.3 for the nine months ended September 30, 2007 and 2006, respectively.

4. Business Combinations

On August 1, 2007, the Company completed its acquisition of Imaging Management Holdings, LLC ("IMH") whose sole business is the holding company parent of American Imaging Management, Inc. ("AIM"). AIM is a leading radiology benefit management and technology company and provides services to the Company as well as other customers nationwide, including eight other Blue Cross and Blue Shield licensees. The acquisition supports WellPoint's strategy to become the leader in affordable quality care by incorporating AIM's services and technology for more effective and efficient use of radiology services by the Company's members.

The purchase price for the acquisition was approximately \$300.0 in cash. The acquisition was accounted for using the purchase method of accounting. The results of operations for AIM are included in the Company's consolidated financial statements for periods following August 1, 2007. In accordance with FAS 141, *Business Combinations*, the purchase price was allocated to the fair value of AIM assets acquired and liabilities assumed, including identifiable intangible assets of \$111.9, and the excess of purchase price over the fair value of net assets acquired resulted in \$211.8 of non-tax deductible goodwill, which was recorded in the Commercial and Consumer Business ("CCB") segment. The purchase price allocation is preliminary and additional refinements may occur. The pro forma effects of this acquisition were not material to the Company's consolidated results of operations.

5. Goodwill and Other Intangible Assets

As further described in Note 12, Segment Information, the Company revised its reportable segments effective January 1, 2007. FAS 142, *Goodwill and Other Intangible Assets*, requires that goodwill and other intangible assets with indefinite lives be reassigned to the reporting units affected and tested for impairment between annual tests if an entity reorganizes its reporting structure. As a result, the Company completed a review of goodwill by reporting unit and an impairment test of existing goodwill during the first quarter of 2007. No impairment losses were recorded as a result of this testing. The carrying amount of goodwill by reportable segment at September 30, 2007 was \$11,514.8 and \$2,029.7 for the CCB and Specialty, Senior and State-Sponsored Business ("4SB") segments, respectively.

6. Capital Stock

Stock Repurchase Program

WellPoint maintains a common stock repurchase program, as authorized by the Board of Directors. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. On March 21, 2007 and August 9, 2007, the Board of Directors authorized increases of \$2,000.0 and \$2,000.0, respectively, in the Company's stock repurchase program, resulting in a total amount available for repurchases in 2007 of \$4,949.8, which includes \$949.8 of authorization remaining unused at December 31, 2006. During the nine months ended September 30, 2007, WellPoint repurchased and retired approximately 54.4 shares at an average per share price of \$79.46, for an aggregate cost of \$4,325.3. During the

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nine months ended September 30, 2006, WellPoint repurchased and retired approximately 53.4 shares at an average per share price of \$74.86, for an aggregate cost of \$4,000.0. 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. As of September 30, 2007, \$624.5 remained authorized for future repurchases. Subsequent to September 30, 2007, WellPoint repurchased and retired approximately 4.0 shares at an aggregate cost of approximately \$317.4, leaving approximately \$307.1 for authorized future repurchases at October 17, 2007.

Stock Incentive Plans

A summary of stock option activity for the nine months ended September 30, 2007 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, 2007	35.2	\$ 48.19		
Granted	6.4	80.79		
Exercised	(13.7)	40.69		
Forfeited or expired	(1.5)	73.54		
Outstanding at September 30, 2007	<u>26.4</u>	<u>58.51</u>	<u>7.2</u>	<u>\$ 548.9</u>
Exercisable at September 30, 2007	<u>17.1</u>	<u>48.91</u>	<u>6.3</u>	<u>\$ 514.7</u>

A summary of the status of nonvested restricted stock activity, including restricted stock units, for the nine months ended September 30, 2007 is as follows:

	Restricted Stock Shares and Units	Weighted- Average Grant Date Fair Value per Share
Nonvested at January 1, 2007	2.0	\$ 68.74
Granted	0.9	80.65
Vested	(0.7)	69.08
Forfeited	(0.3)	64.67
Nonvested at September 30, 2007	<u>1.9</u>	<u>74.56</u>

7. Earnings per Share

The denominator for basic and diluted earnings per share for the three and nine months ended September 30, 2007 and 2006 is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Denominator for basic earnings per share – weighted average shares	589.8	617.1	603.5	632.3
Effect of dilutive securities – employee and director stock options and non-vested restricted stock awards	<u>7.2</u>	<u>13.5</u>	<u>9.1</u>	<u>14.8</u>
Denominator for diluted earnings per share	<u>597.0</u>	<u>630.6</u>	<u>612.6</u>	<u>647.1</u>

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During the three months ended September 30, 2007 and 2006, weighted average shares related to certain stock options of 5.9 and 6.3, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive. During the nine months ended September 30, 2007 and 2006, weighted average shares related to certain stock options of 4.8 and 5.0, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive.

During the nine months ended September 30, 2007, the Company issued approximately 0.8 restricted stock units under the Company's stock incentive plans. The restricted stock units will convert to shares upon vesting, which is contingent upon the Company meeting specified annual earnings per share amounts for 2007. The 0.8 restricted stock units have been excluded from the denominator for diluted earnings per share and will be included when the contingency is met.

8. Income Taxes

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* ("FIN 48"). Among other things, FIN 48 provides guidance to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold which income tax positions must achieve before being recognized in the financial statements. In addition, FIN 48 requires expanded annual disclosures, including a rollforward of the beginning and ending aggregate unrecognized tax benefits as well as specific detail related to tax uncertainties for which it is reasonably possible the amount of unrecognized tax benefit will significantly increase or decrease within twelve months. The Company adopted FIN 48 on January 1, 2007, and recorded a reduction of retained earnings of \$1.6 effective January 1, 2007. The amount of unrecognized tax benefits from uncertain tax positions at January 1, 2007 was \$884.0. As a result of the expiration of certain statute of limitations, the Company released approximately \$17.6 of liabilities related to uncertain tax positions during the nine months ended September 30, 2007. Of this release, approximately \$15.3 was recorded as an adjustment to goodwill as such liabilities were related to prior business combinations.

As of January 1, 2007, \$499.0 of unrecognized tax benefits, if recognized, would affect the effective tax rate. Included in the January 1, 2007 balance is \$190.3 of tax positions arising from business combinations that, if recognized, ultimately would be recorded as an adjustment to goodwill and would not affect the effective tax rate. Also included is \$8.1 that would be recognized as an adjustment to additional paid-in-capital and would not affect the effective tax rate. The January 1, 2007 balance includes \$186.6 of tax positions for which ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Excluding the impact of interest and penalties, the disallowance of the shorter deductibility period would not affect the effective tax rate, but would accelerate the payment of cash to the taxing authority to an earlier period.

As of September 30, 2007, as further described below, certain of the Company's tax years remain subject to examination by the Internal Revenue Service ("IRS") and various state and local authorities. In addition, the Company continues to discuss certain industry issues with the IRS. As a result of these examinations and discussions, the Company has recorded amounts for uncertain tax positions. However, the ultimate outcome of the IRS examinations and discussions, as well as an estimate of any related change to amounts recorded for uncertain tax positions, cannot be presently determined.

The Company recognizes interest and, if applicable, penalties which could be assessed related to unrecognized tax benefits in income tax expense. For the three months ended September 30, 2007 and 2006, the Company recognized approximately \$9.8 and \$9.3 in interest, respectively. For the nine months ended September 30, 2007 and 2006, the Company recognized approximately \$27.3 and \$29.0 in interest, respectively. The Company had accrued approximately \$223.4 and \$196.1 for the payment of interest at September 30, 2007 and December 31, 2006, respectively.

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As of September 30, 2007, the Company's 2006, 2005 and 2004 tax years are being examined by the IRS. In addition, the Company has several tax years for which there are ongoing disputes. For 2007, the IRS has invited the Company to join in the Compliance Assurance Program ("CAP"), and the Company has accepted. The objective of CAP is to reduce taxpayer burden and uncertainty while assuring the IRS of the accuracy of tax returns prior to filing, thereby reducing or eliminating the need for post-filing examinations.

9. Hedging Activity

Fair Value Hedges

For the three months ended September 30, 2007 and 2006, the Company recognized expense of \$2.0 and \$3.3, respectively, from fair value hedges, which were recorded as an increase to interest expense. For the nine months ended September 30, 2007 and 2006, the Company recognized expense of \$5.1 and \$7.7, respectively, from fair value hedges, which were recorded as an increase to interest expense.

Cash Flow Hedges

During the year ended December 31, 2005, the Company entered into a floating to fixed rate cash flow hedge with a total notional value of \$480.0. The purpose of this hedge is to offset the variability of the cash flows due to the rollover of the Company's variable-rate one-month commercial paper issuance. In December 2006, the total notional value was reduced to \$240.0. This swap agreement expires in December 2007. During the three and nine months ended September 30, 2007 and 2006, no gain or loss from hedge ineffectiveness was recorded in earnings and the commercial paper borrowings remained outstanding at September 30, 2007.

During the year ended December 31, 2005, the Company entered into forward starting pay fixed swaps with an aggregate notional amount of \$875.0. The objective of these hedges was to eliminate the variability of cash flows in the interest payments on the debt securities to be issued to partially fund the cash portion of the 2005 acquisition of WellChoice, Inc. ("WellChoice"). These swaps were terminated in January 2006, and the Company paid a net \$24.7, the net fair value at the time of termination. In addition, the Company recorded an unrealized loss of \$16.0, net of tax, as accumulated other comprehensive income. Following the issuance of WellChoice related debt securities in January 2006, the unamortized fair value of the forward starting pay fixed swaps included in balances in accumulated other comprehensive income began amortizing into earnings, as an increase to interest expense, over the life of the debt securities.

The unrecognized loss for all cash flow hedges included in accumulated other comprehensive income at September 30, 2007 was \$7.5.

10. Long-Term Debt

On August 21, 2007, the Company issued zero coupon notes in a private placement transaction exempt from registration. Gross proceeds to the Company were \$500.0. The notes have a final maturity date of August 22, 2022, and were issued with a yield to maturity of 5.264% and a final amount due at maturity of \$1,090.0. The notes have a put feature that allows a note holder to require the Company to repurchase the notes at certain dates in the future. The proceeds of this debt issuance are for general corporate purposes, including, but not limited to, repurchasing shares of the Company's common stock. The notes have initially been classified as long-term debt on the Company's balance sheet, and will be reclassified to current portion of long-term debt beginning one year prior to the date the Company may be required to repurchase the notes.

On June 8, 2007, the Company issued \$700.0 of 5.875% notes due 2017 and \$800.0 of 6.375% notes due 2037 under a shelf registration statement filed with the U.S. Securities and Exchange Commission on December 28, 2005. The proceeds from this debt issuance are for working capital and for general corporate purposes, including, but not limited to, repurchasing shares of the Company's common stock. The notes have a call feature that allows the Company to repurchase the notes anytime at its option and a put feature that allows a note holder to require the Company to repurchase the notes upon the occurrence of both a change of control event and a downgrade of the notes.

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The Company has an authorized commercial paper program of up to \$2,500.0, the proceeds of which may be used for general corporate purposes. At September 30, 2007, the Company had \$1,198.1 outstanding under this program compared to \$1,295.3 at December 31, 2006.

The Company has a senior revolving credit facility (the “facility”) with certain lenders for general corporate purposes. The facility, as amended, provides credit up to \$2,500.0 (reduced for any commercial paper issuances) and 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 the Company’s credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement. The Company’s ability to borrow under this facility is subject to compliance with certain covenants. There were no amounts outstanding under this facility as of September 30, 2007 or during the nine months then ended. At September 30, 2007, the Company had \$1,301.9 available under this facility.

On September 1, 2007, the Company repaid \$200.0 of its 3.50% notes, which matured on that date.

11. Retirement Benefits

The components of net periodic benefit cost (credit) included in the consolidated statements of income for the three months ended September 30, 2007 and 2006 are as follows:

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Service cost	\$ 9.5	\$ 16.9	\$ 1.6	\$ 3.0
Interest cost	25.9	26.2	8.4	7.8
Expected return on assets	(37.0)	(36.1)	(0.8)	(0.7)
Recognized actuarial (gain) loss	(0.2)	4.2	0.9	1.1
Amortization of prior service cost	(1.0)	1.5	(1.3)	(0.6)
Net periodic benefit (credit) cost	<u>\$ (2.8)</u>	<u>\$ 12.7</u>	<u>\$ 8.8</u>	<u>\$ 10.6</u>

The components of net periodic benefit cost (credit) included in the consolidated statements of income for the nine months ended September 30, 2007 and 2006 are as follows:

	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Service cost	\$ 28.3	\$ 45.1	\$ 5.7	\$ 9.1
Interest cost	76.9	76.6	25.9	23.4
Expected return on assets	(113.2)	(108.4)	(2.4)	(2.1)
Recognized actuarial loss	0.2	12.6	2.7	3.2
Amortization of prior service cost	(0.6)	1.0	(2.9)	(1.9)
Curtailment loss (gain)	6.1	(4.6)	(0.6)	—
Net periodic benefit (credit) cost	<u>\$ (2.3)</u>	<u>\$ 22.3</u>	<u>\$ 28.4</u>	<u>\$ 31.7</u>

For the year ending December 31, 2007, there were no required contributions under ERISA; however, the Company made a contribution of \$1.0 during the three months ended September 30, 2007.

During the nine months ended September 30, 2007, the Company incurred a net curtailment loss of \$6.1 within certain of its supplemental pension plans.

12. Segment Information

Effective January 1, 2007, the Company is organized around three reportable segments: CCB, 4SB and Other. The Company's reportable segments are in accordance with the organizational structure, which reflects how the chief operating decision maker evaluates the performance of the business beginning January 1, 2007. Segment disclosures for 2006 have been reclassified to conform to the 2007 presentation.

The Company's CCB segment includes business units that offer similar products and services, including commercial accounts and individual programs. The Company offers a diversified mix of managed care products, including PPOs, HMOs, traditional indemnity benefits and POS plans. The Company also offers a variety of hybrid benefit plans, including CDHPs, hospital only and limited benefit products. Additionally, the Company provides 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 and other administrative services.

The Company's 4SB segment is comprised of businesses providing specialty products and services such as Medicare Part D, Medicare Advantage, Medicare Supplement, Medicaid, life and disability insurance benefits, pharmacy benefit management, specialty pharmacy, dental, vision, behavioral health benefit services, and long-term care insurance. The Company also provides network rental and medical management services to workers compensation carriers.

The Other segment includes results from the Company's Federal Government Solutions business and other businesses that do not meet the quantitative thresholds for an operating segment as defined in FAS 131, *Disclosures about Segments of an Enterprise and Related Information*, as well as intersegment sales and expense eliminations and corporate expenses not allocated to the other reportable segments. The Company's Federal Government Solutions business includes the Federal Employee Program ("FEP") and National Government Services, Inc., which acts as a Medicare contractor in several regions across the nation.

As a result of the organizational structure described above, as of December 31, 2006 a liability of \$51.6 remained for future payments of termination costs. The Company accrued an additional \$9.0 and made payments of \$46.0 during the nine months ended September 30, 2007 related to these termination costs. A liability of \$14.6 remained at September 30, 2007 for future payments of termination costs.

On October 2, 2007, the Company announced a new organizational structure around two new strategic business units – a Commercial Business unit and a Consumer Business Unit. In addition, a new Comprehensive Health Solutions Business unit will bring together the Company's resources focused on optimizing the quality of health care and the cost of care management. The Commercial Business unit will include Local Group customers, National Accounts, UniCare and Specialty business operations (dental, vision, life and disability, behavioral health, employee assistance programs and workers' compensation). The Consumer Business unit will include Senior, State-Sponsored and Individual business. The Comprehensive Health Solutions Business unit will include provider relations, care and disease management, and WellPoint's pharmacy benefits management company, NextRx, and its specialty pharmacy, PrecisionRx Specialty Solutions. This simplified, customer-focused structure builds on the strength of our commercial and consumer businesses, and will create additional opportunities for cross-selling medical and specialty products. These changes also emphasize our comprehensive approach to improving the quality, transparency and cost of health care for all of our customers. The Company's chief operating decision maker will assess performance under this new structure effective January 1, 2008 and, accordingly, the Company expects to revise its reportable segments in the first quarter of 2008.

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Financial data by reportable segment for the three and nine months ended September 30, 2007 and 2006 is as follows:

	CCB	4SB	Other and Eliminations	Total
Three Months Ended September 30, 2007				
Operating revenue from external customers	\$ 10,561.0	\$ 2,959.3	\$ 1,446.4	\$ 14,966.7
Intersegment revenues	—	414.3	(414.3)	—
Operating gain (loss)	1,100.0	224.0	(26.4)	1,297.6
Three Months Ended September 30, 2006				
Operating revenue from external customers	\$ 10,215.1	\$ 2,539.8	\$ 1,467.1	\$ 14,222.0
Intersegment revenues	—	372.9	(372.9)	—
Operating gain (loss)	936.4	284.3	(13.1)	1,207.6
Nine Months Ended September 30, 2007				
Operating revenue from external customers	\$ 31,494.8	\$ 8,888.6	\$ 4,421.2	\$ 44,804.6
Intersegment revenues	—	1,225.2	(1,225.2)	—
Operating gain (loss)	3,127.7	580.0	(2.8)	3,704.9
Nine Months Ended September 30, 2006				
Operating revenue from external customers	\$ 30,280.9	\$ 7,482.2	\$ 4,053.9	\$ 41,817.0
Intersegment revenues	—	1,055.5	(1,055.5)	—
Operating gain (loss)	2,824.8	737.3	(46.9)	3,515.2

A reconciliation of reportable segments operating revenues to total revenues reported in the consolidated statements of income for the three and nine months ended September 30, 2007 and 2006 is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Reportable segments operating revenues	\$ 14,966.7	\$ 14,222.0	\$ 44,804.6	\$ 41,817.0
Net investment income	257.7	222.8	757.7	653.4
Net realized gains (losses) on investments	9.5	4.6	10.6	(11.4)
Total revenues	<u>\$ 15,233.9</u>	<u>\$ 14,449.4</u>	<u>\$ 45,572.9</u>	<u>\$ 42,459.0</u>

A reconciliation of reportable segments operating gain to income before income tax expense included in the consolidated statements of income for the three and nine months ended September 30, 2007 and 2006 is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Reportable segments operating gain	\$ 1,297.6	\$ 1,207.6	\$ 3,704.9	\$ 3,515.2
Net investment income	257.7	222.8	757.7	653.4
Net realized gains (losses) on investments	9.5	4.6	10.6	(11.4)
Interest expense	(119.6)	(105.6)	(322.6)	(303.5)
Amortization of other intangible assets	(73.8)	(74.8)	(215.5)	(223.1)
Income before income tax expense	<u>\$ 1,371.4</u>	<u>\$ 1,254.6</u>	<u>\$ 3,935.1</u>	<u>\$ 3,630.6</u>

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13. Comprehensive Income

The components of comprehensive income for the three and nine months ended September 30, 2007 and 2006 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
Net income	\$ 868.0	\$ 810.8	\$ 2,486.3	\$ 2,293.8
Change in net unrealized gains on investments	72.4	217.1	27.2	43.8
Change in net unrealized losses on cash flow hedges	(0.7)	(2.0)	(1.9)	(4.6)
Change in net periodic pension and postretirement costs	(0.1)	—	3.9	—
Comprehensive income	<u>\$ 939.6</u>	<u>\$ 1,025.9</u>	<u>\$ 2,515.5</u>	<u>\$ 2,333.0</u>

14. Commitments and Contingencies

Litigation

In July 2005, the Company entered into a settlement agreement with representatives of more than 700,000 physicians nationwide to resolve certain cases brought by physicians. The cases resolved were known as the CMA Litigation, the Shane Litigation, the Thomas Litigation and certain other similar cases brought by physicians. Final monetary payments were made in October 2006. Following its acquisition in 2005, WellChoice was merged with and into a wholly-owned subsidiary of WellPoint. Since the WellChoice transaction closed on December 28, 2005, after the Company reached settlement with the plaintiffs, WellChoice continues to be a defendant in the Thomas (now known as Love) Litigation and is not affected by the prior settlement between the Company and plaintiffs. The Love Litigation alleges that the Blue Cross and Blue Shield Association and the Blue Cross and Blue Shield plans violated the Racketeer Influenced and Corrupt Organizations Act (“RICO”). On April 27, 2007, the Company, along with 22 other Blue Cross and Blue Shield plans and the Blue Cross and Blue Shield Association, announced a settlement of the Love Litigation. The Court granted preliminary approval on May 31, 2007. The settlement will not have a material effect on the Company’s consolidated financial position or results of operations.

Prior to WellPoint Health Network Inc.’s (“WHN”) acquisition of the group benefit operations (“GBO”) of John Hancock Mutual Life Insurance Company (“John Hancock”), John Hancock entered into a number of reinsurance arrangements, including with respect to personal accident insurance and the occupational accident component of workers’ compensation insurance, a portion of which was originated through a pool managed by Unicover Managers, Inc. Under these arrangements, John Hancock assumed risks as a reinsurer and transferred certain of such risks to other companies. Similar reinsurance arrangements were entered into by John Hancock following WHN’s acquisition of the GBO of John Hancock. These various arrangements have become the subject of disputes, including a number of legal proceedings to which John Hancock is a party. The Company is currently in arbitration with John Hancock regarding these arrangements. The arbitration panel’s Phase I ruling addressed liability. On April 23, 2007, the arbitration panel issued a Phase II ruling stating the amount the Company owes to John Hancock for losses and expenses John Hancock paid through June 30, 2006. The panel further outlined a process for determining the Company’s liability for losses and expenses paid after June 30, 2006, which liability has not been determined yet. The Company filed a Petition to Confirm and John Hancock filed an Application to Vacate the arbitration rulings, which are currently pending in federal court. The Company believes that the liability that may result from this matter is unlikely to have a material adverse effect on its consolidated financial condition or results of operations.

In various California state courts, the Company is defending a number of individual lawsuits and several purported class actions alleging the wrongful rescission of individual insurance policies. The suits name WellPoint as well as Blue Cross of California (“BCC”) and BC Life & Health Insurance Company (“BCL&H”),

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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. In December 2006, the California Medical Association filed a motion to intervene in one of the class actions. The motion has not been heard. The parties have agreed to mediate most of these lawsuits and the mediation has resulted in the resolution of some of these lawsuits. A settlement of one of the class actions is pending preliminary approval by the trial court. In addition, the California Department of Managed Health Care and California Department of Insurance are conducting investigations of the allegations. In February 2007 the California Department of Managed Health Care issued its final report in which it indicated its intention to impose a monetary penalty against BCC of \$1.0. In June 2007, the California Department of Insurance issued its final report in which it issued a number of citations alleging violations of fair-claims handling laws. While the outcome is currently unknown, the Company believes that any liability that may result from this matter is unlikely to have a material adverse effect on its consolidated financial condition or results of operations.

In various California state courts, several hospitals have filed suits against BCC and WHN for payment of claims denied where the member was rescinded. These lawsuits are currently in mediation or arbitration. In addition, a purported class action has been filed against BCC, BCL&H and WHN in a California state court on behalf of hospitals. This suit also seeks to recover for payment of claims denied where the member was rescinded. An amended complaint was recently filed adding the California Medical Association along with the California Hospital Association as new plaintiffs in this suit. In December 2006, this purported class of hospitals also filed a motion to intervene in one of the individual class action cases referenced above. The motion has not been heard. The Company denies any wrongdoing. The Company intends to vigorously defend these proceedings; however, their ultimate outcome cannot be presently determined.

Other Contingencies

From time to time, the Company and certain of its subsidiaries are parties to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. The Company, like HMOs and health insurers generally, excludes certain health care services from coverage under its HMO, PPO and other plans. The Company is, in its ordinary course of business, subject to the claims of its enrollees arising out of decisions to restrict or deny reimbursement for certain services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on the Company. 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, the Company is also involved in other pending and threatened litigation of the character incidental to the business transacted, arising out of its operations and its 2001 demutualization, and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits and reviews include routine and special investigations by state insurance departments, state attorneys general and the U.S. Attorney General. Such investigations could result in the imposition of civil or criminal fines, penalties and other sanctions. The Company believes that any liability that may result from any one of these actions, or in the aggregate, is unlikely to have a material adverse effect on its consolidated financial position or results of operations.

Contractual Obligations and Commitments

The Company entered into certain agreements with International Business Machines Corporation ("IBM") to provide information technology infrastructure services. These services were previously performed in-house. The Company's remaining commitment under these contracts at September 30, 2007 is approximately \$815.2 over a five year period. The Company has the ability to terminate these agreements upon the occurrence of certain events, subject to certain early termination fees.

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On July 15, 2004, the Company agreed to guarantee up to \$37.0 of debt incurred by an unaffiliated entity to partially finance the purchase of a hospital. On August 17, 2007, the guarantee was released and discharged which did not have a material effect on the Company's consolidated financial position or results of operations.

In connection with an investment in July 2004 in a joint venture to develop and operate a well-being center in California, the Company may be required to make an additional capital contribution of up to approximately \$18.0 during the first three years that the well-being center is in operation if cash flows and room nights generated by the Company do not exceed specified targets. Approximately \$3.9 has been funded through September 30, 2007. The well-being center began operations during December 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References to the terms “we”, “our”, “us” or the “Company” used throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, refer to WellPoint, Inc. (name changed from Anthem, Inc. effective November 30, 2004), an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries.

The structure of our Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is as follows:

- I. Executive Summary
- II. Overview
- III. Significant Transactions
- IV. Membership – September 30, 2007 Compared to September 30, 2006
- V. Cost of Care
- VI. Results of Operations – Three Months Ended September 30, 2007 Compared to the Three Months Ended September 30, 2006
- VII. Results of Operations – Nine Months Ended September 30, 2007 Compared to the Nine Months Ended September 30, 2006
- VIII. Critical Accounting Policies and Estimates
- IX. Liquidity and Capital Resources
- X. Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

I. Executive Summary

We are the largest health benefits company in terms of commercial membership in the United States, serving approximately 34.8 million members as of September 30, 2007. 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 in California and as 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 BCBS in 10 New York City metropolitan and surrounding counties, and as Blue Cross or BCBS in selected upstate counties only), Ohio, Virginia (excluding the immediate suburbs of Washington, D.C.) and Wisconsin. We also serve customers throughout various parts of the country as UniCare.

Operating revenue for the three months ended September 30, 2007 was \$15.0 billion, an increase of \$0.7 billion, or 5%, over the three months ended September 30, 2006, primarily driven by premium rate increases in Local Group, growth in our State-Sponsored business primarily due to the addition of five new states since the beginning of the third quarter of 2006 and growth in Medicare Advantage business. Operating revenue for the nine months ended September 30, 2007 was \$44.8 billion, an increase of \$3.0 billion, or 7%, over the nine months ended September 30, 2006. This increase was primarily driven by premium rate increases in Local Group, growth in Medicare Advantage business, growth in our State-Sponsored business primarily due to the addition of five new states since the beginning of the third quarter of 2006 and increased reimbursement in the Federal Employee Program, or FEP.

Our fully-diluted earnings per share, or EPS, was \$1.45 for the three months ended September 30, 2007, which included \$0.01 per share from net realized investment gains and was a 12% increase over the EPS of \$1.29

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for the three months ended September 30, 2006, which included \$0.04 per share related to tax benefits from changes in state tax apportionment factors and \$0.01 per share from net realized investment gains. Our fully-diluted EPS was \$4.06 for the nine months ended September 30, 2007, which included \$0.01 per share from net realized investment gains and was a 15% increase over the EPS of \$3.54 for the nine months ended September 30, 2006, which included \$0.04 per share related to tax benefits from changes in state tax apportionment factors and \$0.01 per share from net realized investment losses. Net income for the three months ended September 30, 2007 was \$868.0 million, a 7% increase over the three months ended September 30, 2006. Net income for the nine months ended September 30, 2007 was \$2.5 billion, an 8% increase over the nine months ended September 30, 2006.

Operating cash flow for the nine months ended September 30, 2007 was \$3.2 billion, or 1.3 times net income. Operating cash flow for the nine months ended September 30, 2006 was \$2.6 billion, or 1.1 times net income. The increase in operating cash flow from 2006 was driven primarily by lower income tax payments and higher net income in 2007 compared to 2006.

II. Overview

Effective January 1, 2007, we manage our operations through three reportable segments: Commercial and Consumer Business, or CCB; Specialty, Senior and State-Sponsored Business, or 4SB; and Other. See Note 12 to our unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2007 included in this Quarterly Report on Form 10-Q.

Our CCB segment includes business units which offer similar products and services, including commercial accounts and individual programs. We offer a diversified mix of managed care products, including preferred provider organizations or PPOs, health maintenance organizations or HMOs, traditional indemnity benefits and point of service or POS plans. We also offer a variety of hybrid benefit plans, including consumer-driven health plans, or CDHPs, hospital only and limited benefit products. Additionally, 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 and other administrative services.

Our 4SB segment is comprised of businesses providing specialty products and services such as Medicare Part D, Medicare Advantage, Medicare Supplement, Medicaid, life and disability insurance benefits, pharmacy benefit management, or PBM, specialty pharmacy, dental, vision, behavioral health benefit services and long-term care insurance. We also provide network rental and medical management services to workers compensation carriers.

The Other segment includes results from our Federal Government Solutions business and other businesses that do not meet the quantitative thresholds for an operating segment as defined in FAS 131, *Disclosures about Segments of an Enterprise and Related Information*, as well as intersegment sales and expense eliminations and corporate expenses not allocated to the other reportable segments. Our Federal Government Solutions business includes FEP and National Government Services, Inc., which acts as a Medicare contractor in several regions across the nation.

On October 2, 2007, we announced a new organizational structure around two new strategic business units – a Commercial Business unit and a Consumer Business unit. In addition, a new Comprehensive Health Solutions Business unit will bring together the company's resources focused on optimizing the quality of health care and the cost of care management. The Commercial Business unit will include Local Group customers, National Accounts, UniCare and Specialty business operations (dental, vision, life and disability, behavioral health, employee assistance programs and workers' compensation). The Consumer Business unit will include Senior, State-Sponsored and Individual business. The Comprehensive Health Solutions Business unit will include provider relations, care and disease management, and WellPoint's pharmacy benefits management company, NextRx, and its specialty pharmacy, PrecisionRx Specialty Solutions. This simplified, customer-focused structure builds on the strength of our commercial and consumer businesses, and will create additional

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opportunities for cross-selling medical and specialty products. These changes also emphasize our comprehensive approach to improving the quality, transparency and cost of health care for all of our customers. Our chief operating decision maker will assess performance under this new structure effective January 1, 2008 and, accordingly, we expect to revise our reportable segments in the first quarter of 2008.

Our operating revenue consists of premiums, administrative fees and other revenue. Premium revenue comes from fully-insured contracts where we indemnify our policyholders against costs for covered health and life benefits. Administrative fees come from contracts where our customers are self-insured, or where the fee is based on either processing of transactions or a percent of network discount savings realized. Additionally, we earn administrative fee revenues from our Medicare processing business and from other health-related businesses, including disease management programs. Other revenue is principally generated from member co-payments and deductibles associated with the mail-order sale of drugs by our pharmacy benefit management companies.

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. All four components are affected both by unit costs and utilization rates. Unit costs include the cost of outpatient medical procedures per visit, inpatient hospital care per admission, physician fees per office visit and prescription drug prices. Utilization rates represent the volume of consumption of health services and typically vary with the age and health status of our members and their social and lifestyle choices, along with clinical protocols and medical practice patterns in each of our markets. A portion of benefit expense recognized in each reporting period consists of actuarial estimates of claims incurred but not yet paid by us. Any changes in these estimates are recorded in the period the need for such an adjustment arises.

Our selling expense consists of external broker commission expenses and generally varies with premium volume. Our general and administrative expense consists of fixed and variable costs. Examples of fixed costs are depreciation, amortization and certain facilities expenses. Other costs are variable or discretionary in nature. Certain variable costs, such as premium taxes, vary directly with premium volume. Other variable costs, such as salaries and benefits, do not vary directly with changes in premium, but are more aligned with changes in membership. The acquisition or loss of a significant block of business would likely impact staffing levels, and thus salary and associate benefit expense. Examples of discretionary costs include professional and consulting expenses and advertising. Other factors can impact our administrative cost structure, including systems efficiencies, inflation and changes in productivity.

Our cost of drugs consists of the amounts we pay to pharmaceutical companies for the drugs we sell via mail order through our PBM. This amount excludes the cost of drugs related to affiliated health customers recorded in benefit expense. Our cost of drugs can be influenced by the volume of mail order prescriptions at our PBM, as well as cost changes, driven by prices set by pharmaceutical companies and the mix of drugs sold.

Our results of operations depend in large part on our ability to accurately predict and effectively manage health care costs through effective contracting with providers of care to our members and our medical management programs. Several economic factors related to health care costs, such as regulatory mandates of coverage, technological advancements and the advancements in the delivery of medical services, as well as direct-to-consumer advertising by providers and pharmaceutical companies, have a direct impact on the volume of care consumed by our members. The potential effect of escalating health care costs as well as any changes in our ability to negotiate competitive rates with our providers may impose further risks to our ability to profitably underwrite our business, and may have a material impact on our results of operations.

This MD&A should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2006 and the MD&A included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission and in conjunction with our unaudited consolidated financial statements and accompanying notes as of and for the three and nine months ended September 30, 2007 included

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in this Quarterly Report on Form 10-Q. Results of operations, cost of care trends, investment yields and other measures for the three and nine month period ended September 30, 2007 are not necessarily indicative of the results and trends that may be expected for the full year ending December 31, 2007.

III. Significant Transactions

Stock Repurchase Program

We maintain a common stock repurchase program as authorized by our Board of Directors. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. On March 21, 2007 and August 9, 2007, the Board of Directors authorized increases of \$2.0 billion and \$2.0 billion, respectively, in our stock repurchase program, resulting in a total amount available for repurchases in 2007 of approximately \$4.9 billion, which includes \$0.9 billion of authorization remaining unused at December 31, 2006. During the nine months ended September 30, 2007, we repurchased and retired approximately 54.4 million shares at an average share price of \$79.46, for an aggregate cost of \$4.3 billion. As of September 30, 2007, \$624.5 million remained authorized for future repurchases. Subsequent to September 30, 2007, we repurchased and retired approximately 4.0 million shares for an aggregate cost of approximately \$317.4 million, leaving approximately \$307.1 million for authorized future repurchases at October 17, 2007. Our stock repurchase program is discretionary as we are under no obligation to repurchase shares. We repurchase shares because we believe it is a prudent use of surplus capital.

IV. Membership – September 30, 2007 Compared to September 30, 2006

Our customer type definitions were revised in the first quarter of 2007 to be consistent with how we manage our business. Prior periods have been reclassified to the 2007 presentation. Our medical membership includes seven different customer types: Local Group, Individual, National Accounts, BlueCard, Senior, State-Sponsored and FEP.

- Local Group consists of those employer customers with less than 1,000 employees eligible to participate as a member in one of our health plans. In addition, Local Group includes customers with 1,000 or more eligible employees with less than 5% of eligible employees located outside of the headquarter's state.
- Individual consists of individual customers under age 65 and their covered dependents.
- National Accounts customers are multi-state employer groups primarily headquartered in a WellPoint service area with 1,000 or more eligible employees, with at least 5% of eligible employees located outside of the headquarter's state. Service area is defined as the geographic area in which we are licensed to sell BCBS products.
- BlueCard host members represent enrollees of Blue Cross and/or Blue Shield plans not owned by WellPoint who receive health care services in our BCBSA licensed markets. BlueCard membership consists of estimated host members using the national BlueCard program. Host members are generally members who reside in or travel to a state in which a WellPoint subsidiary is the Blue Cross and/or Blue Shield licensee and who are covered under an employer-sponsored health plan issued by a non-WellPoint controlled BCBSA licensee (i.e., the "home" plan). We perform certain administrative functions for BlueCard members, for which we receive administrative fees from the BlueCard members' home plans. Other administrative functions, including maintenance of enrollment information and customer service, are performed by the home plan. Host members are computed using, among other things, the average number of BlueCard claims received per member per month.
- Senior members are Medicare-eligible individual members age 65 and over who have enrolled in Medicare Advantage, a managed care alternative for the Medicare program, or who have purchased Medicare Supplement benefit coverage.
- State-Sponsored membership represents eligible members with State-Sponsored managed care alternatives in Medicaid and State Children's Health Insurance programs.
- FEP members consist of United States government employees and their dependents within our geographic markets through our participation in the national contract between the BCBSA and the U.S. Office of Personnel Management.

In addition to reporting our medical membership by customer type, we report by funding arrangement according to the level of risk that we assume in the product contract. Our two funding arrangement categories are fully-insured and self-funded. Fully-insured products are products in which we indemnify our policyholders against costs for health benefits. Self-funded products are offered to customers, generally larger employers, who elect to retain some or all of the financial risk associated with their employees' health care costs. Some customers choose to purchase stop-loss coverage to limit their retained risk. These customers are reported with our self-funded business.

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The following table presents our medical membership by customer type, funding arrangement and reportable segment as of September 30, 2007 and 2006. Also included below are key specialty metrics, including prescription volume for our PBM and membership by product. The medical membership and specialty metrics presented are unaudited and in certain instances include estimates of the number of members represented by each contract at the end of the period.

	September 30			
(In thousands)				
Medical Membership	2007	2006 ¹	Change	% Change
Customer Type				
Local Group	16,649	16,665	(16)	– %
Individual	2,432	2,508	(76)	(3)
National:				
National Accounts	6,388	6,225	163	3
BlueCard	4,562	4,214	348	8
Total National	10,950	10,439	511	5
Senior	1,250	1,195	55	5
State-Sponsored	2,141	2,027	114	6
FEP	1,383	1,356	27	2
Total medical membership by customer type	34,805	34,190	615	2
Funding Arrangement				
Self-Funded	17,571	16,937	634	4
Fully-Insured	17,234	17,253	(19)	–
Total medical membership by funding arrangement	34,805	34,190	615	2
Reportable Segment				
Commercial and Consumer Business	30,031	29,612	419	1
Specialty, Senior and State-Sponsored Business	3,391	3,222	169	5
Other	1,383	1,356	27	2
Total medical membership by reportable segment	34,805	34,190	615	2
Specialty Metrics				
PBM prescription volume ²	93,694	90,308	3,386	4
Behavioral health membership	20,168	16,048	4,120	26
Life and disability membership	5,665	5,956	(291)	(5)
Dental membership	5,008	5,193	(185)	(4)
Vision membership	2,367	1,255	1,112	89
Medicare Part D membership	1,596	1,569	27	2

¹ Medical membership data for 2006 has been reclassified to conform to the 2007 presentation.

² Represents prescription volume for mail order, specialty pharmacy and retail prescriptions for the three months ended September 30, 2007 and 2006.

During the twelve months ended September 30, 2007, total medical membership increased approximately 615,000, or 2%, primarily due to increases in National, including BlueCard, and State-Sponsored business partially offset by declines in Individual and Local Group membership.

Self-funded medical membership increased 634,000, or 4%, primarily due to an increase in self-funded National Accounts membership resulting from additional sales and in-group growth, BlueCard growth and

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additional sales and in-group growth of self-funded Local Group. Partially offsetting these increases was a reduction in self-funded membership of approximately 222,000 members associated with our investment in a Puerto Rico joint venture in 2006. In December 2006, our ownership of a joint venture in Puerto Rico changed from a 50 percent ownership of a Medicaid managed care subsidiary to a smaller percentage in the joint venture's parent company. Accordingly, we no longer include the 222,000 members related to this investment in our reported enrollment but continue to receive financial benefits from these members.

Fully-insured membership, in total, was consistent with amounts reported at September 30, 2006 primarily due to the addition of approximately 315,000 members in State-Sponsored business related to the addition of five new states since the beginning of the third quarter of 2006, offset by decreases in Local Group and Individual membership, as well as a shift in business mix from fully-insured to self-funded.

Individual membership decreased 76,000, or 3%, due to decreases in certain BCBSA-branded regions as well as in UniCare.

National Accounts membership increased 163,000, or 3%, primarily driven by in-group growth and additional sales as employers are increasingly attracted to the benefits of our distinctive value proposition, which includes extensive and cost-effective provider networks and a broad and innovative product portfolio.

BlueCard membership increased 348,000, or 8%, primarily due to increased sales and corresponding claims by other BCBSA licensees' accounts with members who reside in or travel to our licensed areas.

State-Sponsored membership increased 114,000, or 6%, net of the Puerto Rico joint venture membership accounting change, primarily due to the addition of 315,000 members in five new states since the beginning of the third quarter of 2006, which reflects our ability to attract new members in State-Sponsored business due to our comprehensive array of health management services we make available to the nation's Medicaid recipients.

Our specialty metrics are derived from membership and activity from our specialty products. These products are often ancillary to our health business, and can therefore be impacted by growth in our medical membership. Prescription volume in our PBM companies increased by 3,386,000, or 4%, primarily due to higher utilization of our retail PBM and increased membership. Behavioral health membership increased 4,120,000, or 26%, primarily due to the conversion of 2,882,000 members from a third-party vendor in April 2007, 889,000 new members from sales of our behavioral health products and a 568,000 membership gain from the acquisition of Behavioral Health Network in New Hampshire in October 2006. Life and disability membership decreased 291,000, or 5%, primarily due to a general decrease in both life and accidental death and disability membership, as well as membership losses due to the reorganization at a large automotive customer related to the overall economic environment. Dental membership decreased 185,000, or 4%, primarily due to the loss of the dental component within one of our State-Sponsored plans. Vision membership increased 1,112,000, or 89%, primarily due to the growth of the Blue View Vision product and the conversion over the last twelve months of 971,000 members from a competing plan in Virginia to this new product, as well as new sales in several markets. Medicare Part D membership increased 27,000, or 2%.

V. Cost of Care

The following discussion summarizes our aggregate cost of care trends for the rolling 12 months ended September 30, 2007 for our Local Group and Individual fully-insured businesses only.

Our cost of care trends are calculated by comparing the year-over-year change in average per member per month claim costs for which we are responsible, which excludes member co-payments and deductibles. While our cost of care trend varies by geographic location, based on medical cost trends during the three months ended September 30, 2007, we believe our aggregate 2007 cost of care trend estimate of less than 8% continues to be appropriate.

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Costs for inpatient and outpatient services are the primary drivers of overall cost trends. Inpatient trends have been driven primarily by unit cost, a reflection of negotiated contracted increases with hospitals, partially offset by our re-contracting and clinical management efforts. Utilization (admissions per 1,000 members) increased slightly, while average length of hospital stay and hospital days per 1,000 members have both decreased slightly. Cost trend increases for outpatient services were primarily driven by higher per visit costs as more procedures are being performed during each visit to outpatient providers, particularly emergency room visits, as well as the impact of price increases included within certain provider contracts. However, we are seeing the positive impact of our expanding radiology management programs on our outpatient trends. These programs are designed to ensure appropriate use of radiology services by our members. On August 1, 2007, we completed our acquisition of American Imaging Management, Inc. or AIM, a leading radiology benefit management and technology company. Incorporating their technology will allow us to achieve even greater efficiencies in this high trend area while ensuring that consumers receive the quality tests they need.

Pharmacy benefit cost trend increased due to both pharmacy unit cost (cost per prescription) trend and utilization (prescriptions per member per year). The increased use of specialty drugs and higher mail order volume by our members were the primary drivers of the higher unit cost trend. Specialty drugs, also known as biotech drugs, are generally higher cost and are being utilized more frequently. In October 2007, we announced the opening of our new PrecisionRx Specialty Solutions pharmacy in Indianapolis, Indiana, which manages over 1,000 different drugs for 14 diseases including hemophilia, multiple sclerosis, rheumatoid arthritis, psoriasis, hepatitis C and cancer. We have built a technologically advanced specialty pharmacy staffed with certified pharmacy technicians, registered nurses and clinical pharmacists to better manage both the quality and cost of care for our members. Higher mail order volume contributes to higher cost per prescription as mail order prescriptions are filled for a 90 day supply versus a 30 day supply for retail pharmacy prescriptions. These increases in unit costs were offset by increases in our generic usage rates, lower utilization resulting from higher mail order volume, benefit plan design changes, and improved pharmaceutical contracting. Higher mail order volume contributes to a lower number of prescriptions as one mail order prescription is filled for a 90 day supply versus three 30 day retail prescriptions.

In response to cost trends, we continue to pursue contracting and plan design changes, promote and implement performance-based contracts that reward clinical outcomes and quality, and expand our radiology management, disease management and advanced care management programs. We recently announced the launch of *360° Health*, the industry's first program to integrate all care management programs and tools into a centralized, consumer-friendly resource that assists patients in navigating the health care system, using their health benefits and accessing the most comprehensive and appropriate care available. In addition, we are expanding our specialty pharmacy programs and continuously evaluate our drug formulary to ensure the most effective pharmaceutical therapies are available for our members.

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VI. Results of Operations – Three Months Ended September 30, 2007 Compared to the Three Months Ended September 30, 2006

Our consolidated results of operations for the three months ended September 30, 2007 and 2006 are discussed in the following section.

<i>(In millions, except per share data)</i>	Three Months Ended September 30		\$ Change	% Change
	2007	2006		
Premiums	\$ 13,905.6	\$ 13,180.3	\$ 725.3	6%
Administrative fees	911.9	891.3	20.6	2
Other revenue	149.2	150.4	(1.2)	(1)
Total operating revenue	14,966.7	14,222.0	744.7	5
Net investment income	257.7	222.8	34.9	16
Net realized gains on investments	9.5	4.6	4.9	NM ¹
Total revenues	15,233.9	14,449.4	784.5	5
Benefit expense	11,379.8	10,712.9	666.9	6
Selling, general and administrative expense:				
Selling expense	430.8	415.7	15.1	4
General and administrative expense	1,759.1	1,783.0	(23.9)	(1)
Total selling, general and administrative expense	2,189.9	2,198.7	(8.8)	—
Cost of drugs	99.4	102.8	(3.4)	(3)
Interest expense	119.6	105.6	14.0	13
Amortization of other intangible assets	73.8	74.8	(1.0)	(1)
Total expenses	13,862.5	13,194.8	667.7	5
Income before income tax expense	1,371.4	1,254.6	116.8	9
Income tax expense	503.4	443.8	59.6	13
Net income	\$ 868.0	\$ 810.8	\$ 57.2	7
Average diluted shares outstanding	597.0	630.6	(33.6)	(5)%
Diluted net income per share	\$ 1.45	\$ 1.29	\$ 0.16	12%
Benefit expense ratio ²	81.8%	81.3%		50bp ³
Selling, general and administrative expense ratio ⁴	14.6%	15.5%		(90)bp ³
Income before income taxes as a percentage of total revenue	9.0%	8.7%		30bp ³
Net income as a percentage of total revenue	5.7%	5.6%		10bp ³

Certain of the following definitions are also applicable to all other results of operations tables in this discussion:

¹ NM = Not meaningful

² Benefit expense ratio = Benefit expense ÷ Premiums.

³ bp = basis point; one hundred basis points = 1%.

⁴ Selling, general and administrative expense ratio = Total selling, general and administrative expense ÷ Total operating revenue.

Premiums increased \$725.3 million, or 6%, to \$13.9 billion in 2007, driven by premium rate increases in Local Group, growth in our State-Sponsored business primarily due to the addition of five new states since the beginning of the third quarter of 2006 and growth in Medicare Advantage business.

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Administrative fees increased \$20.6 million, or 2%, to \$911.9 million in 2007, primarily due to self-funded membership growth in National, including BlueCard, and Local Group. Self-funded membership growth was driven by successful efforts to attract large self-funded accounts and was attributable to our network breadth, discounts, service and increased focus on health improvement and wellness, as well as the popularity of the BlueCard program.

Net investment income increased \$34.9 million, or 16%, to \$257.7 million in 2007 primarily resulting from growth in invested assets from reinvestment of cash generated from operations and higher interest rates. This growth was partially offset by the use of cash for repurchases of our common stock.

A summary of our net realized gains on investments for the three months ended September 30, 2007 and 2006 is as follows:

(In millions)	Three Months Ended September 30		\$ Change
	2007	2006	
Net realized gains from the sale of fixed maturity securities	\$ 9.6	\$ 2.9	\$ 6.7
Net realized gains from the sale of equity securities	38.9	11.4	27.5
Other-than-temporary impairments – credit related	(22.7)	(10.9)	(11.8)
Other-than-temporary impairments – interest rate related	(19.7)	(1.5)	(18.2)
Other realized gains	3.4	2.7	0.7
Net realized gains on investments	<u>\$ 9.5</u>	<u>\$ 4.6</u>	<u>\$ 4.9</u>

Net realized gains on investments in 2007 were primarily driven by sales of equity securities at a gain, partially offset by other-than-temporary impairments of equity securities and interest rate related impairments of fixed maturity securities. See *Critical Accounting Policies and Estimates* in this Quarterly Report on Form 10-Q for a discussion of our investment impairment review process.

Net realized gains on investments in 2006 related primarily to the sale of equity securities at a gain, partially offset by other-than-temporary impairments of equity securities.

Benefit expense increased \$666.9 million, or 6%, to \$11.4 billion in 2007, primarily due to higher costs in the medical business of the 4SB segment as well as higher cost of care in the CCB segment, primarily Local Group. Benefit expense in the 4SB segment was driven by growth in State-Sponsored business with the addition of five new states since the beginning of the third quarter of 2006 and growth of Medicare Advantage in our Senior business.

Our benefit expense ratio increased 50 basis points to 81.8% in 2007, primarily due to an increased benefit expense ratio in the 4SB segment, partially offset by an improved benefit expense ratio in the CCB segment due to disciplined pricing, primarily in Local Group. The largest portion of the increase in 4SB was attributable to our Senior business, primarily due to adjustments to risk sharing accruals for our Medicare Part D business, retroactive premium adjustments coupled with higher medical trend in Medicare Advantage along with growth and higher claims trend in State-Sponsored business, which operates at a benefit expense ratio that is higher than our average. With respect to our Medicare Part D business, the Centers for Medicare & Medicaid Services, or CMS, recently announced the final amounts owed to it by plans for the 2006 plan year, primarily due to the risk sharing provision in the Part D program. In connection with our reconciliation and settlement process, we recorded additional amounts during the quarter ended September 30, 2007 for our revised estimate of amounts owed to CMS greater than previously recorded. This was primarily the result of ongoing data submission and reconciliation with CMS and due to our role as the facilitated enrollment plan in the Part D program. We are continuing to reconcile the 2006 plan year with CMS.

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Selling, general and administrative expense was essentially flat at \$2.2 billion in 2007 compared to 2006 while our selling, general and administrative expense ratio decreased 90 basis points to 14.6% in 2007. This decrease in our selling, general and administrative expense ratio was primarily due to growth in premium income and further leveraging of general and administrative costs over a larger membership base.

Cost of drugs decreased \$3.4 million, or 3%, to \$99.4 million in 2007. This decrease was primarily attributable to decreased PBM mail-order prescription volume from our third party customers and higher utilization of generic prescription drugs. This decrease was partially offset by growth in specialty pharmacy prescription volume.

Interest expense increased \$14.0 million, or 13%, to \$119.6 million in 2007, primarily due to the issuance of approximately \$2.0 billion of long-term debt in 2007, partially offset by a decreased use of commercial paper during the third quarter of 2007.

Amortization of other intangible assets decreased \$1.0 million, or 1%, to \$73.8 million in 2007, primarily due to certain intangibles amortizing on an accelerated amortization schedule over their estimated life, which resulted in greater expense in earlier periods. This decrease was partially offset by increased amortization of intangible assets established in conjunction with the acquisition of AIM on August 1, 2007.

Income tax expense increased \$59.6 million, or 13%, to \$503.4 million in 2007. The effective tax rate in 2007 and 2006 was 36.7% and 35.4%, respectively. The 2006 effective tax rate included a reduction of 200 basis points due to a \$28.0 million tax benefit that was recognized in 2006 resulting from lower effective state tax rates. In addition, the 2007 effective tax rate was favorably impacted by tax planning strategies.

Our net income as a percentage of total revenue increased 10 basis points, from 5.6% in 2006 to 5.7% in 2007. The increase in this metric reflected a combination of all factors discussed above.

Reportable Segments

We use operating gain to evaluate the performance of our reportable segments, as described in Statement of Financial Accounting Standards No. 131, *Disclosure about Segments of an Enterprise and Related Information*. Operating gain is calculated as total operating revenue less benefit expense, selling, general and administrative expense and cost of drugs. It does not include net investment income, net realized gains (losses) on investments, interest expense, amortization of other intangible assets or income taxes, as these items are managed in a corporate shared service environment and are not the responsibility of operating segment management. For additional information, see Note 12 to our unaudited consolidated financial statements as of and for the three and nine months ended September 30, 2007 included in this Quarterly Report on Form 10-Q. The discussions of segment results for the three months ended September 30, 2007 and 2006 presented below are based on operating gain, as described above, and operating margin, which is calculated as operating gain divided by operating revenue. Our definitions of operating gain and operating margin may not be comparable to similarly titled measures reported by other companies. Our reportable segments' results of operations for 2006 have been reclassified to conform to the 2007 presentation.

Commercial and Consumer Business

Our CCB segment's summarized results of operations for the three months ended September 30, 2007 and 2006 are as follows:

(In millions)	Three Months Ended September 30		\$ Change	% Change
	2007	2006		
Operating revenue	\$ 10,561.0	\$ 10,215.1	\$ 345.9	3%
Operating gain	\$ 1,100.0	\$ 936.4	\$ 163.6	17%
Operating margin	10.4%	9.2%		120bp

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Operating revenue increased \$345.9 million, or 3%, to \$10.6 billion in 2007, primarily due to premium rate increases in Local Group and Individual Business, partially offset by membership losses in fully-insured Local Group and National and a shift in the mix of business from fully-insured to self-funded.

Operating gain increased \$163.6 million, or 17%, to \$1.1 billion in 2007 driven by disciplined pricing as operating revenue growth outpaced higher cost of care, primarily in Local Group.

The operating margin in 2007 was 10.4%, a 120 basis point increase primarily due to the factors discussed in the preceding two paragraphs.

Specialty, Senior and State-Sponsored Business

Our 4SB segment's summarized results of operations for the three months ended September 30, 2007 and 2006 are as follows:

<i>(In millions)</i>	Three Months Ended September 30		\$ Change	% Change
	2007	2006		
Operating revenue	\$ 3,373.6	\$ 2,912.7	\$ 460.9	16%
Operating gain	\$ 224.0	\$ 284.3	\$ (60.3)	(21)%
Operating margin	6.6%	9.8%		(320)bp

Operating revenue increased \$460.9 million, or 16%, to \$3.4 billion in 2007, primarily due to growth in State-Sponsored business, which included the addition of five new states since the beginning of the third quarter of 2006, and growth in Medicare Advantage.

Operating gain decreased \$60.3 million, or 21%, to \$224.0 million in 2007, primarily due to the adjustment to our Medicare Part D related risk sharing accrual in our Senior business as previously discussed.

The operating margin in 2007 was 6.6%, a 320 basis point decrease primarily due to the factors discussed in the preceding two paragraphs coupled with a continuing shift in business mix to lower-margin State-Sponsored business.

Other

Our Other segment's summarized results of operations for the three months ended September 30, 2007 and 2006 are as follows:

<i>(In millions)</i>	Three Months Ended September 30		\$ Change	% Change
	2007	2006		
Operating revenue from external customers	\$ 1,446.4	\$ 1,467.1	\$ (20.7)	1%
Elimination of intersegment revenue	(414.3)	(372.9)	(41.4)	11%
Total operating revenue	\$ 1,032.1	\$ 1,094.2	\$ (62.1)	(6)%
Operating loss	\$ (26.4)	\$ (13.1)	\$ (13.3)	NM ¹

¹ NM=Not meaningful.

Operating revenue from external customers was essentially flat at \$1.4 billion in 2007 compared to 2006. The elimination of intersegment revenue increased \$41.4 million, or 11%, in 2007, reflecting additional sales of pharmacy products by our 4SB segment's PBM companies to our CCB segment.

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Operating loss increased by \$13.3 million to \$26.4 million in the third quarter of 2007. This increase was primarily driven by higher general and administrative expenses incurred by our corporate business unit, partially offset by the non-recurrence of retention bonuses associated with the merger of the former Anthem, Inc. and the former WellPoint Health Networks Inc.

VII. Results of Operations – Nine Months Ended September 30, 2007 Compared to the Nine Months Ended September 30, 2006

Our consolidated results of operations for the nine months ended September 30, 2007 and 2006 are discussed in the following section.

<i>(In millions, except per share data)</i>	Nine Months Ended September 30		-	\$ Change	-	% Change
	2007	2006				
Premiums	\$ 41,598.9	\$ 38,678.0		\$ 2,920.9		8%
Administrative fees	2,760.3	2,690.4		69.9		3
Other revenue	445.4	448.6		(3.2)		(1)
Total operating revenue	44,804.6	41,817.0		2,987.6		7
Net investment income	757.7	653.4		104.3		16
Net realized gains (losses) on investments	10.6	(11.4)		22.0		NM ¹
Total revenues	45,572.9	42,459.0		3,113.9		7
Benefit expense	34,214.4	31,424.7		2,789.7		9
Selling, general and administrative expense:						
Selling expense	1,283.4	1,230.3		53.1		4
General and administrative expense	5,298.4	5,333.1		(34.7)		(1)
Total selling, general and administrative expense	6,581.8	6,563.4		18.4		—
Cost of drugs	303.5	313.7		(10.2)		(3)
Interest expense	322.6	303.5		19.1		6
Amortization of other intangible assets	215.5	223.1		(7.6)		(3)
Total expenses	41,637.8	38,828.4		2,809.4		7
Income before income tax expense	3,935.1	3,630.6		304.5		8
Income tax expense	1,448.8	1,336.8		112.0		8
Net income	\$ 2,486.3	\$ 2,293.8		\$ 192.5		8
Average diluted shares outstanding	612.6	647.1		(34.5)		(5)%
Diluted net income per share	\$ 4.06	\$ 3.54		\$ 0.52		15%
Benefit expense ratio ²	82.2%	81.2%				100bp ³
Selling, general and administrative expense ratio ⁴	14.7%	15.7%				(100)bp ³
Income before income taxes as a percentage of total revenue	8.6%	8.6%				0bp ³
Net income as a percentage of total revenue	5.5%	5.4%				10bp ³

Certain of the following definitions are also applicable to all other results of operations tables in this discussion:

¹ NM = Not meaningful

² Benefit expense ratio = Benefit expense ÷ Premiums.

³ bp = basis point; one hundred basis points = 1%.

⁴ Selling, general and administrative expense ratio = Total selling, general and administrative expense ÷ Total operating revenue.

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Premiums increased \$2.9 billion, or 8%, to \$41.6 billion in 2007, driven by premium rate increases in Local Group, growth in Medicare Advantage business, growth in our State-Sponsored business primarily due to the addition of five new states since the beginning of the third quarter of 2006 and increased reimbursement in the Federal Employee Program, or FEP.

Administrative fees increased \$69.9 million, or 3%, to \$2.8 billion in 2007, primarily due to self-funded membership growth in National, including BlueCard, and Local Group. Self-funded membership growth was driven by successful efforts to attract large self-funded accounts and was attributable to our network breadth, discounts, service and increased focus on health improvement and wellness, as well as the popularity of the BlueCard program.

Net investment income increased \$104.3 million, or 16%, to \$757.7 million in 2007 primarily resulting from growth in invested assets from reinvestment of cash generated from operations and higher interest rates. This growth was partially offset by the use of cash for repurchases of our common stock.

A summary of our net realized gains (losses) on investments for the nine months ended September 30, 2007 and 2006 is as follows:

(In millions)	Nine Months Ended September 30		\$ Change
	2007	2006	
Net realized gains (losses) from the sale of fixed maturity securities	\$ 3.3	\$ (58.8)	\$ 62.1
Net realized gains from the sale of equity securities	154.3	87.9	66.4
Other-than-temporary impairments – credit related	(41.6)	(22.7)	(18.9)
Other-than-temporary impairments – interest rate related	(108.6)	(23.6)	(85.0)
Other realized gains	3.2	5.8	(2.6)
Net realized gains (losses) on investments	<u>\$ 10.6</u>	<u>\$ (11.4)</u>	<u>\$ 22.0</u>

Net realized gains on investments in 2007 were primarily driven by sales of equity securities at a gain, partially offset by other-than-temporary impairments of interest rate related impairments of fixed maturity securities and impairments of equity securities. See *Critical Accounting Policies and Estimates* in this Quarterly Report on Form 10-Q for a discussion of our investment impairment review process.

Net realized losses on investments in 2006 related primarily to the sale of fixed maturity securities at a loss and other-than-temporary impairments, partially offset by the sale of equity securities at a gain.

Benefit expense increased \$2.8 billion, or 9%, to \$34.2 billion in 2007, primarily due to higher cost in the 4SB segment and medical cost trend in the CCB segment. Benefit expense for the 4SB segment increased primarily due to growth in State-Sponsored business with the addition of five new states since the beginning of the third quarter of 2006, as well as growth in Medicare Advantage business. Benefit expense in the CCB segment in the first nine months of 2007 increased primarily due to slightly higher recognized medical cost trend in Local Group business. Lastly, continued increased trend in FEP business resulted in higher benefit expense in the first nine months of 2007, for which we are reimbursed for the cost plus a fee.

Our benefit expense ratio increased 100 basis points to 82.2% in 2007 almost entirely attributable to the Senior and State-Sponsored medical business of the 4SB segment. The increase in Senior business' benefit expense ratio was primarily driven by higher medical trend coupled with retroactive premium adjustments in Medicare Advantage business along with the adjustment to the Medicare Part D risk sharing accrual previously discussed in the results of operations for the three months ended September 30, 2007. The increase in State-Sponsored business' benefit expense ratio was due to overall higher claims experience and growth, primarily due to the addition of five new states since the beginning of the third quarter of 2006. State-Sponsored business

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operates at a benefit expense ratio that is higher than the WellPoint average. We continue to negotiate premium rates in California and Connecticut and expect to receive adequate increases that will allow us to continue servicing that business. Premium rate increases in California are expected to be effective October 1, 2007 while premium rate increases in Connecticut are expected to be retroactive to July 1, 2007. Growth in FEP business, for which we are reimbursed for the cost plus a fee, also caused the first nine months of 2007 benefit expense ratio to increase from the first nine months of 2006 as this business operates at a benefit expense ratio which is higher than our average.

Selling, general and administrative expense was essentially flat at \$6.6 billion in 2007 compared to 2006 while our selling, general and administrative expense ratio decreased 100 basis points to 14.7% in 2007. This decrease in our selling, general and administrative expense ratio was primarily due to growth in premium income and further leveraging of general and administrative costs over a larger membership base.

Cost of drugs decreased \$10.2 million, or 3%, to \$303.5 million in 2007. This decrease was primarily attributable to decreased PBM mail-order prescription volume from our third party customers and higher utilization of generic prescription drugs, partially offset by growth in specialty pharmacy prescription volume.

Interest expense increased \$19.1 million, or 6%, to \$322.6 million in 2007, primarily due to the issuance of approximately \$2.0 billion of long-term debt in 2007.

Amortization of other intangible assets decreased \$7.6 million, or 3%, to \$215.5 million in 2007, primarily due to certain intangibles amortizing on an accelerated amortization schedule over their estimated life, which resulted in greater expense in earlier periods.

Income tax expense increased \$112.0 million, or 8%, to \$1.4 billion in 2007. The effective tax rate in 2007 and 2006 was flat at 36.8%. The 2006 effective tax rate included a reduction of 80 basis points due to a \$28.0 million tax benefit that was recognized in 2006 resulting from lower effective state tax rates. In addition, the 2007 effective tax rate was favorably impacted by tax planning strategies.

Our net income as a percentage of total revenue was 5.5% in 2007 compared to 5.4% in 2006, which reflects a combination of all the factors discussed above.

The discussions of segment results for the nine months ended September 30, 2007 and 2006 presented below are based on operating gain and operating margin, which is calculated as previously discussed. Our definitions of operating gain and operating margin may not be comparable to similarly titled measures reported by other companies. Our reportable segments' results of operations for 2006 have been reclassified to conform to the 2007 presentation.

Commercial and Consumer Business

Our CCB segment's summarized results of operations for the nine months ended September 30, 2007 and 2006 are as follows:

<i>(In millions)</i>	Nine Months Ended September 30		\$ Change	% Change
	2007	2006		
Operating revenue	\$ 31,494.8	\$ 30,280.9	\$ 1,213.9	4%
Operating gain	\$ 3,127.7	\$ 2,824.8	\$ 302.9	11%
Operating margin	9.9%	9.3%		60bp

Operating revenue increased \$1.2 billion, or 4%, to \$31.5 billion in 2007, primarily due to premium rate increases in Local Group and Individual business, partially offset by the slight membership declines in Local Group and National Accounts businesses and a shift in the mix of business from fully-insured to self-funded.

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Operating gain increased \$302.9 million, or 11%, to \$3.1 billion in 2007 driven by disciplined pricing as operating revenue growth outpaced increased benefit expense, primarily in Local Group.

The operating margin in 2007 was 9.9%, a 60 basis point increase primarily due to the factors discussed in the preceding two paragraphs.

Specialty, Senior and State-Sponsored Business

Our 4SB segment's summarized results of operations for the nine months ended September 30, 2007 and 2006 are as follows:

<i>(In millions)</i>	Nine Months Ended September 30		<u>\$ Change</u>	<u>% Change</u>
	<u>2007</u>	<u>2006</u>		
Operating revenue	\$ 10,113.8	\$ 8,537.7	\$ 1,576.1	18%
Operating gain	\$ 580.0	\$ 737.3	\$ (157.3)	(21)%
Operating margin	5.7%	8.6%		(290)bp

Operating revenue increased \$1.6 billion, or 18%, to \$10.1 billion in 2007, primarily due to growth in Medicare Advantage, growth in State-Sponsored business with the addition of five new states since the beginning of the third quarter of 2006 and growth in Medicare Part D.

Operating gain decreased \$157.3 million, or 21%, to \$580.0 million in 2007, primarily due to operating revenue growth being more than offset by higher benefit expense due to overall higher claims trend in State-Sponsored business, as well as the adjustment to the Medicare Part D risk sharing accrual previously discussed in the results of operations for the three months ended September 30, 2007.

The operating margin in 2007 was 5.7%, a 290 basis point decrease primarily due to the factors discussed in the preceding two paragraphs coupled with a continuing shift in business mix which includes more lower-margin State-Sponsored business.

Other

Our Other segment's summarized results of operations for the nine months ended September 30, 2007 and 2006 are as follows:

<i>(In millions)</i>	Nine Months Ended September 30		<u>\$ Change</u>	<u>% Change</u>
	<u>2007</u>	<u>2006</u>		
Operating revenue from external customers	\$ 4,421.2	\$ 4,053.9	\$ 367.3	9%
Elimination of intersegment revenue	(1,225.2)	(1,055.5)	(169.7)	16%
Total operating revenue	\$ 3,196.0	\$ 2,998.4	\$ 197.6	7%
Operating loss	\$ (2.8)	\$ (46.9)	\$ 44.1	NM ¹

¹ NM=Not meaningful.

Operating revenue from external customers increased \$367.3 million, or 9%, to \$4.4 billion in 2007, primarily due to higher premium in FEP business. The elimination of intersegment revenue increased \$169.7 million, or 16%, in 2007, reflecting additional sales of pharmacy products by our 4SB segment's PBM companies to our CCB segment.

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Operating loss decreased by \$44.1 million to \$2.8 million in 2007. This decrease was primarily driven by the non-recurrence of retention bonuses associated with the merger of the former Anthem, Inc. and the former WellPoint Health Networks Inc. along with improved operating gain of our FEP business.

VIII. Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles, or GAAP. Application of GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes and within this MD&A. We consider some of our most important accounting policies that require estimates and management judgment to be those policies with respect to liabilities for medical claims payable, income taxes, goodwill and other intangible assets, investments and retirement benefits, which are discussed below. Our significant accounting policies are summarized in Note 2 to our audited consolidated financial statements as of and for the year ended December 31, 2006 included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

We continually evaluate the accounting policies and estimates used to prepare the consolidated financial statements. In general, our estimates are based on historical experience, evaluation of current trends, information from third party professionals and various other assumptions that we believe to be reasonable under the known facts and circumstances.

Medical Claims Payable

The most judgmental accounting estimate in our consolidated financial statements is our liability for medical claims payable. At September 30, 2007, this liability was \$5.8 billion and represented 20% of our total consolidated liabilities. We record this liability and the corresponding benefit expense for incurred but not paid claims, including the estimated costs of processing such claims. Incurred but not paid claims include (1) an estimate for claims that are incurred but not reported, as well as claims reported to us but not yet processed through our systems, which approximated 97%, or \$5.6 billion of our total medical claims liability as of September 30, 2007; and (2) claims reported to us and processed through our systems but not yet paid, which approximated 3%, or \$231.8 million, of the total medical claims liability as of September 30, 2007. The level of claims payable processed through our systems but not yet paid may fluctuate from one period end to the next, from 1% to 5% of our total medical claims liability, due to timing of when claim payments are made.

Liabilities for both claims incurred but not reported and reported but not yet processed through our systems are determined in aggregate employing actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. Actuarial Standards of Practice require that the claim liabilities be adequate under moderately adverse circumstances. We determine the amount of the liability for incurred but not paid claims by following a detailed actuarial process that entails using both historical claim payment patterns as well as emerging medical cost trends to project our best estimate of claim liabilities. Under this process, historical data of paid claims is formatted into “claim triangles,” which compare claim incurred dates to the dates of claim payments. This information is analyzed to create “completion factors” that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Completion factors are applied to claims paid through the financial statement date to estimate the ultimate claim expense incurred for the current period. Actuarial estimates of incurred but not paid claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims.

For the most recent incurred months (generally the most recent two months), the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factor methodology less reliable for such months. Therefore, incurred claims for recent months are not projected from historical completion and payment patterns; rather they are projected by estimating the claims expense for those months based on recent claims expense levels and health care trend levels, or “trend factors”.

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Because the reserve methodology is based upon historical information, it must be adjusted for known or suspected operational and environmental changes. These adjustments are made by our actuaries based on their knowledge and their estimate of emerging impacts to benefit costs and payment speed. Circumstances to be considered in developing our best estimate of reserves include changes in utilization levels, unit costs, mix of business, benefit plan designs, provider reimbursement levels, processing system conversions and changes, claim inventory levels, claim processing patterns, claim submission patterns and operational changes resulting from business combinations. A comparison of prior period liabilities to re-estimated claim liabilities based on subsequent claims development is also considered in making the liability determination. In our comparison of prior year, the methods and assumptions are not changed as reserves are recalculated, rather the availability of additional paid claims information drives our changes in the re-estimate of the unpaid claim liability. To the extent appropriate, changes in such development are recorded as a change to current period benefit expense.

In addition to incurred but not paid claims, the liability for medical claims payable includes reserves for premium deficiencies, if appropriate. Premium deficiencies are recognized when it is probable that expected claims and administrative expenses will exceed future premiums on existing medical insurance contracts without consideration of investment income. Determination of premium deficiencies for longer duration life and disability contracts includes consideration of investment income. For purposes of premium deficiencies, contracts are grouped in a manner consistent with our method of acquiring, servicing and measuring the profitability of such contracts.

We regularly review and set assumptions regarding cost trends and utilization when initially establishing claim liabilities. We continually monitor and adjust the claims liability and benefit expense based on subsequent paid claims activity. If it is determined that our assumptions regarding cost trends and utilization are significantly different than actual results, our income statement and financial position could be impacted in future periods. Adjustments of prior year estimates may result in additional benefit expense or a reduction of benefit expense in the period an adjustment is made. Further, due to the considerable variability of health care costs, adjustments to claim liabilities occur each quarter and are sometimes significant as compared to the net income recorded in that quarter. Prior period development is recognized immediately upon the actuary's judgment that a portion of the prior period liability is no longer needed or that an additional liability should have been accrued. That determination is made when sufficient information is available to ascertain that the re-estimate of the liability is reasonable.

While there are many factors that are used as a part of the estimation of our medical claims payable liability, the two key assumptions having the most significant impact on our incurred but not paid liability as of September 30, 2007 were the completion and trend factors. As discussed above, these two key assumptions can be influenced by other operational variables including system changes, provider submission patterns and business combinations.

There is variation in the reasonable choice of completion factors by duration for durations of three months through 12 months where the completion factors have the most significant impact. As previously discussed, completion factors tend to be less reliable for the most recent months and therefore are not specifically utilized for months one and two. At September 30, 2007, the variability in months three to five was estimated to be between 50 and 120 basis points, while months six through twelve have much lower variability ranging from 10 to 40 basis points.

Over the period from December 31, 2006 to September 30, 2007, completion factors have increased. With consideration of claim payments through September 30, 2007, the completion factors used to determine the incurred but not paid claim liability estimate for the December 31, 2006 valuation period have developed slightly higher than those used at December 31, 2006. This resulted in approximately \$20.7 million of redundancy in the December 31, 2006 estimate and is included in the statement of income for the nine months ended September 30, 2007. This continued increase in completion factors has been taken into consideration when determining the completion factors used in establishing the September 30, 2007 incurred but not paid claim liability by choosing

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factors that reflect the more recent experience. The difference in completion factor assumptions, assuming moderately adverse experience, results in variability of 3%, or approximately \$199.0 million, in the September 30, 2007 incurred but not paid claim liability, depending on the completion factors chosen. It is important to note that the completion factor methodology inherently assumes that historical completion rates will be reflective of the current period. However, it is possible that the actual completion rates for the current period will develop differently from historical patterns and therefore could fall outside the possible variations described herein.

Over the period from December 31, 2005 to September 30, 2006, completion factors increased. With consideration of claim payments through September 30, 2006, the completion factors used to determine the incurred but not paid claim liability estimate for the December 31, 2005 valuation period developed higher than those used at December 31, 2005, primarily because we received claims information from our providers more timely as a result of increased electronic submissions. In addition, we paid claims more quickly once they were received. This resulted in approximately \$91.7 million of redundancy in the December 31, 2005 estimate and included in the statement of income for the nine months ended September 30, 2006.

Over the period from December 31, 2005 to December 31, 2006, completion factors increased. With consideration of claim payments through December 31, 2006, the completion factors used to determine the incurred but not paid claim liability estimate for the December 31, 2005 valuation period developed higher than those used at December 31, 2005, primarily because we received claims information from our providers more timely as a result of increased electronic submissions. In addition, we paid claims more quickly once they were received. This resulted in approximately \$113.6 million of redundancy in the December 31, 2005 estimate and is included in the statement of income for the year ended December 31, 2006.

Over the period from December 31, 2004 to December 31, 2005, completion factors increased. With consideration of claims payment through December 31, 2005, the completion factors used to determine the incurred but not paid claim liability estimate for the December 31, 2004 valuation period have developed higher than those used at December 31, 2004, primarily because we received claims information from our providers more timely as a result of increased electronic submissions. This resulted in approximately \$194.3 million of redundancy in the December 31, 2004 estimate and included in the statement of income for the year ended December 31, 2005.

The other major assumption used in the establishment of the September 30, 2007 incurred but not paid claim liability was the trend factors used in determining the claims expense per member per month for the most recent two incurrence months. At September 30, 2007, there was a 730 basis point differential in the high and low trend factors assuming moderately adverse experience. This range of trend factors would imply variability of 10%, or approximately \$572.0 million, in the incurred but not paid claims liability, depending upon the trend factor used. Because historical trend factors are often not representative of current claim trends, the trend experience for the most recent six to nine months, plus knowledge of recent events likely affecting current trends, have been taken into consideration in establishing the incurred but not paid claim liability at September 30, 2007. As we look at the year-over-year claim trend for the prior period (August and September 2006) compared to the current period (August and September 2007), the trend used in our reserve models have increased slightly. However, claim trends observed as of December 31, 2006 based upon subsequent claim runout were lower than anticipated in the assumptions used to estimate medical claims payable at December 31, 2006. This difference between the trends assumed in establishing the December 31, 2006 medical claims payable, and the trend observed based upon subsequent claims runout through the nine months ended September 30, 2007, resulted in approximately \$315.5 million of redundancy in the December 31, 2006 estimate and included is in the statement of income for the nine months ended September 30, 2007.

Claim trends observed as of December 31, 2005 based upon subsequent claim runout were lower than anticipated in the assumptions used to estimate medical claims payable at December 31, 2005. This decline was due to moderating outpatient service trends and declines in pharmacy benefit cost trend. This difference between

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the trends assumed in establishing the December 31, 2005 medical claims payable, and the trend observed based upon subsequent claims runout through the nine months ended September 30, 2006, resulted in approximately \$484.8 million of redundancy in the December 31, 2005 estimate and included in the statement of income for the nine months ended September 30, 2006. The difference between the trends assumed in establishing the December 31, 2005 medical claims payable, and the trend observed based upon subsequent claims runout through the twelve months ended December 31, 2006, resulted in approximately \$504.1 million of redundancy in the December 31, 2005 estimate and included in the statement of income for the year ended December 31, 2006.

Over the period from 2004 to 2005, claim trends declined. Claim trends observed based upon subsequent claim runout were lower than anticipated in the assumptions used to estimate medical claims payable at December 31, 2004. This decline was due to moderating outpatient service trends and declines in pharmacy benefit cost trend. This difference between the trends assumed in establishing the December 31, 2004 medical claims payable, and the trend observed based upon subsequent claims runout, resulted in approximately \$450.6 million of redundancy in the December 31, 2004 estimate and included in the statement of income for the year ended December 31, 2005.

As summarized below, Note 10 to our audited consolidated financial statements for the year ended December 31, 2006 included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission provides historical information regarding the accrual and payment of our medical claims liability. Components of the total incurred claims for each year include amounts accrued for current year estimated claims expense as well as adjustments to prior year estimated accruals. In Note 10 to our audited consolidated financial statements, the line labeled "Net incurred medical claims: Prior years (redundancies)" accounts for those adjustments made to prior year estimates. The impact of any reduction of "Net incurred medical claims: Prior years (redundancies)" claims may be offset as we establish the estimate of "Net incurred medical claims: Current year". Our reserving practice is to consistently recognize the actuarial best estimate of our ultimate liability for our claims. When we recognize a release of the redundancy, we disclose the amount that is not in the ordinary course of business, if material. We believe we have consistently applied our methodology in determining our best estimate for unpaid claims liability at each reporting date.

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A reconciliation of the beginning and ending balance for medical claims payable for the nine months ended September 30, 2007 and 2006 and the years ended December 31, 2006, 2005 and 2004 is as follows:

<i>(In millions)</i>	Nine Months Ended September 30		Years Ended December 31		
	2007	2006	2006	2005	2004
Gross medical claims payable, beginning of period	\$ 5,290.3	\$ 4,853.4	\$ 4,853.4	\$ 4,134.0	\$ 1,836.0
Ceded medical claims payable, beginning of period	(51.0)	(27.7)	(27.7)	(31.9)	(8.7)
Net medical claims payable, beginning of period	5,239.3	4,825.7	4,825.7	4,102.1	1,827.3
Business combinations and purchase adjustments	15.2	(6.4)	(6.4)	784.5	2,331.0
Net incurred medical claims:					
Current year	34,558.1	31,845.2	42,613.2	32,865.6	15,344.9
Prior years (redundancies)	(336.2)	(576.5)	(617.7)	(644.9)	(171.9)
Total net incurred medical claims	34,221.9	31,268.7	41,995.5	32,220.7	15,173.0
Net payments attributable to:					
Current year medical claims	29,053.6	26,830.6	37,486.0	28,997.1	12,453.2
Prior years medical claims	4,693.4	3,989.3	4,089.5	3,284.5	2,776.0
Total net payments	33,747.0	30,819.9	41,575.5	32,281.6	15,229.2
Net medical claims payable, end of period	5,729.4	5,268.1	5,239.3	4,825.7	4,102.1
Ceded medical claims payable, end of period	56.0	41.0	51.0	27.7	31.9
Gross medical claims payable, end of period	\$ 5,785.4	\$ 5,309.1	\$ 5,290.3	\$ 4,853.4	\$ 4,134.0
Current year medical claims paid as a percent of current year net incurred medical claims	84.1%	84.3%	88.0%	88.2%	81.2%
Prior year redundancies in the current period as a percent of prior year net medical claims payable less prior year redundancies in the current period	6.9%	13.6%	14.7%	18.7%	10.4%
Prior year redundancies in the current period as a percent of prior year net incurred medical claims	0.8%	1.8%	1.9%	4.2%	1.4%

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any period end are continually reviewed and re-estimated as information regarding actual claims payments, or runout, becomes known. This information is compared to the originally established year end liability. Negative amounts reported for incurred related to prior years result from claims being settled for amounts less than originally estimated. The prior year redundancy of \$336.2 million shown above for the nine months ended September 30, 2007 represents an estimate based on paid claim activity from January 1, 2007 to September 30, 2007, and may not be indicative of the expected prior year experience for the year ending December 31, 2007. Medical claim liabilities are usually described as having a “short tail”, which means that they are generally paid within several months of the member receiving service from the provider. Accordingly, the majority, or approximately 86%, of the \$336.2 million redundancy relates to claims incurred in calendar year 2006, with the remaining 14% related to claims incurred in 2005 and prior.

The ratio of current year medical claims paid as a percent of current year net medical claims incurred was 88.0% for 2006, 88.2% for 2005, and 81.2% for 2004. The 2004 ratio was impacted by having only one month of

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medical claims incurred and paid during 2004 for the former WellPoint Health Networks Inc., or WHN. If the former WHN had not been included during 2004, current year medical claims paid would have been \$12,057.7 million, current year net incurred medical claims would have been \$13,835.1 million and the adjusted ratio would have been approximately 87.2% for 2004. Comparison of the 2006 ratio of 88.0% and the 2005 ratio of 88.2% reflects a moderate decline due to system conversions and integration activity that impacted the 2006 ratio. Comparison of the 2005 ratio of 88.2% and the adjusted 2004 ratio of 87.2% indicates that we paid claims faster between those periods. The increase was primarily attributable to improved processes and our provider networks submitting claims information to us more timely as a result of increased electronic submissions. The result of these changes is an enhanced ability to adjudicate and pay claims more quickly. Review of the nine-month periods presented above shows that as of September 30, 2007, 84.1% of current year net incurred medical claims had been paid in the period incurred, as compared to 84.3% for the same period in 2006.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net incurred claims payable less prior year redundancies in the current period in order to demonstrate the development of the prior year reserves. This ratio was 6.9% for the nine months ended September 30, 2007 and 13.6% for the nine months ended September 30, 2006. The 670 basis point decrease over the two periods resulted from actual completion factors and claims trends differing from the assumptions used. This metric was 14.7% for 2006, 18.7% for 2005 and 10.4% for 2004. As discussed previously, the 400 basis point decrease in this metric for 2006 was caused by actual completion factors and claim trends differing from the assumptions used to support our best estimate of the incurred but not paid claim liability of the prior period.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net incurred medical claims to indicate the percentage of redundancy included in the preceding year calculation of current year net incurred medical claims. We believe this calculation indicates the reasonableness of our prior year estimation of incurred medical claims and the consistency of our methodology. For the nine months ended September 30, 2007, the metric was 0.8%, which was calculated using the redundancy of \$336.2 million shown above, which represents an estimate based on paid medical claims activity from January 1, 2007 to September 30, 2007. If the former WellChoice, Inc. had been included for the full year 2005, this ratio would have been approximately 1.5% for the nine months ended September 30, 2006. The ratio of 0.8% is subject to change based on future paid medical claim activity through the remainder of 2007. This metric was 1.9% for 2006, 4.2% for 2005 and 1.4% for 2004. This ratio is calculated using the redundancy of \$617.7 million, shown above, which represents an estimate based on paid claim activity from January 1, 2006 to December 31, 2006. The 2006 ratio is impacted by having no net incurred medical claims for the former WellChoice, Inc. in 2005. If the former WellChoice, Inc. had been included for the full year 2005, this ratio would have been approximately 1.6%. The 2005 ratio is impacted by having only one month of net incurred medical claims for WHN in 2004. If WHN had been included for the full year 2004 estimated prior year net incurred medical claims would have been \$30,819.1 million, and the adjusted ratio would have been approximately 2.1% for the year ended December 31, 2005.

Income Taxes

We account for income taxes in accordance with FAS 109, *Accounting for Income Taxes*. This standard requires, among other things, the separate recognition of deferred tax assets and deferred tax liabilities. Such deferred tax assets and deferred tax liabilities represent the tax effect of temporary differences between financial reporting and tax reporting measured at tax rates enacted at the time the deferred tax asset or liability is recorded. A valuation allowance must be established for deferred tax assets if it is "more likely than not" that all or a portion may be unrealized. Our judgment is required in determining an appropriate valuation allowance.

At each financial reporting date, we assess the adequacy of the valuation allowance by evaluating each of our deferred tax assets based on the following:

- the types of temporary differences that created the deferred tax asset;
- the amount of taxes paid in prior periods and available for a carry-back claim;

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- the forecasted future taxable income, and therefore, likely future deduction of the deferred tax item; and
- any significant other issues impacting the likely realization of the benefit of the temporary differences.

As discussed in the *New Accounting Pronouncements* disclosure included in this MD&A, we adopted the FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* (“FIN 48”) effective January 1, 2007.

We, like other companies, frequently face challenges from tax authorities regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions that we have taken on our tax returns. In evaluating any additional tax liability associated with various positions taken in our tax return filings, we record additional liabilities for potential adverse tax outcomes. Based on our evaluation of our tax positions, we believe we have appropriately accrued for uncertain tax benefits exposures. To the extent we prevail in matters we have accrued for, our future effective tax rate would be reduced and net income would increase. If we are required to pay more than accrued, our future effective tax rate would increase and net income would decrease. Our effective tax rate and net income in any given future period could be materially impacted.

In the ordinary course of business, we are regularly audited by federal and other tax authorities, and from time to time, these audits result in proposed assessments. We believe our tax positions comply with applicable tax law and intend to defend our positions vigorously through the Internal Revenue Service (“IRS”) appeals process. We believe we have adequately provided for any reasonable foreseeable outcome related to these matters. Accordingly, although their ultimate resolution may require additional tax payments, we do not anticipate any material impact to earnings from these matters. As of September 30, 2007, the IRS had completed its examination of our 2003 tax year. Our 2006, 2005 and 2004 tax years are being examined by the IRS. In addition, the Company has several tax years for which there are ongoing disputes. The IRS has invited us to join the Compliance Assurance Program, or CAP, for 2007 and we have accepted the invitation. The objective of CAP is to reduce taxpayer burden and uncertainty while assuring the IRS of the accuracy of tax returns prior to filing, thereby reducing or eliminating the need for post-filing examinations. Various tax examinations and proceedings also continue for certain subsidiaries for tax years prior to being included in our consolidated tax return.

For additional information, see Note 14 to our audited consolidated financial statements as of and for the year ended December 31, 2006 included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

Goodwill and Other Intangible Assets

Our consolidated goodwill at September 30, 2007 was \$13.5 billion and other intangible assets were \$9.3 billion. The sum of goodwill and intangible assets represented 43% of our total consolidated assets and 96% of our consolidated shareholders’ equity at September 30, 2007.

We follow FAS 141, *Business Combinations*, and FAS 142, *Goodwill and Other Intangible Assets*. FAS 141 specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. Under FAS 142, goodwill and other intangible assets (with indefinite lives) are not amortized but are tested for impairment at least annually. We completed our annual impairment tests of existing goodwill and other intangible assets (with indefinite lives) for each of the years ended December 31, 2006, 2005 and 2004 and based upon these tests we have not incurred any impairment losses related to any goodwill and other intangible assets (with indefinite lives).

In addition, we completed an interim impairment test of existing goodwill during the quarter ended March 31, 2007 based on our organizational structure which was implemented on January 1, 2007. As a result of the interim impairment test, we did not incur any impairment losses related to goodwill.

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While we believe we have appropriately allocated the purchase price of our acquisitions, this allocation requires many assumptions to be made regarding the fair value of assets and liabilities acquired. In addition, the impairment testing required under FAS 142 requires us to make assumptions and judgments regarding the estimated fair value of our goodwill and intangibles (with indefinite lives). Such assumptions include the discount factor used to determine the fair value of a reporting unit, which is ultimately used to identify potential goodwill impairment. Such estimated fair values might produce significantly different results if other reasonable assumptions and estimates were to be used. If we are unable to support a fair value estimate in future annual goodwill impairment tests or if significant impairment indicators are noted relative to other intangible assets subject to amortization, we may be required to record impairment losses against future income.

For additional information, see Note 4 to our audited consolidated financial statements as of and for the year ended December 31, 2006 included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

Investments

Current and long-term available-for-sale investment securities were \$18.1 billion at September 30, 2007 and represented 34% of our total consolidated assets at September 30, 2007. In accordance with FAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, our fixed maturity and equity securities are classified as “available-for-sale” or “trading” and are reported at fair value. We classify our investments in available-for-sale fixed maturity securities as either current or noncurrent assets based on their contractual maturity. Certain investments which we intend to sell within the next twelve months are carried as current without regard to their contractual maturities. Additionally, certain investments used to satisfy contractual, regulatory or other requirements are classified as long-term, without regard to contractual maturity. The unrealized gains or losses on both current and long-term available-for-sale fixed maturity and equity securities are included in accumulated other comprehensive income as a separate component of shareholders’ equity, unless the decline in value is deemed to be other-than-temporary and we do not have the intent and ability to hold such securities until their full cost can be recovered, in which case the securities are written down to fair value and the loss is charged to income. Investment income is recorded when earned, and realized gains or losses, determined by specific identification of investments sold, are included in income when securities are sold.

We maintain various rabbi trusts to account for the assets and liabilities under certain deferred compensation plans. Under these deferred compensation plans, the participants can defer certain types of compensation and elect to receive a return on the deferred amounts based on the changes in fair value of various investment options, primarily a variety of mutual funds. We also generally purchase corporate-owned life insurance policies on participants in the deferred compensation plans. The cash surrender value of the corporate-owned life insurance policies is reported in other invested assets, long-term in the consolidated balance sheets. The change in cash surrender value is reported as an offset to the premium expense of the policies, classified as general and administrative expenses.

In addition to available-for-sale investment securities, we held additional long-term investments of \$681.0 million, or 1% of total consolidated assets, at September 30, 2007. These long-term investments consist primarily of real estate, cash surrender value of corporate-owned life insurance policies and certain other investments. Due to their less liquid nature, these investments are classified as long-term.

An impairment review of securities to determine if declines in fair value below cost are other-than-temporary is subjective and requires a high degree of judgment. We evaluate our investment securities on a quarterly basis, using both quantitative and qualitative factors, to determine whether a decline in value is other-than-temporary. Such factors considered include the length of time and the extent to which a security’s market value has been less than its cost, financial condition and near term prospects of the issuer, recommendations of investment advisors, and forecasts of economic, market or industry trends. If any declines are determined to be other-than-temporary, we charge the losses to income when that determination is made. We have a committee

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made up of certain accounting and investment associates and management responsible for managing the impairment review process. The current economic environment and recent volatility of securities markets increase the difficulty of assessing investment impairment and the same influences tend to increase the risk of potential impairment of these assets. We recorded charges for other-than-temporary impairment of securities of \$150.2 million and \$46.3 million, respectively, for the nine months ended September 30, 2007 and 2006.

We believe we have adequately reviewed our investment securities for impairment and that our investment securities are carried at fair value. However, over time, the economic and market environment may provide additional insight regarding the fair value of certain securities, which could change our judgment regarding impairment. This could result in realized losses relating to other-than-temporary declines being charged against future income.

We participate in securities lending programs whereby marketable securities in our investment portfolio are transferred to independent brokers or dealers based on, among other things, their creditworthiness in exchange for collateral initially equal to at least 102% of the value of the securities on loan and is thereafter maintained at a minimum of 100% of the market value of the securities loaned. The market value of the securities on loan to each borrower is monitored daily and the borrower is required to deliver additional collateral if the market value of the collateral falls below 100% of the market value of the securities on loan. Under the guidance provided in FAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, we recognize the collateral as an asset, which is reported as “securities lending collateral” on our balance sheet and we record a corresponding liability for the obligation to return the collateral to the borrower, which is reported as “securities lending payable”. The securities on loan are reported in the applicable investment category on the balance sheet.

Through our investing activities, we are exposed to financial market risks, including those resulting from changes in interest rates and changes in equity market valuations. We manage the market risks through our investment policy, which establishes credit quality limits and limits of investments in individual issuers. Ineffective management of these risks could have an impact on our future earnings and financial position.

For additional information, see Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk” and Note 5 to our audited consolidated financial statements for the year ended December 31, 2006 included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

Retirement Benefits

Pension Benefits

We sponsor defined benefit pension plans for our employees. These plans are accounted for in accordance with FAS 87, *Employers' Accounting for Pensions*, which requires that amounts recognized in financial statements be determined on an actuarial basis. As permitted by FAS 87, we calculate the value of plan assets as described below. Further, the difference between our expected rate of return and the actual performance of plan assets, as well as certain changes in pension liabilities, are amortized over future periods.

An important factor in determining our pension expense is the assumption for expected long-term return on plan assets. As of our September 30, 2007 measurement date, we selected a rate of return on plan assets of 8.00% for all plans, which is consistent with our prior year assumption of 8.00%. We use a total portfolio return analysis in the development of our assumption. Factors such as past market performance, the long-term relationship between fixed maturity and equity securities, interest rates, inflation and asset allocations are considered in the assumption. The assumption includes an estimate of the additional return expected from active management of the investment portfolio. Peer data and historical returns are also reviewed for appropriateness of the selected assumption. The expected long-term rate of return is calculated by the geometric averaging method, which calculates an expected multi-period return, reflecting volatility drag on compound returns. We believe our assumption of future returns is reasonable. However, if we lower our expected long-term return on plan assets, future contributions to the pension plans and pension expense would likely increase.

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This assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over three years, producing the expected return on plan assets that is included in the determination of pension expense. The difference between this expected return and the actual return on plan assets is deferred and amortized over the average remaining service of the workforce as a component of pension expense. The net deferral of past asset gains or losses affects the calculated value of plan assets and, ultimately, future pension expense.

The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year based on our most recent measurement date (September 30, 2007). The selected discount rate for all plans is 6.00% (compared to a discount rate of 5.90% for 2007 expense recognition), which was developed using a yield curve approach. Using yields available on high-quality fixed maturity securities with various maturity dates, the yield curve approach provides a “customized” rate, which is meant to match the expected cash flows of our specific benefit plans. The net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, have been deferred and amortized as a component of pension expense in accordance with FAS 87.

In managing the plan assets, our objective is to be a responsible fiduciary while minimizing financial risk. Plan assets include a diversified mix of investment grade fixed maturity securities and equity securities across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. In addition to producing a reasonable return, the investment strategy seeks to minimize the volatility in our expense and cash flow. As of our September 30, 2007 measurement date, we had approximately 60% of plan assets invested in equity securities, 34% in fixed maturity securities and 6% in other assets. No plan assets were invested in WellPoint common stock as of the measurement date.

At September 30, 2007, our consolidated prepaid pension asset was \$293.2 million. We also had liabilities of \$107.3 million for certain supplemental plans. For the year ending December 31, 2007, there were no required contributions under ERISA; however, we made a contribution of \$1.0 million during the three months ended September 30, 2007.

We recognized consolidated pre-tax pension expense (credit) of \$(2.8) million and \$12.7 million for the three months ended September 30, 2007 and 2006, respectively. We recognized consolidated pre-tax pension expense (credit) of \$(2.3) million and \$22.3 million for the nine months ended September 30, 2007 and 2006, respectively.

During the nine months ended September 30, 2007, we incurred a net curtailment loss of \$6.1 million within certain of our supplemental pension plans.

Other Postretirement Benefits

We provide most associates with certain life, medical, vision and dental benefits upon retirement. We use various actuarial assumptions including a discount rate and the expected trend in health care costs to estimate the costs and benefit obligations for our retiree benefits. At September 30, 2007, our postretirement benefit liability was \$553.0 million.

We recognized consolidated pre-tax other postretirement expense of \$8.8 million and \$10.6 million for the three months ended September 30, 2007 and 2006, respectively. We recognized consolidated pre-tax other postretirement expense of \$28.4 million and \$31.7 million for the nine months ended September 30, 2007 and 2006, respectively.

At our September 30, 2007 measurement date, the selected discount rate was 6.10% (compared to a discount rate of 5.90% for 2007 expense recognition). We developed this rate using a yield curve approach as described above.

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The assumed health care cost trend rates used to measure the expected cost of other benefits at our September 30, 2007 measurement date was 8.50% for 2008 with a gradual decline to 5.00% by the year 2015. These estimated trend rates are subject to change in the future. The health care cost trend assumption has a significant effect on the amounts reported.

For additional information regarding retirement benefits, see Note 17 to our audited consolidated financial statements as of and for the year ended December 31, 2006 included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board issued FIN 48. Among other things, FIN 48 provides guidance to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold which income tax positions must achieve before being recognized in the financial statements. In addition, FIN 48 requires expanded disclosures, including a rollforward of the beginning and ending aggregate unrecognized tax benefits as well as specific detail related to tax uncertainties for which it is reasonably possible the amount of unrecognized tax benefit will significantly increase or decrease within twelve months. Effective January 1, 2007, we adopted FIN 48. See Note 8, Income Taxes, to our unaudited consolidated financial statements for the three and nine months ended September 30, 2007 included in this Quarterly Report on Form 10-Q for discussion of the impact of adoption of FIN 48.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement 115* (“FAS 159”). FAS 159 allows entities to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis under the fair value option. FAS 159 is effective for us on January 1, 2008. The effect of adoption is accounted for as a cumulative effect adjustment recorded to the beginning balance of retained earnings. We are currently evaluating the impact of FAS 159.

There were no other new accounting pronouncements issued during the nine months ended September 30, 2007 that had a material impact on our financial position, operating results or disclosures.

IX. Liquidity and Capital Resources

Introduction

Our cash receipts result primarily from premiums, administrative fees, investment income, other revenue, proceeds from the sale or maturity of our investment securities, proceeds from borrowings and proceeds from exercise of stock options and our employee stock purchase plan. Cash disbursements result mainly from claims payments, administrative expenses, taxes, purchases of investment securities, interest expense, payments on long-term borrowings, capital expenditures and repurchases of our common stock. Cash outflows fluctuate with the amount and timing of settlement of these transactions. Any future decline in our profitability would likely have some negative impact on our liquidity.

We manage our cash, investments and capital structure to meet the short and long-term obligations of our business while maintaining financial flexibility and liquidity. We forecast, analyze and monitor our cash flows to enable investment and financing activities within the overall constraints of our financial strategy.

A substantial portion of the assets held by our regulated subsidiaries are in the form of cash and cash equivalents and investments. After considering expected cash flows from operating activities, we generally invest cash that exceeds our near term obligations in longer term marketable fixed maturity securities, to improve our overall investment income returns. Our investment strategy is to make investments consistent with insurance

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statutes and other regulatory requirements, while preserving our asset base. Our investments are generally available-for-sale to meet liquidity and other needs. Excess capital at our subsidiaries is paid annually by subsidiaries in the form of dividends to their respective parent companies for general corporate use, as permitted by applicable regulations.

The availability of financing in the form of debt or equity is influenced by many factors, including our profitability, operating cash flows, debt levels, debt ratings, contractual restrictions, regulatory requirements and market conditions. We have access to a \$2.5 billion commercial paper program supported by a \$2.5 billion senior credit facility, which allows us to maintain further operating and financial flexibility.

Liquidity – Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006

During the nine months ended September 30, 2007, net cash flow provided by operating activities was \$3,240.3 million, compared to \$2,613.3 million for the nine months ended September 30, 2006, an increase of \$627.0 million. This increase resulted from lower income tax payments in 2007 compared to 2006 and improved net income.

Net cash flow used in investing activities was \$1,088.6 million in 2007, compared to \$161.7 million of cash used in investing activities in 2006. The table below outlines the increase in cash flow used in investing activities of \$926.9 million between the two periods:

<i>(In millions)</i>	Change in Cash Used in Investing Activities
Increase in net purchases of investments	\$ (129.8)
Decrease in securities lending collateral	(477.7)
Increase in purchases of subsidiaries, net of cash acquired	(273.5)
Increase in net purchases of property and equipment	(39.7)
Increase in other, net	(6.2)
Net increase in cash used in investing activities	<u>\$ (926.9)</u>

On August 1, 2007, we completed our acquisition of Imaging Management Holdings, LLC (“IMH”) whose sole business is the holding company parent of American Imaging Management, Inc. (“AIM”). AIM is a leading radiology benefit management and technology company and currently provides services to us as well as other customers nationwide, including eight other Blue Cross and Blue Shield licensees. The acquisition supports our strategy to become the leader in affordable quality care by incorporating AIM’s services and technology for more effective and efficient use of radiology services by our members. We paid approximately \$300.0 million in cash.

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Net cash flow used in financing activities was \$1,929.8 million in 2007 compared to \$2,962.3 million of cash used in 2006. The table below outlines the decrease in cash used in financing activities of \$1,032.5 million between the two periods:

	Change in Cash Used in Financing Activities
<i>(In millions)</i>	
Net increase in repayment of commercial paper borrowings	\$ (126.3)
Increase in net proceeds from long-term borrowings	1,262.7
Increase in securities lending payable	477.7
Increase in bank overdrafts	(427.4)
Increase in repurchases of common stock	(325.3)
Increase in proceeds from exercise of employee stock options and employee stock purchase plan	143.1
Increase in excess tax benefits from share-based compensation	28.0
Net decrease in cash used in financing activities	<u>\$ 1,032.5</u>

Financial Condition

We maintained a strong financial condition and liquidity position, with consolidated cash, cash equivalents and investments, including long-term investments, of \$21.7 billion at September 30, 2007. Since December 31, 2006, total cash, cash equivalents and investments, including long-term investments, increased primarily as a result of cash generated from operations.

Many of our subsidiaries are subject to various government regulations that restrict the timing and amount of dividends and other distributions that may be paid to their respective parent companies. In addition, we have made certain undertakings to regulatory authorities, including the requirement to maintain certain capital levels in our California and Georgia subsidiaries.

At September 30, 2007, we held at the parent company approximately \$2.0 billion of cash, cash equivalents and investments, which is available for general corporate use, including investment in our businesses, acquisitions, share and debt repurchases and interest payments.

Our consolidated debt-to-total capital ratio (calculated as the sum of debt divided by the sum of debt plus shareholders' equity) was 26.9% as of September 30, 2007 and 22.2% as of December 31, 2006.

Our senior debt is rated "BBB+" by Standard & Poor's, "A-" by Fitch, Inc., "Baa1" by Moody's Investor Service, Inc. and "a-" by AM Best Company, Inc. We intend to maintain our senior debt investment grade ratings. A significant downgrade in our debt ratings could adversely affect our borrowing capacity and costs.

Future Sources and Uses of Liquidity

On August 21, 2007, we issued zero coupon notes in a private placement transaction exempt from registration. Gross proceeds to us were \$500.0 million. The notes have a final maturity of August 22, 2022, and were issued with a yield to maturity of 5.264% and a final amount due at maturity of \$1,090.0 million. The notes have a put feature that allows a note holder to require us to repurchase the notes at certain dates in the future. The proceeds of this debt issuance are for general corporate purposes, including, but not limited to, repurchasing shares of our common stock. The notes have initially been classified as long-term debt on our balance sheet, and will be reclassified to current portion of long-term debt beginning one year prior to the date we may be required to repurchase the notes.

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On December 28, 2005, we filed a shelf registration with the U.S. Securities and Exchange Commission to register an unlimited amount of any combination of debt or equity securities in one or more offerings. Specific information regarding terms and securities being offered will be provided at the time of an offering. Proceeds from future offerings are expected to be used for general corporate purposes, including the repayment of debt, capitalization of our subsidiaries or the financing of possible acquisitions or business expansion. On June 8, 2007, we issued \$700.0 million of 5.875% notes due 2017 and \$800.0 million of 6.375% notes due 2037 under the shelf registration statement. The proceeds from this debt issuance are for working capital and for general corporate purposes, including, but not limited to, repurchases of our common stock. The notes have a call feature that allows us to repurchase the notes anytime at our option and a put feature that allows a note holder to require us to repurchase the notes upon the occurrence of both a change of control event and a downgrade of the notes.

On November 29, 2005, we entered into a senior revolving credit facility, or the facility, with certain lenders for general corporate purposes. We amended the facility on September 21, 2006. The facility, as amended, provides credit up to \$2.5 billion (reduced for any commercial paper issuances) and 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 September 30, 2007 or during the nine months then ended. At September 30, 2007, we had \$1.3 billion available under this facility.

We have Board of Directors' approval to borrow up to \$2.5 billion under our commercial paper program. Proceeds from any issuance of commercial paper may be used for general corporate purposes, including the repurchase of our debt and common stock. Commercial paper notes are short-term senior unsecured notes, with a maturity not to exceed 270 days from date of issuance. When issued, the notes bear interest at the then current market rates. There were \$1.2 billion of borrowings outstanding under this commercial paper program as of September 30, 2007. Commercial paper borrowings outstanding at September 30, 2007 are classified as long-term debt 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 with borrowings under our senior credit facilities.

As discussed in "Financial Condition" above, many of our subsidiaries are subject to various government regulations that restrict the timing and amount of dividends and other distributions that may be paid. Based upon these requirements, we are currently estimating approximately \$3.7 billion of dividends to be paid to the parent company during 2007. For the nine months ended September 30, 2007, we received \$2.3 billion of dividends from our subsidiaries.

We maintain a common stock repurchase program as authorized by our Board of Directors. Repurchases may be made from time to time at prevailing prices, subject to certain restrictions on volume, pricing and timing. On March 21, 2007 and August 9, 2007, our Board of Directors authorized an increase of \$2.0 billion and \$2.0 billion, respectively, in our stock repurchase program, resulting in a total amount available for repurchases in 2007 of approximately \$4.9 billion, which includes \$0.9 billion of authorization remaining unused at December 31, 2006. We purchased approximately 54.4 million shares during the nine months ended September 30, 2007 at a cost of \$4.3 billion. As of September 30, 2007, we had \$0.6 billion of authorization remaining under this program. Subsequent to September 30, 2007, we repurchased and retired approximately 4.0 million shares for an aggregate cost of approximately \$0.3 billion, leaving approximately \$0.3 billion for authorized future repurchases at October 17, 2007. Our stock repurchase program is discretionary as we are under no obligation to repurchase shares. We repurchase shares because we believe it is a prudent use of surplus capital.

Our current pension funding strategy is to fund an amount at least equal to the minimum required funding as determined under ERISA with consideration of maximum tax deductible amounts. For the year ending December 31, 2007, there were no required contributions under ERISA; however, we made a contribution of \$1.0 million during the three months ended September 30, 2007.

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Contractual Obligations and Commitments

We believe that funds from future operating cash flows, cash and investments and funds available under our credit agreement or from public or private financing sources will be sufficient for future operations and commitments, and for capital acquisitions and other strategic transactions.

For additional information regarding our estimated contractual obligations and commitments at December 31, 2006, see “Contractual Obligations and Commitments” included in the “Liquidity and Capital Resources” section within our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

Risk-Based Capital

Our regulated subsidiaries’ states of domicile have statutory risk-based capital, or RBC, requirements for health and other insurance companies largely based on the NAIC’s RBC Model Act. These RBC requirements are intended to measure capital adequacy, taking into account the risk characteristics of an insurer’s investments and products. The NAIC sets forth the formula for calculating the RBC requirements, which are designed to take into account asset risks, insurance risks, interest rate risks and other relevant risks with respect to an individual insurance company’s business. In general, under this Act, an insurance company must submit a report of its RBC level to the state insurance department or insurance commissioner, as appropriate, at the end of each calendar year. Our risk-based capital as of December 31, 2006, which was the most recent date for which reporting was required, was in excess of all mandatory RBC thresholds. In addition to exceeding the RBC requirements, we are in compliance with the liquidity and capital requirements for a licensee of the Blue Cross and Blue Shield Association and with the tangible net worth requirements applicable to certain of our California subsidiaries.

X. Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This document contains certain forward-looking information about WellPoint, Inc. (“WellPoint”) that is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not generally historical facts. Words such as “expect(s)”, “feel(s)”, “believe(s)”, “will”, “may”, “anticipate(s)”, “intend”, “estimate”, “project” and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of WellPoint, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include: those discussed and identified in public filings with the U.S. Securities and Exchange Commission (“SEC”) made by WellPoint; increased government regulation of health benefits, managed care and pharmacy benefit management operations; trends in health care costs and utilization rates; our ability to secure sufficient premium rate increases; our ability to contract with providers consistent with past practice; competitor pricing below market trends of increasing costs; reduced enrollment, as well as a negative change in our health care product mix; risks and uncertainties regarding the Medicare Part D Prescription Drug benefits program, including potential uncollectability of receivables resulting from processing and/or verifying enrollment (including facilitated enrollment), inadequacy of underwriting assumptions, inability to receive and process information, uncollectability of premium from members, increased pharmaceutical costs, and the underlying seasonality of the business; a downgrade in our financial strength ratings; litigation and investigations targeted at health benefits companies and our ability to resolve litigation and investigations within estimates; our ability to achieve expected synergies and operating efficiencies in the WellChoice, Inc. acquisition within the expected time frames or at all, and to successfully integrate our operations; our ability to meet expectations regarding repurchases of shares of our common stock; funding risks with respect to revenue received from participation in Medicare and Medicaid programs and the complex regulations imposed on

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Medicare fiscal intermediaries; events that result in negative publicity for the health benefits industry; failure to effectively maintain and modernize our information systems and e-business organization and to maintain good relationships with third party vendors for information system resources; events that may negatively affect our license with the Blue Cross and Blue Shield Association; possible impairment of the value of our intangible assets if future results do not adequately support goodwill and other intangible assets; intense competition to attract and retain employees; unauthorized disclosure of member sensitive or confidential information; changes in the economic and market conditions, as well as regulations, applicable to our investment portfolios; possible restrictions in the payment of dividends by our subsidiaries and increases in required minimum levels of capital and the potential negative affect from our substantial amount of outstanding indebtedness; general risks associated with mergers and acquisitions; various laws and our governing documents may prevent or discourage takeovers and business combinations; potential hedging activities in our common stock; future bio-terrorist activity or other potential public health epidemics; and general economic downturns. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Except to the extent otherwise required by federal securities law, WellPoint does not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures in WellPoint's SEC reports.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of our investing and borrowing activities, we are exposed to financial market risks, including those resulting from changes in interest rates and changes in equity market valuations. Our investment portfolio is exposed to three primary risks: credit quality risk, interest rate risk and market valuation risk. Our long-term debt has fixed interest rates and the fair value of these instruments is affected by changes in market interest rates. We use derivative financial instruments, specifically interest rate swap agreements, to hedge exposure in interest rate risk on our borrowings. No material changes to any of these risks have occurred since December 31, 2006.

For a more detailed discussion of our market risks relating to these activities, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk", included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation as of September 30, 2007, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be disclosed in the Company's reports under the Securities Exchange Act of 1934. In addition based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

There have been no changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In July 2005, the Company entered into a settlement agreement with representatives of more than 700,000 physicians nationwide to resolve certain cases brought by physicians. The cases resolved were known as the CMA Litigation, the Shane Litigation, the Thomas Litigation and certain other similar cases brought by physicians. Final monetary payments were made in October 2006. Following its acquisition in 2005, WellChoice, Inc. ("WellChoice") was merged with and into a wholly-owned subsidiary of WellPoint. Since the WellChoice transaction closed on December 28, 2005, after the Company reached settlement with the plaintiffs, WellChoice continues to be a defendant in the Thomas (now known as Love) Litigation and is not affected by the prior settlement between the Company and plaintiffs. The Love Litigation alleges that the Blue Cross and Blue Shield Association and the Blue Cross and Blue Shield plans violated the Racketeer Influenced and Corrupt Organizations Act ("RICO"). On April 27, 2007, the Company, along with 22 other Blue Cross and Blue Shield plans and the Blue Cross and Blue Shield Association, announced a settlement of the Love Litigation. The Court granted preliminary approval on May 31, 2007. The settlement will not have a material effect on the Company's consolidated financial position or results of operations.

Prior to WellPoint Health Network Inc.'s ("WHN") acquisition of the group benefit operations ("GBO") of John Hancock Mutual Life Insurance Company ("John Hancock"), John Hancock entered into a number of reinsurance arrangements, including with respect to personal accident insurance and the occupational accident component of workers' compensation insurance, a portion of which was originated through a pool managed by Unicover Managers, Inc. Under these arrangements, John Hancock assumed risks as a reinsurer and transferred certain of such risks to other companies. Similar reinsurance arrangements were entered into by John Hancock following WHN's acquisition of the GBO of John Hancock. These various arrangements have become the subject of disputes, including a number of legal proceedings to which John Hancock is a party. The Company is currently in arbitration with John Hancock regarding these arrangements. The arbitration panel's Phase I ruling addressed liability. On April 23, 2007, the arbitration panel issued a Phase II ruling stating the amount the Company owes to John Hancock for losses and expenses John Hancock paid through June 30, 2006. The panel further outlined a process for determining the Company's liability for losses and expenses paid after June 30, 2006, which liability has not been determined yet. The Company filed a Petition to Confirm and John Hancock filed an Application to Vacate the arbitration rulings, which are currently pending in federal court. The Company believes that the liability that may result from this matter is unlikely to have a material adverse effect on its consolidated financial condition or results of operations.

There have been no other material developments from the disclosure included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

There have been no material developments from the disclosure included in our 2006 Annual Report on Form 10-K as filed with the U.S. Securities and Exchange Commission.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table presents information related to our repurchases of common stock for the periods indicated.

Period	Total Number of Shares Purchased ¹	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs ²	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Programs
<i>(In millions, except share and per share data)</i>				
July 1, 2007 to July 31, 2007	6,489,718	\$ 81.02	6,487,110	\$ 466.5
August 1, 2007 to August 31, 2007	13,240,270	76.81	13,238,800	1,449.7
September 1, 2007 to September 30, 2007	10,346,737	79.76	10,345,600	624.5
	<u>30,076,725</u>	<u>78.73</u>	<u>30,071,510</u>	

- ¹ Total number of shares purchased includes 5,215 shares delivered to or withheld by the Company in connection with employee payroll tax withholding upon exercise or vesting of stock awards. Stock grants to employees and directors and stock issued for stock option plans and stock purchase plans in the consolidated statements of shareholders' equity are shown net of these shares purchased.
- ² Represents the number of shares repurchased through our repurchase program authorized by our Board of Directors. During the three months ended September 30, 2007, the Company repurchased approximately 30.1 million shares at a cost of \$2.4 billion under the program. On March 21, 2007 and August 9, 2007, the Board of Directors authorized increases of \$2.0 billion and \$2.0 billion, respectively, in the Company's stock repurchase program, resulting in a total amount available for repurchases in 2007 of approximately \$4.9 billion, which includes \$0.9 billion of authorization remaining unused at December 31, 2006. Remaining authorization under the program is \$0.6 billion as of September 30, 2007.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits: A list of exhibits required to be filed as part of this Quarterly Report on Form 10-Q is set forth in the Index to Exhibits, which immediately precedes such exhibits, and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WELLPOINT, INC.
Registrant

Date: October 24, 2007

By: /s/ WAYNE S. DEVEYDT
Wayne S. DeVeydt
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Date: October 24, 2007

By: /s/ JAMIE S. MILLER
Jamie S. Miller
Senior Vice President and Chief Accounting Officer
(Chief Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Exhibit
2.1	Amended and Restated Agreement and Plan of Merger, effective as of October 26, 2003, among WellPoint, Inc. (the “Company”), Anthem Holding Corp. and WellPoint Health Networks Inc., incorporated by reference to Appendix A to the Company’s Registration Statement on Form S-4 (Registration No. 333-110830) (exhibits thereto will be furnished supplementally to the Securities and Exchange Commission upon request).
2.2	Agreement and Plan of Merger, dated as of May 2, 2005, among the Company, Light Acquisition Corp. and Lumenos, Inc., incorporated by reference to Exhibit 2.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.
2.3	Agreement and Plan of Merger, dated as of September 27, 2005, among the Company, WellPoint Holding Corp. and WellChoice, Inc., incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K filed on September 30, 2005.
3.1	Articles of Incorporation of the Company, amended effective May 17, 2007, incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on May 18, 2007.
3.2	By-Laws of the Company, amended and restated effective May 16, 2007, incorporated by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K filed on May 18, 2007.
4.1	Articles of Incorporation of the Company, amended effective May 17, 2007 (Included in Exhibit 3.1).
4.2	By-Laws of the Company, amended and restated effective May 16, 2007 (Included in Exhibit 3.2).
4.3	Specimen of Certificate of the Company’s common stock, \$0.01 par value per share, incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-8 (Registration No. 333-120851).
4.4	<p>Indenture, dated as of July 31, 2002, between the Company and The Bank of New York, as trustee, incorporated by reference to Exhibit 4.13 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.</p> <p>(a) First Supplemental Indenture, dated as of July 31, 2002, between the Company and The Bank of New York, Trustee, establishing 4.875% Notes due 2005 and 6.800% Notes due 2012, incorporated by reference to Exhibit 4.14 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.</p> <p>(b) Form of 6.800% Note due 2012 (Included in Exhibit 4.4(a)), incorporated by reference to Exhibit 4.14 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.</p>
4.5	<p>Senior Note Indenture, dated as of December 31, 2002, between the Company and The Bank of New York, as trustee, incorporated by reference to Exhibit 4.16 to the Company’s Current Report on Form 8-K filed on August 25, 2004.</p> <p>(a) First Supplemental Indenture, dated as of August 27, 2004, between the Company and The Bank of New York, as trustee, establishing 3.50% Senior Notes due 2007, incorporated by reference to Exhibit 4.20 to the Company’s Current Report on Form 8-K filed on August 27, 2004.</p> <p>(b) Form of 3.50% Senior Note due 2007 (included as Exhibit A in Exhibit 4.5(a)), incorporated by reference to Exhibit 4.21 to the Company’s Current Report on Form 8-K filed on August 27, 2004.</p>

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Exhibit Number	Exhibit
4.6	Amended and Restated Indenture, dated as of June 8, 2001, by and between WellPoint Health Networks Inc. (as predecessor by merger to Anthem Holding Corp., “WellPoint Health”) and The Bank of New York, as trustee, incorporated by reference to Exhibit 4.3 to WellPoint Health’s Current Report on Form 8-K filed on June 12, 2001. (a) First Supplemental Indenture, dated as of November 30, 2004, between Anthem Holding Corp. and The Bank of New York, as trustee, incorporated by reference to Exhibit 4.11(a) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2004. (b) Form of Note evidencing WellPoint Health’s 6 ³ / ₈ % Notes due 2012, incorporated by reference to Exhibit 4.1 to WellPoint Health’s Current Report on Form 8-K filed on January 16, 2002.
4.7	Indenture, dated as of December 9, 2004, between the Company and The Bank of New York Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on December 15, 2004. (a) Form of the Company’s 3.750% Notes due 2007 (included in Exhibit 4.7). (b) Form of the Company’s 4.250% Notes due 2009 (included in Exhibit 4.7). (c) Form of the Company’s 5.000% Notes due 2014 (included in Exhibit 4.7). (d) Form of the Company’s 5.950% Notes due 2034 (included in Exhibit 4.7).
4.8	Indenture, dated as of January 10, 2006, between the Company and The Bank of New York Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on January 11, 2006. (a) Form of 5.00% Notes due 2011, incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K filed on January 11, 2006. (b) Form of 5.25% Notes due 2016, incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K filed on January 11, 2006. (c) Form of 5.85% Notes due 2036, incorporated by reference to Exhibit 4.4 to the Company’s Current Report on Form 8-K filed on January 11, 2006. (d) Form of 5.875% Notes due 2017, incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K filed on June 8, 2007. (e) Form of 6.375% Notes due 2037, incorporated by reference to Exhibit 4.3 to the Company’s Current Report on Form 8-K filed on June 8, 2007.
4.9	Upon the request of the Securities and Exchange Commission, the Company will furnish copies of any other instruments defining the rights of holders of long-term debt of the Company or its subsidiaries.
10.27*	(b) Form of Employment Agreement, between the Company and each of the following: Ken R. Goulet and Jamie S. Miller, incorporated by reference to Exhibit 10.6 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2006 (see Exhibit A). (c) Form of Employment Agreement, between the Company and each of the following: Dijuna Lewis and Bradley M. Fluegel (Included as Exhibit A in Exhibit 10.41 hereof).
10.41*	WellPoint, Inc. Executive Agreement Plan, amended and restated effective October 1, 2007, with certain other effective dates.
10.42*	Description of agreement between the Company and Alice F. Rosenblatt, dated August 21, 2007, incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on August 27, 2007.

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Exhibit Number	Exhibit
10.43*	Agreement between the Company and Joan E. Herman, dated September 28, 2007, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 2, 2007.
10.44*	Agreement between the Company and John S. Watts, Jr., dated September 28, 2007, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 2, 2007.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates management contracts or compensatory plans or arrangements.

WellPoint, Inc.

EXECUTIVE AGREEMENT PLAN

**(Amended and Restated Effective October 1, 2007,
With Certain Other Effective Dates)**

WellPoint, Inc.
Executive Agreement Plan
Amended and Restated
Effective October 1, 2007 (With Certain Other Effective Dates)

ARTICLE 1
ESTABLISHMENT, AMENDMENT, PURPOSE AND INTENT

1.1 Establishment, Amendment, Purpose and Intent. WellPoint, Inc., an Indiana corporation with its principal place of business in Indianapolis, Indiana (“WellPoint”), established this WellPoint, Inc. Executive Agreement Plan (“Plan”), effective as of January 1, 2006, and amended and restated the Plan effective November 1, 2006. The Plan is hereby amended and restated in its entirety, effective October 1, 2007; provided, however, that with respect to any individual who became a Participant (as defined in Section 8.1.12 below) in the Plan prior to October 1, 2007, such amendment and restatement shall be effective as of October 1, 2008 with respect to any provision of the Plan that adversely affects the rights to which such Participant was entitled to under the Plan prior to October 1, 2007. The Plan is intended to protect key executive employees of WellPoint and its subsidiaries and affiliates (collectively, the “Company”) against an involuntary loss of employment so as to attract and retain such employees, and motivate them to enhance the value of the Company. The Plan is intended to be an unfunded welfare plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); or to the extent it is a pension plan subject to ERISA, as an unfunded pension plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees. Words and phrases used with initial capitals in the Plan and not otherwise defined in the Plan have the meanings defined for them in Article 8.

ARTICLE 2
ELIGIBILITY AND PARTICIPATION

2.1 Participation.

(a) Each Executive shall become a Participant (“Participant”) upon mutual execution by the eligible Executive and the Company of an agreement (an “Employment Agreement”) substantially in the form of that attached as Exhibit A. Each such executed Employment Agreement shall form part of this Plan and is incorporated into this Plan by this reference. As soon as practicable after the date that the individual becomes an Executive, the Committee shall deliver a copy of the Plan to the Executive, advise the Executive of his or her eligibility, and offer him or her for a period of forty-five (45) days the opportunity to enter into an Employment Agreement substantially in the form of that attached as Exhibit A. If an Executive does not enter into an Employment Agreement within forty-five (45) days of such advice the Executive shall have no further opportunity to become a Participant in the Plan unless the Chief Executive Officer of the Company in his or her sole discretion affords the Executive a new or extended opportunity to become a Participant in the Plan.

(i) If an Executive who is advised of his or her eligibility for this Plan is at that time entitled to severance benefits under the WellPoint Health Networks, Inc. Officer Change-in-Control Plan or the WellChoice Change of Control Retention Agreement (the “Prior Plan”), then the Prior Plan shall remain operative until the expiration of the Prior Plan in accordance with its terms as currently in effect and the benefit sections of this Plan shall not become operative until after such time. Notwithstanding the preceding sentence, Sections 3.6 through 3.10 of this Plan shall become operative immediately upon the Executive’s agreement to become a Participant pursuant to Section 2.1(a).

2.2 Termination of Participation. A Participant’s participation in the Plan shall automatically terminate, without notice to or consent of the Participant, upon the earliest to occur of the following events:

(a) termination of the Participant’s employment with the Company for any reason (including but not limited to death, disability, Transfer of Business or other disposition of the subsidiary of the Company which employs the Participant) that is not an Eligible Separation from Service (as defined in Section 3.1); or

(b) expiration of the Employment Agreement.

ARTICLE 3

SEVERANCE BENEFITS

3.1 Eligible Separation from Service. Each Participant shall be entitled to severance and other benefits under the Plan in the amount set forth in Sections 3.2 and 3.3 below (“Severance Benefits”) if the Participant incurs an Eligible Separation from Service. Entitlement to Severance Benefits is subject to the Participant’s compliance with Sections 3.6 and 3.7 of the Plan and the other terms and conditions of this Plan, and subject to the execution and delivery of a valid and unrevoked Waiver and Release Agreement as required by Section 3.5 and to the other conditions set forth below. For this purpose an “Eligible Separation from Service” is:

(a) a Separation from Service by reason of a termination of the Participant’s employment by the Company for any reason other than death, disability, Cause, or Transfer of Business;

(b) a Separation from Service by reason of a termination of the Participant’s employment by the Participant for Good Reason;

(c) a Separation from Service during an Imminent Change in Control Period by reason of a termination of the Participant’s employment by the Company for any reason other than death, disability, Cause, or Transfer of Business.

No Severance Benefits shall be payable in respect of a Separation from Service that is not an Eligible Separation from Service. For avoidance of doubt, none of the following shall be an Eligible Separation from Service: (i) termination of the Participant’s employment upon death or disability, (ii) termination of the Participant’s employment by the Company for Cause or upon Transfer of Business, or (iii) any voluntary resignation that does not constitute a termination of the Participant’s employment for Good Reason. No Severance Benefits shall be payable merely upon termination of an Employment Agreement without a Separation from Service.

3.2 Amount of Severance Pay.

(a) The amount of severance pay (“Severance Pay”) to which the Participant is entitled under the Plan shall be the product of the amount described in (i) multiplied by the percentage described in (ii), with such product reduced by the amount described in (iii):

(i) if a Vice President, Senior Vice President, Executive Vice President or Group Vice President, the sum of the Participant’s Annual Salary and Annual Target Bonus or if an Other Key Executive, Annual Salary;

(ii) the applicable percentage set forth below opposite the Participant’s employment classification at the time of Separation from Service (disregarding any adverse change in employment classification during an Imminent Change in Control Period or after a Change in Control);

(iii) the sum of (A) severance or similar payments made pursuant to any Federal, state or local law, including but not limited to payments under the Federal Worker Adjustment and Retraining Notification Act (WARN), and (B) any termination or severance payments under any other termination or severance plans, policies or programs of the Company or any of its subsidiaries and affiliates that the Participant receives notwithstanding subsection (c) below.

(iv) In the event the Participant’s Eligible Separation from Service occurs outside an Imminent Change in Control Period or outside the thirty-six month period following a Change in Control, the applicable percentage shall be the percentage set forth in column (A) below and the applicable severance period (“Severance Period”) shall be the period set forth in column (B) below. In the event the Participant’s Eligible Separation from Service occurs within an Imminent Change in Control Period, provided the contemplated Change in Control occurs within one year of the Participant’s Eligible Separation from Service, or within the thirty-six month period following a Change in Control, the applicable percentage shall be the percentage set forth in column (C) below and the applicable Severance Period shall be the period set forth in column (D) below.

Position	(A)	(B)	(C)	(D)
	Percentage absent Change in Control	Severance Period absent Change in Control	Percentage – Change in Control	Severance Period – Change in Control
Other Key Executive	100%	One year	100%	One year
Vice President	100%	One year	100%	One year
Senior Vice President	150%	One and one- half years	250%	Two and one-half years
Executive Vice President or Group Vice President	200%	Two years	300%	Three years

(b) There shall be no duplication of severance benefits in any manner. Severance Pay under this Plan shall be in lieu of any termination or severance payments to which the Participant may be entitled under any other termination or severance plans, policies or programs of the Company or any of its subsidiaries and affiliates. No Participant shall be entitled to Severance Pay hereunder for more than one position with the Company.

(c) A Participant shall not be obligated to secure new employment, but each Participant shall report promptly to the Company any actual employment obtained during the Severance Period. Severance Pay under the Plan shall not be subject to mitigation except as provided (i) in Section 3.2(a) and (c) hereof for other severance pay from the Company and (ii) in Section 3.3 for determining continuing eligibility for health and life benefits coverage. Severance Pay shall be subject to Section 3.7.

(d) Severance Periods shall be measured from the date of the Eligible Separation from Service.

3.3 Other Benefits.

(a) A Participant entitled to Severance Pay pursuant to Section 3.2 shall be entitled during the applicable Severance Period to receive the following additional benefits:

(i) continued participation for him or her (and for his or her eligible dependents) in the Company's health benefit plan on the same basis (excluding payment of contributions) as apply to active employees from time to time; provided that the Participant and his or her eligible dependents assume the cost, on an after-tax basis, for such continued coverage, and further provided that this coverage shall terminate prior to the end of the Severance Period when the Participant (or his or her eligible dependents, as applicable) becomes entitled to health benefit plan coverage (whether or not comparable to plans of the Company) from any successor employer; and

(ii) on or about January 31 of the year following the year in which the Separation from Service occurs and continuing on or about each January 31 until the year following the year in which the Participant's health benefit plan coverage continues pursuant to Section 3.3(a)(i), the Company will make a payment to the Participant equal to the amount the Participant paid during the immediately preceding calendar year for health benefit plan continuation coverage described in Section 3.3(a)(i) that exceeds the amount that the Participant would have paid if the Participant paid for such continued health benefit plan coverage on the same basis as applicable to active employees, provided that each such cash payment by the Company pursuant to this Section 3.3(a)(ii) shall be considered a separate payment and not one of a series of payments for purposes of Section 409A; and

(iii) continued participation for him or her in the Company's life insurance benefit plan on the same basis (including payment of contributions) as apply to active employees from time to time; provided that this coverage shall terminate prior to the end of the Severance Period when the Participant (or his or her eligible dependents, as applicable) becomes entitled to health and life insurance benefit plan coverage (whether or not comparable to plans of the Company) from any successor employer; and

(iv) if the cash credits portion of the Directed Executive Compensation program is available to the active employees at the Participant's Executive level, the continuation of Directed Executive Compensation monthly cash payments, provided that each such cash payment by the Company pursuant to this Section 3.3(a)(iv) shall be considered a separate payment and not one of a series of payments for purposes of Section 409A; and

(v) if financial planning services are available to the active employees at the Participant's Executive level, the Company shall reimburse the Participant's expenses for financial planning incurred during the Severance Period. Such reimbursement shall be made no later than the last day of the calendar year following the calendar year in which the Participant incurs the financial planning expense. In no event will the amount of expenses so reimbursed by the Company in one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Each reimbursement of the Participant's expenses for financial planning pursuant to this Section 3.3(a)(v) shall be considered a separate payment and not one of a series of payments for purposes of Section 409A.

Neither Executive nor his dependents shall be eligible for continued participation in any disability income plan, travel accident insurance plan or tax-qualified retirement plan. Nothing herein shall be deemed to restrict the right of the Company to amend or terminate any plan in a manner generally applicable to active employees.

(b) The period of continuation coverage to which the Participant is entitled under Section 601 et seq. of ERISA (the "COBRA Continuation Period") shall begin after the Severance Period.

(c) Eligible Participants shall be entitled to outplacement counseling with an outplacement firm of the Company's selection in a form and manner determined by the Company.

3.4 Payment. Severance Pay (including payments pursuant to Section 4.5) and payments provided under Section 3.3(a)(ii), if any, shall commence to be paid as soon as practicable after the 45th day after the Eligible Separation from Service and shall be paid in substantially equal monthly (or more frequent periodic installments corresponding to the Company's normal payroll practices for Executive employees) payments over the Severance Period. Each such payment shall be considered a separate payment and not part of a series of installments. Notwithstanding the foregoing, in the event Severance Pay or any other payment under this Plan is included in the phrase "deferral of compensation" (as such phrase is defined for purposes of Section 409A of the Code, such payment shall instead commence on the first day of the seventh month following the Executive's Separation from Service. In the event payment is delayed under the preceding sentence, any payments that would have been paid prior to the deferred payment shall be paid in a single lump sum the date payments commence, together with interest thereon from the date that they would have been paid absent such delay through the date of payment at 120% of the applicable federal rate, determined under Section 1274(d) of the Code (the "AFR").

3.5 Waiver and Release. In order to receive benefits under the Plan, a Participant must execute and deliver to the Company a valid Waiver and Release Agreement within thirty (30) days of his or her date of Separation from Service, in a form tendered by the Company, which shall be substantially in the form of the Waiver and Release Agreement attached hereto as Exhibit B, with any changes thereto approved by WellPoint's counsel prior to execution. No benefits shall be paid under the Plan until the Participant has executed his or her Waiver and Release Agreement and the period within which a Participant may revoke his or her Waiver and Release Agreement has expired without revocation. A Participant may revoke his or her signed Waiver and Release Agreement within seven (7) days (or such other period provided by law) after his or her signing the Waiver and Release Agreement. Any such revocation must be made in writing and must be received by the Company within such seven (7) day (or such other) period. A Participant who does not submit a signed Waiver and Release Agreement to the Company within thirty (30) days of his or her Separation from Service shall not be eligible to receive any Severance Benefits under the Plan. A Participant who timely revokes his or her Waiver and Release Agreement shall not be eligible to receive any Severance Benefits under the Plan.

3.6 Restrictive Covenants. As a condition of participation in this Plan each Participant agrees as follows:

(a) Confidentiality.

(i) The Participant recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). The Participant expressly acknowledges and agrees that by virtue of his or her employment with the Company, the Participant will have access and will use in the course of the Participant's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that the Participant establishes by clear and convincing evidence is or may become known to the Participant or to the public from sources outside the Company and through means other than a breach of this Agreement.

(ii) The Participant agrees that the Participant will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (i) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (ii) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform the Participant's duties for the Company or its affiliates; or (iii) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, the Participant shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information.

(b) Disclosure and Assignment of Inventions and Improvements. Without prejudice to any other duties express or implied imposed on the Participant hereunder it shall be part of the Participant's normal duties at all times to consider in what manner and by what methods or devices the products, services, processes, equipment or systems of the Company and any customer or vendor of the Company might be improved and promptly to give to the Chief Executive Officer of the Company or his or her designee full details of any improvement, invention, research, development, discovery, design, code, model, suggestion or innovation (collectively called "Work Product"), which the Participant (alone or with others) may make, discover, create or conceive in the course of the Participant's employment. The Participant acknowledges that the Work Product is the property of the Company. To the extent that any of the Work Product is capable of protection by copyright, the Participant acknowledges that it is created within the scope of the Participant's employment and is a work made for hire. To the extent that any such material may not be a work made for hire, the Participant hereby assigns to the Company all rights in such material. To the extent that any of the Work Product is an invention, discovery, process or other potentially patentable subject matter (the "Inventions"), the Participant hereby assigns to the Company all right, title, and interest in and to all Inventions. The Company acknowledges that the assignment in the preceding sentence does not apply to an Invention that the Participant develops entirely on his or her own time without using the Company's equipment, supplies, facilities or trade secret information, except for those Inventions that either:

- (1) relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company, or
- (2) result from any work performed by the Participant for the Company.

Execution of the Employment Agreement constitutes the Participant's acknowledgment of receipt of written notification of this Section and of notice of the general exception to assignments of Inventions provided under the Uniform Employee Patents Act, in the form adopted by the state having jurisdiction over this Plan or provision, or any comparable applicable law.

(c) Non-Competition. During the Employment Period and any period in which the Participant is employed by the Company during or after the Employment Period, and during a period of time after the Participant's termination of employment (the "Restriction Period") which is eighteen (18) months for Executive Vice Presidents and Group Vice Presidents, fifteen (15) months for Senior Vice President, and twelve (12) months for all other Participants, the Participant will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) in which the Participant has executive level duties for such Competitor, or (B) in which the Participant will use any Confidential Information of the Company.

(ii) Restricted Territory means any geographic area in which the Company does business and in which the Participant had responsibility for, or Confidential Information about, such business, within the thirty-six (36) months prior to the Participant's termination of employment from the Company.

(iii) Restricted Activity means any activity for which the Participant had responsibility for the Company within the thirty-six (36) months prior to the termination of the Participant's employment from the Company or about which the Participant had Confidential Information.

(iv) Competitor means any entity or individual (other than the Company or its affiliates) engaged in management of network-based managed care plans and programs, or the performance of managed care services, health insurance, long term care insurance, dental, life or disability insurance, behavioral health, vision, flexible spending accounts and COBRA administration or other products or services substantially the same or similar to those offered by the Company while the Participant was employed, or other products or services offered by the Company within twelve (12) months after the termination of Participant's employment if the Participant had responsibility for, or Confidential Information about, such other products or services while the Participant was employed by the Company.

(d) Non-Solicitation of Customers. During the Employment Period and any period in which the Participant is employed by the Company during or after the Employment Period, and during the Restriction Period after the Participant's termination of employment, the Participant will not, either individually or as an employee, partner, consultant, independent contractor, owner, agent, or in any other capacity, directly or indirectly, for a Competitor of the Company as defined in subsection (c) above: (i) solicit business from any client or account of the Company

or any of its affiliates with which the Participant had contact, participated in the contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, (ii) solicit business from any client or account which was pursued by the Company or any of its affiliates and with which the Participant had contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, within the twelve (12) month period prior to termination of employment. For purposes of this provision, an individual policyholder in a plan maintained by the Company or by a client or account of the Company under which individual policies are issued, or a certificate holder in such plan under which group policies are issued, shall not be considered a client or account subject to this restriction solely by reason of being such a policyholder or certificate holder.

(e) Non-Solicitation of Employees. During the Employment Period and any period in which the Participant is employed by the Company during or after the Employment Period, and during the Restriction Period after the Participant's termination of employment as set forth on Schedule A to the Employment Agreement, the Participant will not, either individually or as an employee, partner, independent contractor, owner, agent, or in any other capacity, directly or indirectly solicit, hire, attempt to solicit or hire, or participate in any attempt to solicit or hire, for any non-Company affiliated entity, any person who on or during the six (6) months immediately preceding the date of such solicitation or hire is or was an officer or employee of the Company, or whom the Participant was involved in recruiting while the Participant was employed by the Company.

(f) Non-Disparagement. The Participant agrees that he or she will not, nor will he or she cause or assist any other person to, make any statement to a third party or take any action which is intended to or would reasonably have the effect of disparaging or harming the Company or the business reputation of the Company's directors, employees, officers and managers.

3.7 Return of Consideration.

(a) If at any time a Participant breaches any provision of Section 3.6 or Section 3.10, then: (i) the Company shall cease to provide any further Severance Pay or other benefits under Section 3.2 or Section 3.3 and the Participant shall repay to the Company all Severance Pay and other benefits previously received under Section 3.2 or Section 3.3; (ii) all unexercised Company stock options under any Designated Plan (defined below) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (iii) the Participant shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iv) the Participant shall pay to the Company (A) for each share of common stock of the Company ("Common Share") acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each share of restricted stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 3.7 shall be held by the Participant in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by the Participant to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested,

as the case may be, to the date of payment, at 120% of the AFR. Any amount described in clauses (i), (ii) and (iii) that the Participant forfeits as a result of a breach of the provisions of Sections 3.6 or 3.10 shall not reduce any money damages that would be payable to the Company as compensation for such breach.

(b) The amount to be repaid pursuant to this Section 3.7 shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such amount against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code).

(c) For purposes of this Section 3.7, a "Designated Plan" is each annual bonus and incentive plan, stock option, restricted stock, or other equity compensation or long-term incentive compensation plan, deferred compensation plan, or supplemental retirement plan, listed on Exhibit C.

(d) The provisions of this Section 3.7 shall apply to awards described in clauses (i), (ii), (iii), and (iv) of subsection (a) earned or made after the date the Executive becomes a Participant in this Plan and executes an Employment Agreement, and to awards earned or made prior thereto which by their terms are subject to cessation and recoupment under terms similar to those of this Section 3.7

3.8 Equitable Relief and Other Remedies. As a condition of participation in this Plan:

(a) The Participant acknowledges that each of the provisions of Section 3.6 and 3.7 of the Plan are reasonable and necessary to preserve the legitimate business interests of the Company, its present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in the Participant's chosen business and are not an undue restraint on the trade of the Participant, or any of the public interests which may be involved.

(b) The Participant agrees that beyond the amounts otherwise to be provided under this Plan and the Employment Agreement, the Company will be damaged by a violation of the terms of this Plan and the amount of such damage may be difficult to measure. The Participant agrees that if the Participant commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 3.6 or 3.10 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefor, except as required by law, in addition to any other rights and remedies that may be available at law or under this Plan, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, if the Participant violates Section 3.6 hereof the Participant agrees that the period of violation shall be added to the period in which the Participant's activities are restricted.

(c) Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent a Participant residing in California from engaging in post termination competition in California under Section 3.6(c) or (d) of this Plan, provided that the Company may seek and obtain relief to enforce Section 3.7 of this Plan with respect to such Participants.

(d) The parties agree that the covenants contained herein are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company's rights under Section 3.7 should be enforced to the fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided therein or if the arbitrator or court deems equitable relief to be inappropriate.

3.9 Survival of Provisions. The obligations contained in Sections 3.6, 3.7, 3.8 and Section 3.10 below shall survive the cessation of the Employment Period (as defined in the Employment Agreement) and the Participant's employment with the Company and shall be fully enforceable thereafter.

3.10 Cooperation. Upon the receipt of reasonable notice from the Company (including from outside counsel to the Company), the Participant agrees that while employed by the Company and for two years (or, if longer, for so long as any claim referred to in this Section remains pending) after the termination of Participant's employment for any reason, the Participant will respond and provide information with regard to matters in which the Participant has knowledge as a result of the Participant's employment with the Company, and will provide reasonable assistance to the Company, its affiliates and their respective representatives in defense of any claims that may be made against the Company or its affiliates, and will assist the Company and its affiliates in the prosecution of any claims that may be made by the Company or its affiliates, to the extent that such claims may relate to the period of the Participant's employment with the Company (or any predecessor); provided, that with respect to periods after the termination of the Participant's employment, the Company shall reimburse the Participant for any out-of-pocket expenses incurred in providing such assistance [and if the Participant is required to provide more than ten (10) hours of assistance per week after his termination of employment then the Company shall pay the Participant a reasonable amount of money for his services at a rate agreed to between the Company and the Participant; and] provided further that after the Participant's termination of employment with the Company such assistance shall not unreasonably interfere with the Participant's business or personal obligations. The Participant agrees to promptly inform the Company if the Participant becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its affiliates. The Participant also agrees to promptly inform the Company (to the extent the Participant is legally permitted to do so) if the Participant is asked to assist in any investigation of the Company or its affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its affiliates with respect to such investigation, and shall not do so unless legally required.

ARTICLE 4
ADDITIONAL CHANGE IN CONTROL BENEFITS

4.1 Equity Vesting Upon Change in Control.

(a) If the conditions of Section 4.1(b) are satisfied, then as of the date of the Change in Control (or as soon thereafter as permitted by Section 4.1(c)), all Options and SARs of a Participant shall become fully and immediately exercisable, all Restricted Stock shall become fully vested and nonforfeitable and forthwith delivered to a Participant if not previously delivered, and there shall be paid out in cash to the Participant within 30 days following the effective date of the Change in Control the value of the Performance Shares to which the Participant would have been entitled if performance achieved 100% of the target performance goals established for such Performance Shares.

(b) Both of the following conditions must be satisfied in order for Section 4.1(a) to apply:

(i) A Change in Control must occur, and

(ii) on or prior to such Change in Control either (A) WellPoint has not confirmed the continuation of the following awards without economic change, or (B) the successor to WellPoint in such Change in Control has not on or prior to such Change in Control assumed and continued the following awards without economic change:

- (1) any and all outstanding options ("Options") to purchase Common Shares (or stock that has been converted into Common Shares),
- (2) any and all stock appreciation rights ("SARs") based on appreciation in the value of Common Shares,
- (3) any and all restricted Common Shares (or deferred rights thereto), regardless whether such restrictions are scheduled to lapse based on service or on performance or both ("Restricted Stock"), and
- (4) any outstanding awards providing for the payment of a variable number of Common Shares dependent on the achievement of performance goals, or of an amount based on the fair market value of such shares or the appreciation thereof ("Performance Shares"), in each case awarded to a Participant under any Plan, contract or arrangement for Options, SARs, Restricted Stock or Performance Shares.

(c) Notwithstanding the foregoing provisions of this Section 4.1, if the Change in Control is not a Qualified Change in Control and such awards are deferred compensation subject to additional taxes or penalties under Section 409A of the Code if payment would commence immediately upon such Change in Control, payment of such awards shall not occur prior to the earliest to occur of: (a) the Participant's Separation from Service; (b) the Participant's "disability" (as defined in Treasury Regulation Section 1.409A-3(i)(4)); (c) the Participant's

death; (d) the occurrence of an “unforeseeable emergency” (as defined in Treasury Regulation Section 1.409A-3(i)(3)); and (e) the specific date on which the awards could otherwise be exercised or paid in accordance with the underlying award agreement. In the event payment is deferred under the preceding sentence, any installments that would have been paid prior to the deferred payment or commencement date but for Section 409A shall be paid in a single lump sum on such earliest payment or commencement date, together with interest from the date that they would have been paid absent such delay through the date of payment at 120% of the AFR.

4.2 Guaranteed Annual Bonus for the Year of a Change in Control. This Section 4.2 does not apply to Participants who are classified as Other Key Executives. If a Change in Control occurs, each Participant’s annual bonus for the fiscal year in which the Change in Control occurs shall be in an amount (“Guaranteed Amount”) equal to the greater of (i) the Participant’s Target Bonus for such fiscal year, or (ii) the bonus that is determined in the ordinary course under each annual bonus or short-term incentive plan (as determined by the Committee in its sole discretion) (a “Bonus Plan”) covering the Participant for the fiscal year in which the Change in Control occurs. The Guaranteed Amount shall be paid in a lump sum at the normal time for the payment of a bonus under the applicable Bonus Plan.

4.3 Equity Vesting Upon Termination Without Cause or for Good Reason. This Section 4.3 does not apply to Participants who are classified as Other Key Executives.

(a) If the conditions of Section 4.3(b) are satisfied, then as of the date of the Participant’s Eligible Separation from Service (i) all Pre-Change (as defined below) Options and Pre-Change SARs of such Participant shall become fully and immediately exercisable, (ii) all Pre-Change Restricted Stock shall become fully vested and nonforfeitable and forthwith delivered to the Participant if not previously delivered, and (iii) there shall be paid out in cash to the Participant within 45 days following the Separation from Service the value of the Pre-Change Performance Shares to which the Participant would have been entitled if performance achieved 100% of the target performance goals established for such Performance Shares.

(b) Both of the following conditions must be satisfied in order for Section 4.3(a) to apply:

(i) the Participant must have had a Separation from Service within the thirty-six (36) month period following a Change in Control by reason of (A) a termination of the Participant’s employment by the Company other than for Cause, death or disability, or (B) a termination of the Participant’s employment by the Participant for Good Reason; and

(ii) the Participant must have executed and delivered a valid Waiver and Release Agreement as required by Section 3.5, and the period for revoking such Waiver and Release Agreement must have elapsed.

(c) For purposes of this Section 4.3 a “Pre-Change” Option, SAR, Restricted Stock or Performance Shares means (i) an award of an Option, SAR, Restricted Stock or Performance Shares which was outstanding on both the date of the Change in Control and the date of the Eligible Separation from Service, and (ii) an award of an Option, SAR, Restricted Stock or Performance Shares assumed and continued by a successor to WellPoint in such Change in Control without economic change.

4.4 Pro-Rata Bonus Payment Upon Termination Without Cause or for Good Reason. This Section 4.4 does not apply to Participants who are classified as Other Key Executives.

(a) If the conditions of Section 4.4(b) are satisfied, then for the fiscal year in which the Participant's Eligible Separation from Service occurs, the Participant shall be entitled to a pro-rata bonus (the "Pro-Rata Bonus") equal to the product of the applicable amount described in (i), multiplied by the fraction determined in (ii):

(i) the applicable amount is the Guaranteed Amount described in Section 4.2 for the fiscal year in which the Eligible Separation from Service occurs, and

(ii) a fraction, the numerator of which is the number of days in such fiscal year before the date of the Eligible Separation from Service, and the denominator of which is the total number of days in such fiscal year.

The Pro-Rata Bonus shall be paid in a lump sum at the normal time for payment of a bonus under the applicable Bonus Plan.

(b) Both of the following conditions must be satisfied in order for Section 4.3(a) to apply:

(i) the Participant must have had a Eligible Separation from Service within the thirty-six (36) month period following a Change in Control by reason of (A) a termination of the Participant's employment by the Company other than for Cause, death or disability, or (B) a termination of the Participant's employment by the Participant for Good Reason; and

(ii) the Participant must have executed and delivered a valid and Waiver and Release Agreement as required by Section 3.5, and the period for revoking such Waiver and Release Agreement must have elapsed.

4.5 Qualified and Supplemental Pension and 401(k) Match Contribution. This Section 4.5 does not apply to Participants who are classified as Other Key Executives.

(a) Severance Pay pursuant to Sections 3.2 and 3.4 shall be increased by an amount equal to the value of WellPoint ongoing contributions to the Participant's qualified and supplemental cash balance pension accounts, and qualified and supplemental 401(k) accounts if Severance Pay had been considered covered earnings in those programs. This amount, is equal to the product of:

(i) Severance Pay multiplied by

(ii) a fraction, the numerator of which is (a) the Participant's cash balance pension contribution percentage, if any, plus (b) the Participant's maximum WellPoint 401(k) matching percentage, and the denominator of which is 100%.

4.6 Gross-up for Certain Taxes.

(a) If it is determined that any benefit received or deemed received by the Participant from the Company pursuant to this Plan or otherwise (collectively, "Payments") is or will become subject to any excise tax under Section 4999 of the Code or any similar tax payable under any United States federal, state, local or other law, but not including any tax payable under Section 409A of the Code (such excise tax and all such similar taxes collectively, "Excise Taxes"), then except as provided in subsection (b) the Participant shall receive in respect of such Payments whichever of (i) or (ii) below would result in the Participant retaining, after application of all applicable income, Excise, and other taxes ("All Applicable Taxes"), the greater after-tax amount (the "After-Tax Benefit"); where:

(i) is the Payments; and

(ii) is a reduced amount of Payments sufficient to avoid the imposition of Excise Taxes.

(b) Notwithstanding subsection (a), if (i) at any time during the Imminent Change in Control Period or after the date of the Change in Control, the Participant is classified as an Executive Vice President, Group Vice President or Senior Vice President, and (ii) the reduced amount of Payments sufficient to avoid the imposition of Excise Taxes is 10% of Annual Salary or greater, then there shall be no reduction and the Company shall pay the Participant as soon as practicable after the Change in Control an amount that, net of all taxes thereon, fully reimburses or "grosses up" the employee for the amount of such excise tax. This amount, (the "Gross-up Payment"), is equal to the product of:

(i) the amount of such Excise Taxes multiplied by

(ii) a fraction (the "Gross-Up Multiple"), the numerator of which is one (1.0), and the denominator of which is one (1.0) minus the sum, expressed as a decimal fraction, of the effective marginal rates of All Applicable Taxes (the "Aggregate Effective Tax Rate") applicable to the Gross-up Payment. If different rates of tax are applicable to various portions of a Gross-up Payment, the weighted average of such rates shall be used.

The Gross-Up Payment shall be made no later than the end of the Executive's fiscal year following the fiscal year in which the Executive remitted the taxes giving rise to the Gross-Up Payment. The Gross-up Payment is intended to compensate the Participant who is an Executive Vice President or Senior Vice President for the Excise Taxes and any Federal, state, local or foreign income or excise taxes payable by the Participant with respect to the Gross-up Payment. For all purposes of this Section 4.5, the Participant shall be deemed to be subject to the highest effective marginal rates of federal, state, local or other income or other taxes.

ARTICLE 5 CLAIMS

5.1 Good Reason and Competition Determinations. Any Participant believing he or she has a right to resign for Good Reason may apply to the Committee for written confirmation

that an event constituting Good Reason has occurred with respect to such Participant. The Committee shall confirm or deny in writing that Good Reason exists within 21 days following receipt of any such application. Any Participant may apply to the Committee for written confirmation that specified activities proposed to be undertaken by the Participant will not violate Section 3.6 of the Plan. The Committee shall confirm or deny in writing that specified activities proposed to be undertaken by the Participant will not violate Section 3.6 of the Plan within 21 days of receipt of any such application unless the Committee determines that it has insufficient facts on which to make that determination, in which event the Committee shall advise the Participant of information necessary for the Committee to make such determination. Any confirmation of Good Reason by the Committee shall be binding on the Company. Any confirmation that specified activities to be undertaken by the Participant will not violate Section 3.6 of the Plan shall be binding on the Company provided that all material facts have been disclosed to the Committee and there is no change in the material facts.

5.2 Claims Procedure. If any Participant has (a) a claim for compensation or benefits which are not being paid under the Plan or the Employment Agreement, (b) another claim for benefits under the Plan or Employment Agreement, (c) a claim for clarification of his or her rights under the Plan (to the extent not provided for in Section 5.1) or Employment Agreement, or (d) a claim for breach by the Company of the Employment Agreement, then the Participant (or his or her designee) (a "Claimant") may file with the Committee a written claim setting forth the amount and nature of the claim, supporting facts, and the Claimant's address. A claim shall be filed within six (6) months of (i) the date on which the claim first arises or (ii) if later, the earliest date on which the Participant knows or should know of the facts giving rise to a claim. The Committee shall notify each Claimant of its decision in writing by registered or certified mail within 90 days after its receipt of a claim, unless otherwise agreed by the Claimant. In special circumstances the Committee may extend for a further 90 days the deadline for its decision, provided the Committee notifies the Claimant of the need for the extension within 90 days after its receipt of a claim. If a claim is denied, the written notice of denial shall set forth the reasons for such denial, refer to pertinent provisions of the Plan or Employment Agreement on which the denial is based, describe any additional material or information necessary for the Claimant to realize the claim, and explain the claim review procedure under the Plan.

5.3 Claims Review Procedure. A Claimant whose claim has been denied or such Claimant's duly authorized representative may file, within 60 days after notice of such denial is received by the Claimant, a written request for review of such claim by the Committee. If a request is so filed, the Committee shall review the claim and notify the Claimant in writing of its decision within 60 days after receipt of such request, unless otherwise agreed by the Claimant. In special circumstances, the Committee may extend for up to 60 additional days the deadline for its decision, provided the Committee notifies the Claimant of the need for the extension within 60 days after its receipt of the request for review. The notice of the final decision of the Committee shall include the reasons for its decision and specific references to the Plan or Employment Agreement on which the decision is based. The decision of the Committee shall be final and binding on all parties in accordance with but subject to Section 5.4(a) below.

5.4 Arbitration.

(a) In the event of any dispute arising out of or relating to this Plan (including the Employment Agreement) the determinations of fact and the construction of this Plan (including the Employment Agreement) or any other determination by the Committee in its sole and absolute discretion pursuant to Section 6.3 of the Plan shall be final and binding on all persons and may not be overturned in any arbitration or any other proceeding unless the party challenging the Committee's determination can demonstrate by clear and convincing evidence that a determination of fact is clearly erroneous or any other determination by the Committee is arbitrary and capricious; provided, however, that if a claim relates to benefits due following a Change in Control, the Committee's determination shall not be final and binding if the party challenging the Committee's determination establishes by a preponderance of the evidence that he or she is entitled to the benefits in dispute.

(b) Any dispute arising out of or relating to this Plan (including the Employment Agreement) shall first be presented to the Committee pursuant to the claims procedure set forth in Section 5.2 of the Plan and the claims review procedure of Section 5.3 of the Plan within the times therein provided. In the event of any failure timely to use and exhaust such claims procedure and the claims review procedures, the decision of the Committee on any matter respecting the Plan (including the Employment Agreement) shall be final and binding and may not be challenged by further arbitration, or any other proceeding.

(c) Any dispute arising out of or relating to this Plan (including the Employment Agreement), including the breach, termination or validity of the Employment Agreement, which has not been resolved as provided in subsection (b) of this Section as provided herein shall be finally resolved by arbitration in accordance with the CPR Rules for Non-Administered Arbitration then currently in effect, by a sole arbitrator. The Company shall be initially responsible for the payment of any filing fee and advance in costs required by CPR or the arbitrator, provided, however, if the Participant initiates the claim, the Participant will contribute an amount not to exceed \$250.00 for these purposes. During the arbitration, each party shall pay for its own costs and attorneys fees, if any. Attorneys fees and costs shall be awarded by the arbitrator to the prevailing party pursuant to subsection (h) below.

(d) The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16 and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator shall not have the right to award speculative damages or punitive damages to either party except as expressly permitted by statute (notwithstanding this provision by which both parties hereto waive the right to such damages) and shall not have the power to amend this Agreement. The arbitrator shall be required to follow applicable law. The place of arbitration shall be Indianapolis, Indiana. Any application to enforce or set aside the arbitration award shall be filed in a state or federal court located in Indianapolis, Indiana.

(e) Any demand for arbitration must be made or any other proceeding filed within six (6) months after the date of the Committee's decision on review pursuant to Section 5.3.

(f) Notwithstanding the foregoing provisions of this Section, an action to enforce the Plan (including the Employment Agreement) shall be filed within eighteen (18) months after the

party seeking relief had actual or constructive knowledge of the alleged violation of the Plan (including the Employment Agreement) in question or any party shall be able to seek immediate, temporary, or preliminary injunctive or equitable relief from a court of law or equity if, in its judgment, such relief is necessary to avoid irreparable damage. To the extent that any party wishes to seek such relief from a court, the parties agree to the following with respect to the location of such actions. Such actions brought by the Participant shall be brought in a state or federal court located in Indianapolis, Indiana. Such actions brought by the Company shall be brought in a state or federal court located in Indianapolis, Indiana; the Participant's state of residency; or any other form in which the Participant is subject to personal jurisdiction. The Participant specifically consents to personal jurisdiction in the State of Indiana for such purposes.

(g) IF FOR ANY REASON THIS ARBITRATION CLAUSE BECOMES NOT APPLICABLE, THEN EACH PARTY, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER MATTER INVOLVING THE PARTIES HERETO.

(h) In the event of any contest arising under or in connection with this Plan, the arbitrator or court, as applicable, shall award the prevailing party attorneys' fees and costs to the extent permitted by applicable law.

ARTICLE 6 ADMINISTRATION

6.1 Committee. The Chief Executive Officer of WellPoint ("CEO") shall appoint not less than three (3) members of a committee, to serve at the pleasure of the CEO to administer this Plan. Members of the Committee may but need not be employees of the Company and may but need not be Participants in the Plan, but a member of the Committee who is a Participant shall not vote or act upon any matter which relates solely to such member as a Participant. All decisions of the Committee shall be by a vote or written evidence of intention of the majority of its members and all decisions of the Committee shall be final and binding except as provided in Section 5.4(a).

6.2 Committee Membership. Any member of the Committee may resign at any time by giving thirty days' advance written notice to the CEO and to the remaining members (if any) of the Committee. A member of the Committee who at the time of his or her appointment to the Committee was an employee or director of the Company, and who for any reason becomes neither an employee nor director of the Company, shall cease to be a member of the Committee effective on the date he or she is neither an employee nor a director of the Company unless the CEO affirmatively continues his or her appointment as a member of the Committee. If there is any vacancy in the membership of the Committee, the remaining members shall constitute the full Committee. The CEO may fill any vacancy in the membership of the Committee, or enlarge the Committee, by giving written notice of appointment to the person so appointed and to the other members (if any) of the Committee, effective as stated in such written notice. However, the CEO shall not be required to fill any vacancy in the membership of the Committee if there remain at least three members of the Committee. Any notice required by this Section may be waived by the person entitled thereto.

6.3 Duties. The Committee shall have the power and duty in its sole and absolute discretion to do all things necessary or convenient to effect the intent and purposes of the Plan, whether or not such powers and duties are specifically set forth herein, and, by way of amplification and not limitation of the foregoing, the Committee shall have the power in its sole and absolute discretion to:

- (a) provide rules for the management, operation and administration of the Plan, and, from time to time, amend or supplement such rules;
- (b) construe the Plan in its sole and absolute discretion to the fullest extent permitted by law, which construction shall be final and conclusive upon all persons except as provided in Section 5.4(a);
- (c) correct any defect, supply any omission, or reconcile any inconsistency in the Plan in such manner and to such extent as it shall deem appropriate in its sole discretion to carry the same into effect;
- (d) make all determinations relevant to a Participant's eligibility for benefits under the Plan, including determinations as to Separation from Service, Cause, Good Reason, Transfer of Business, and the Participant's compliance or not with Sections 3.6, 3.7, 3.8 and 3.10 of the Plan;
- (e) to enforce the Plan in accordance with its terms and the Committee's construction of the Plan as provided in subsection (b) above;
- (f) do all other acts and things necessary or proper in its judgment to carry out the purposes of the Plan in accordance with its terms and intent.

6.4 Binding Authority. The decisions of the Committee or its duly authorized delegate within the powers conferred by the Plan shall be final and conclusive for all purposes of the Plan, and shall not be subject to any appeal or review other than pursuant to Sections 5.2, 5.3, and 5.4.

6.5 Exculpation. No member of the Committee nor any delegate of the Committee serving as Plan Administrator nor any other officer or employee of the Company acting on behalf of the Company with respect to this Plan shall be directly or indirectly responsible or otherwise liable by reason of any action or default as a member of that Committee, Plan Administrator or other officer or employee of the Company acting on behalf of the Company with respect to this Plan, or by reason of the exercise of or failure to exercise any power or discretion as such person, except for any action, default, exercise or failure to exercise resulting from such person's gross negligence or willful misconduct. No member of the Committee shall be liable in any way for the acts or defaults of any other member of the Committee, or any of its advisors, agents or representatives.

6.6 Indemnification. The Company shall indemnify and hold harmless each member of the Committee, any delegate of the Committee serving as Plan Administrator, and each other officer or employee of the Company acting on behalf of the Company with respect to this Plan, against any and all expenses and liabilities arising out of his or her own membership on the Committee, service as Plan Administrator, or other actions respecting this Plan on behalf of the Company, except for expenses and liabilities arising out of such person's gross negligence or willful misconduct. A person indemnified under this Section who seeks indemnification hereunder ("Indemnatee") shall tender to the Company a request that the Company defend any claim with respect to which the Indemnatee seeks indemnification under this Section and shall fully cooperate with the Company in the defense of such claim. If the Company shall fail to timely assume the defense of such claim then the Indemnatee may control the defense of such claim. However, no settlement of any claim otherwise indemnified under this Section shall be subject to indemnity hereunder unless the Company consents in writing to such settlement.

6.7 Information. The Company and each Participant shall furnish to the Committee in writing all information the Committee may deem appropriate for the exercise of their powers and duties in the administration of the Plan. Such information may include, but shall not be limited to, the names of all Participants, their earnings and their dates of birth, employment, retirement or death. Such information shall be conclusive for all purposes of the Plan, and the Committee shall be entitled to rely thereon without any investigation thereof.

ARTICLE 7 GENERAL PROVISIONS

7.1 No Property Interest. The Plan is unfunded. Severance pay shall be paid exclusively from the general assets of the Company and any liability of the Company to any person with respect to benefits payable under the Plan shall give rise solely to a claim as an unsecured creditor against the general assets of the Company. Any Participant who may have or claim any interest in or right to any compensation, payment or benefit payable hereunder, shall rely solely upon the unsecured promise of the Company for the payment thereof, and nothing herein contained shall be construed to give to or vest in the Participant or any other person now or at any time in the future, any right, title, interest or claim in or to any specific asset, fund, reserve, account, insurance or annuity policy or contract, or other property of any kind whatsoever owned by the Company, or in which the Company may have any right, title or interest now or at any time in the future.

7.2 Other Rights. Except as provided in Sections 3.2(a), 3.7 and 7.9, the Plan shall not affect or impair the rights or obligations of the Company or a Participant under any other written plan, contract, arrangement, or pension, profit sharing or other compensation plan. Participation in the Plan is voluntary and no Executive shall be required to enter into an Employment Agreement.

7.3 Amendment or Termination. The Plan, including but not limited to any provision of the Plan incorporated by reference in an Employment Agreement, may be amended, modified, suspended, or terminated unilaterally by WellPoint at any time; provided, however, that no such amendment, modification, suspension or termination shall adversely affect the rights to which a Participant would be entitled under his or her Employment Agreement if the Participant incurred

a Separation from Service on the date of the amendment or termination unless: (i) the affected Participant approves such amendment in writing, or (ii) the amendment is effective no earlier than one (1) year after Participants have received written notice of the amendment, or (iii) the amendment is required (as determined by the Committee) by law (including any provision of the Code) whether such requirement impacts the Company or any Participant. Amendment or termination of the Plan shall not accelerate (or defer) the time of any payment under the Plan that is deferred compensation subject to Section 409A of the Code if such acceleration (or deferral) would subject such deferred compensation to additional tax or penalties under Section 409A.

7.4 Successors. All obligations of WellPoint under the Plan shall be binding on any successor to WellPoint, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of WellPoint, and any such successor shall be required to perform the obligations of WellPoint under the Plan in the same manner and to the same extent that WellPoint would be required to perform such obligations if no such succession had taken place.

7.5 Severability. If any term or condition of the Plan shall be invalid or unenforceable to any extent or in any application, then the remainder of the Plan, with the exception of such invalid or unenforceable provision, shall not be affected thereby and shall continue in effect and application to its fullest extent. If, however, the Committee determines in its sole discretion that any term or condition of the Plan (including any Employment Agreement) which is invalid or unenforceable is material to the interests of the Company, the Committee may declare the Plan (including any Employment Agreement) null and void in its entirety or may declare any affected Employment Agreement null and void in its entirety.

7.6 No Employment Rights. Except as provided in the Employment Agreement, neither the establishment of the Plan, any provisions of the Plan, nor any action of the Committee shall be held or construed to confer upon any employee the right to a continuation of employment by the Company. Subject to the applicable Employment Agreement, the Company reserves the right to dismiss any employee, or otherwise deal with any employee to the same extent as though the Plan had not been adopted.

7.7 Transferability of Rights. The Company shall have the right to transfer all of its obligations under the Plan and an Employment Agreement with respect to one or more Participants to any purchaser of all or any part of the Company's business in a Transfer of Business or otherwise without the consent of any Participant. No Participant or spouse of a Participant shall have any right to commute, encumber, transfer or otherwise dispose of or alienate any present or future right or expectancy which the Participant or such spouse may have at any time to receive payments of benefits hereunder, which benefits and the right thereto are expressly declared to be non-assignable and nontransferable, except to the extent required by law. Any attempt to transfer or assign a benefit, or any rights granted hereunder, by a Participant or the spouse of a Participant shall, in the sole discretion of the Committee (after consideration of such facts as it deems pertinent), be grounds for terminating any rights of the Participant or his or her spouse to any portion of the Plan benefits not previously paid.

7.8 Beneficiary. Any payment due under this Plan after the death of the Participant shall be paid to such person or persons, jointly or successively, as the Participant may designate,

in writing filed by Participant with the Committee during the Participant's lifetime in a form acceptable to the Committee, which the Participant may change without the consent of any beneficiary by filing a new designation of beneficiary in like manner. If no designation of beneficiary is on file with the Committee or no designated beneficiary is living or in existence upon the death of the Participant, such payments shall be made to the surviving spouse of the Participant, if any, or if none to the Participant's estate. If and to the extent Section 409A permits acceleration of payments of deferred compensation upon death, the Committee in its sole discretion may accelerate and pay in a lump sum, discounted at a rate approved by the payee, any Severance Pay payable after the death of a Participant.

7.9 Company Action. Any action required or permitted of WellPoint or the Company under this Plan shall be duly and properly taken if taken by the Compensation Committee of the Board of Directors, or by any officer of the WellPoint to which the Compensation Committee has delegated (generally or specifically) and not withdrawn the right or power to take such action.

7.10 Entire Document. The Plan (including Employment Agreements) as set forth herein, supersedes any and all prior practices, understandings, agreements, descriptions or other non-written arrangements respecting severance, except for written employment or severance contracts signed by the Company with individuals other than Participants.

7.11 Plan Year. The fiscal records of the Plan shall be kept on the basis of a plan year which is the calendar year.

7.12 Governing Law. This is an employee benefit plan subject to ERISA and shall be governed by and construed in accordance with ERISA and, to the extent applicable and not preempted by ERISA, the law of the State of Indiana applicable to contracts made and to be performed entirely within that State, without regard to its conflict of law principal.

ARTICLE 8 DEFINITIONS

8.1 Definitions. The following words and phrases as used herein shall have the following meanings, unless a different meaning is required by the context:

8.1.1 "Annual Salary" means the highest annualized rate of regular salary in effect for the Participant (i) during the one-year period before Separation from Service or, if higher, (ii) during the period commencing one year prior to a Change in Control, and ending upon Separation from Service.

8.1.2 "Board of Directors" means the Board of Directors of WellPoint.

8.1.3 "Cause", unless otherwise defined for purposes of termination of employment in a written employment agreement between the Company and the Participant, shall mean any act or failure to act on the part of the Participant which constitutes:

(i) fraud, embezzlement, theft or dishonesty against the Company;

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- (ii) material violation of law in connection with or in the course of the Participant's duties or employment with the Company,
 - (iii) commission of any felony or crime involving moral turpitude;
 - (iv) any violation of Section 3.6 of the Plan;
 - (v) any other material breach of the Employment Agreement;
 - (vi) material breach of any written employment policy of the Company; or
 - (vii) conduct which tends to bring the Company into substantial public disgrace or disrepute;

provided, however, that with respect to a termination of employment during an Imminent Change in Control Period or within the thirty-six (36) month period after a Change in Control, clause (vi) shall apply only if such material breach is grounds for immediate termination under the terms of such written employment policy; and clauses (iv), (v), (vi), and (vii) shall apply only if such violation, breach or conduct is willful.

8.1.4 "Change in Control" means the first to occur of the following events with respect to the WellPoint:

(a) any person (as such term is used in Rule 13d-5 of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "Exchange Act") or group (as such term is defined in Section 13(d) of the Exchange Act), other than a subsidiary of WellPoint or any employee benefit plan (or any related trust) of the Company, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of 20% or more of the common stock of WellPoint ("Common Stock") or of other voting securities representing 20% or more of the combined voting power of all voting securities WellPoint; provided, however, that (i) no Change in Control shall be deemed to have occurred solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than 80% of both the common stock of such corporation and the combined voting power of the voting securities of such corporation are then beneficially owned, directly or indirectly, by the persons who were the Beneficial Owners of the Common Stock and other voting securities of WellPoint immediately before such acquisition, in substantially the same proportion as their ownership of the Common Shares and other voting securities of WellPoint immediately before such acquisition; (ii) if any person or group owns 20% or more but less than 30% of the combined voting power of the Common Stock and other voting securities of WellPoint and such person or group has a "No Change in Control Agreement" (as defined below) with the Company, no Change in Control shall be deemed to have occurred solely by reason of such ownership for so long as the No Change in Control Agreement remains in effect and such person or group is not in violation of the No Change in Control Agreement; and (iii) once a Change in Control occurs under this subsection (a), the occurrence of the next Change in Control (if any) under this subsection (a) shall be determined by reference to a person or group other than the person or group whose acquisition of Beneficial Ownership created such prior Change in Control unless the original person or group has in the meantime ceased to own 20% or more of the Common Shares of WellPoint or other voting securities representing 20% or more of the combined voting power of all voting securities of WellPoint; or

(b) within any period of thirty-six (36) or fewer consecutive months individuals who, as of the first day of such period were members of the Board of Directors of WellPoint (the “Incumbent Directors”) cease for any reason to constitute at least 75% of the members of the Board; provided, however, that (i) any individual who becomes a Member of the Board of Directors after the first day of such period whose nomination for election to the Board was approved by a vote or written consent of at least 75% of the Members of the Board of Directors who are then Incumbent Directors shall be considered an Incumbent Director, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 of the SEC under the Exchange Act) or an Imminent Change in Control or other transaction described in subsection (a) above or (c) below; and (ii) once a Change in Control occurs under this subsection (b), the occurrence of the next Change in Control (if any) under this subsection (b) shall be determined by reference to a period of thirty-six (36) or fewer consecutive months beginning not earlier than the date immediately after the date of such prior Change in Control; or

(c) closing of a transaction which is any of the following:

(i) a merger, reorganization or consolidation of WellPoint (“Merger”), after which (A) the individuals and entities who were the respective beneficial owners of the Common Stock and other voting securities of WellPoint immediately before such Merger do not beneficially own, directly or indirectly, more than 60% of, respectively, the Common Stock or the combined voting power of the common stock and voting securities of the corporation resulting from such Merger, in substantially the same proportion as their ownership of the Common Stock and other voting securities of WellPoint immediately before such Merger;

(ii) a Merger after which individuals who were members of the Board of Directors of WellPoint immediately before the Merger do not comprise a majority of the members of the Board of Directors of the corporation resulting from such Merger;

(iii) a sale or other disposition by WellPoint of all or substantially all of the assets owned by it (a “Sale”) after which the individuals and entities who were the respective beneficial owners of the Common Stock and other voting securities of WellPoint immediately before such Sale do not beneficially own, directly or indirectly, more than 60% of, respectively, the Common Stock or the combined voting power of the common stock and voting securities of the transferee in such Sale in substantially the same proportion as their ownership of the Common Stock and other voting securities of WellPoint immediately before such Sale; or

(iv) a Sale after which individuals who were members of the Board of Directors of WellPoint immediately before the Sale do not comprise a majority of the members of the board of directors of the transferee corporation.

8.1.5 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

8.1.6 “Committee” means a committee appointed by the Chief Executive Officer of WellPoint to administer this Plan.

8.1.7 “Executive” means any person employed by the Company in a position of Vice President, Senior Vice President, or Executive Vice President; and any other key executive of the Company employed in a position below that of Vice President (“Other Key Executive”) whom the Chief Executive Officer of WellPoint expressly determines shall be eligible to be a Participant in this Plan.

8.1.8 “Good Reason” for a termination of employment shall mean for Participants who are classified as Executive Vice President, Group Vice President, Senior Vice President or Vice President (a) the occurrence of the events set forth in clauses (ii), (v) or (vi) below within the thirty-six (36) month period after a Change in Control, or (b) the occurrence of the events set forth in clauses (i), (iii) or (iv) below at any time before or after a Change in Control:

(i) a reduction exceeding 10% during any twenty-four (24) consecutive month period in the Participant’s Annual Salary, or in the Participant’s annual total cash compensation (including Annual Salary and Target Bonus), but excluding in either case any reduction both (A) applicable to management employees generally, and (B) and not implemented during an Imminent Change in Control Period or within the thirty-six (36) month period after a Change in Control);

(ii) a material adverse change without the Participant’s prior consent in the Participant’s position, duties, or responsibilities as an Executive of the Company and provided, however, that this clause shall not apply in connection with a Transfer of Business if the position offered to the Participant by the transferee is substantially comparable in position, duties, or responsibilities with the position, duties and responsibilities of the Participant prior to such Transfer of Business and is not in violation of the Participant’s rights under the Employment Agreement;

(iii) a material breach of the Employment Agreement or this Plan by the Company;

(iv) a change in the Participant’s principal work location to a location more than 50 miles from the Participant’s prior work location and more than 50 miles from the Participant’s principal residence as of the date of such change in work location;

(v) the failure of any successor to Company by merger, consolidation, or acquisition of all or substantially all of the business of the Company or by Transfer of Business to assume the Company’s obligations under this Plan (including any Employment Agreements).

Notwithstanding the foregoing provisions of this definition, Good Reason shall not exist if the Participant has in his or her sole discretion agreed in writing that such event shall not be Good

Reason. A Separation from Service shall not be considered to be for Good Reason unless (A) within sixty (60) days of the occurrence of the events claimed to be Good Reason the Participant notifies the Committee in writing of the reasons why he or she believes that Good Reason exists, (B) the Company has failed to correct the circumstance that would otherwise be Good Reason within thirty (30) days of receipt of such notice, and (C) the Participant terminates his or her employment within 60 days of such thirty (30) day period (or if earlier within 60 days of the date the Committee has confirmed to the Participant pursuant to Section 5.1 that Good Reason exists).

8.1.9 “Imminent Change in Control Period” means the period (i) beginning on the date of (A) the public announcement (whether by advertisement, press release, press interview, public statement, SEC filing or otherwise) of a proposal or offer which if consummated would be a Change in Control, (B) the making to a director or executive officer of the Company of a written proposal which if consummated would be a Change in Control, or (C) approval by the Board of Directors or the stockholders of WellPoint of a transaction that upon closing would be a Change in Control; and (ii) ending upon the first to occur of (A) a public announcement that the prospective Change in Control contemplated by the event(s) described in clause (i) has been terminated or abandoned, (B) the occurrence of the contemplated Change in Control, or (C) the first annual anniversary of the beginning of the Imminent Change in Control Period.

8.1.10 “No Change in Control Agreement” means a legal, binding and enforceable agreement executed by and in effect between a person or all members of a group and WellPoint that provides that: (1) such person or group shall be bound by the agreement for the time period of not less than five (5) years from its date of execution; (2) such person or group shall not acquire beneficial ownership or voting control equal to a percentage of the Common Stock or the voting power of other voting securities of WellPoint that exceeds a percentage specified in the agreement which percentage shall in all events be less than 30%; (3) such person or group may not designate for election as directors a number of directors in excess of 25% of the number of directors on the Board; and (4) such person or group shall vote the Common Stock and other voting securities of WellPoint in all matters in the manner directed by the majority of the Incumbent Directors. If any agreement described in the preceding sentence is violated by such person or group or is amended in a fashion such that it no longer satisfies the requirements of the preceding sentence, such agreement shall, as of the date of such violation or amendment, be treated for purposes hereof as no longer constituting a No Change in Control Agreement.

8.1.11 “Participant” means any Executive who is eligible to participate in the Plan and has become a Participant in accordance with Section 2.1, and has not had such participation terminated pursuant to Section 2.2.

8.1.12 “Qualified Change in Control” means a Change in Control which qualifies as a change in the ownership or effective control of WellPoint or in the ownership of a substantial portion of the assets of WellPoint within the meaning of Section 409A(a)(2)(A)(v) of the Code.

8.1.13 “Separation from Service” means a termination of the Participant’s employment with the Company which constitutes a “separation from service” within the meaning of Section 409A(a)(2)(A)(i) of the Code. Notwithstanding the preceding sentence a Separation from Service shall not include:

(i) the disposition by the Company of the subsidiary or affiliate which employs the Participant if such employing subsidiary or affiliate adopts this Plan and continues (by assignment or otherwise) to be the employer of the Participant under the Employment Agreement, or

(ii) a termination of employment in a Transfer of Business in connection with which the Participant receives a bona fide offer of employment from the transferee (or an affiliate of the transferee), whether or not accepted, for which purpose a bona fide offer of employment is an offer of employment effective on the closing of the Transfer of Business on terms that does not have an effect described in clauses (i), (ii), (iv) or (v) of Section 8.1.9 (defining "Good Reason").

(iii) A Participant shall cooperate with the transferee in a Transfer of Business by completing such employment applications and providing such other information as the transferee may need in order to make a bona fide offer of employment. A Participant who fails to provide such cooperation shall be deemed to have received and rejected a bona fide offer of employment.

8.1.14 "Target Bonus" means the Target Bonus Percentage times the Annual Salary.

8.1.15 "Target Bonus Percentage" means the sum of the highest annualized target bonus percentage(s) (as a percentage of salary) in effect for the Participant (i) during the one-year period before Separation from Service or, if higher, (ii) during the period commencing one year prior to a Change in Control, and ending upon Separation of Service under each regular annual bonus or a short-term incentive plan including but not limited to WellPoint's Annual Incentive Plan or successor plans and any sales incentive plans (as determined by the Committee in its sole discretion) covering the Participant.

8.1.16 "Transfer of Business" means a transfer of the Participant's position to another entity, as part of either (i) a transfer to such entity as a going concern of all or part of the business function of the Company in which the Participant was employed, or (ii) an outsourcing to another entity of a business function of the Company in which the Participant was employed.

IN WITNESS WHEREOF WellPoint has caused this Amendment and Restatement of the Plan to be executed on its behalf by an authorized officer this 4th day of October, 2007.

WELLPOINT, INC.

By: /s/ Angela F. Braly

Angela F. Braly
President and Chief Executive Officer

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated as of _____ (the "Agreement Date"), between WellPoint, Inc., an Indiana corporation ("WellPoint") with its headquarters and principal place of business in Indianapolis, Indiana (WellPoint, together with its subsidiaries and affiliates are collectively referred to herein as the "Company"), and the person listed on Schedule A (the "Executive").

WITNESSETH

WHEREAS, the Company desires to retain the services of Executive and to provide Executive an opportunity to receive severance to which Executive is not otherwise entitled in return for the diligent and loyal performance of Executive's duties and Executive's agreement to reasonable and limited restrictions on Executive's post-employment conduct to protect the Company's investments in its intellectual property, employee workforce, customer relationships and goodwill;

WHEREAS, the Company has established the WellPoint, Inc. Executive Agreement Plan ("Plan") to provide certain benefits for participants who enter into an employment agreement in the form of this Agreement; and

WHEREAS, Executive is not required to execute this Agreement as a condition of continued employment; rather, Executive is entering into this Agreement to enjoy the substantial additional payments and benefits available under the Plan and the Designated Plans (as hereinafter defined).

NOW THEREFORE, in consideration of the foregoing, of the mutual promises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. POSITION/DUTIES.

(a) During the Employment Period (as defined in Section 2 below), Executive shall serve in the position set forth on Schedule A, or in such other position of comparable duties, authorities and responsibilities commensurate with the skills and talents of Executive to which the Company may from time to time assign Executive. In this capacity, Executive shall have such duties, authorities and responsibilities as the Company shall designate that are commensurate with Executive's position.

(b) During the Employment Period, Executive shall comply with Company policies and procedures, and shall devote all of Executive's business time, energy and skill, best efforts and undivided business loyalty to the performance of Executive's duties with the Company. Executive further agrees that while employed by the Company he shall not perform any services for remuneration for or on behalf of any other entity without the advance written consent of the Company.

2. EMPLOYMENT PERIOD. Subject to the termination provisions hereinafter provided, the initial term of Executive's employment under this Agreement shall commence on the Agreement Date listed above and end on the Anniversary Date which is one year after the Agreement Date; provided, however, that commencing on the day following the Agreement Date the term will automatically be extended each day by one day, until a date (the "Expiration Date") which is the first annual anniversary of the first date on which either the Company or Executive delivers to the other written notice of non-renewal. The term beginning on the Agreement Date and ending on the Expiration Date shall constitute the "Employment Period" for purposes of this Agreement. Expiration of this Agreement shall not be construed to terminate the employment of Executive. If the employment of Executive does not terminate on or before the Expiration Date in accordance with this Agreement, Executive shall continue to be an employee at will of the Company after the Expiration Date unless such employment is otherwise terminated by the Company or Executive.

3. BASE SALARY. The Company agrees to pay Executive a base salary at an annual rate set forth on Schedule A, payable in accordance with the regular payroll practices of the Company. Executive's Base Salary shall be subject to annual review by the Company. The base salary as determined herein from time to time shall constitute "Base Salary" for purposes of this Agreement.

4. BONUS. During the Employment Period, Executive shall be eligible to receive consideration for an annual bonus upon such terms as adopted from time to time by the Company. The Target Bonus for which Executive is eligible for the year in which this Agreement is executed is specified in Schedule A to this Agreement.

5. BENEFITS. Executive, his or her spouse and their eligible dependents shall be entitled to participate in any employee benefit plan that the Company has adopted or may adopt, maintain or contribute to for the benefit of its executives at a level commensurate with Executive's position, subject to satisfying the applicable eligibility requirements therefore, in addition to the benefits available under the Plan. Notwithstanding the foregoing, the Company may modify or terminate any employee benefit plan at any time in accordance with its terms.

6. TERMINATION. Executive's employment and the Employment Period shall terminate on the first of the following to occur:

(a) **DISABILITY.** Subject to applicable law, upon 10 days' prior written notice by the Company to Executive of termination due to Disability. "Disability" shall have the meaning defined for that term in the Plan.

(b) **DEATH.** Automatically on the date of death of Executive.

(c) **CAUSE.** The Company may terminate Executive's employment hereunder for Cause immediately upon written notice by the Company to Executive of a termination for Cause. "Cause" shall have the meaning defined for that term in the Plan.

(d) **WITHOUT CAUSE.** Upon written notice by the Company to Executive of an involuntary termination without Cause, other than for death or Disability.

7. CONSEQUENCES OF TERMINATION. The Executive's entitlement to payments and benefits upon termination shall be as set forth in the Plan.

8. RELEASE. Any and all amounts payable and benefits or additional rights provided pursuant to this Agreement beyond Accrued Benefits shall only be payable if Executive delivers to the Company and does not revoke a general release of all claims in a form tendered by the Company which shall be substantially similar to the form attached as Exhibit B to the Plan or such other form acceptable to the Company within thirty (30) days of Executive's termination of employment.

9. RESTRICTIVE COVENANTS.

(a) CONFIDENTIALITY.

(i) Executive recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). Executive expressly acknowledges and agrees that by virtue of his or her employment with the Company, Executive will have access and will use in the course of Executive's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that Executive establishes by clear and convincing evidence, is or may become known to Executive or to the public from sources outside the Company and through means other than a breach of this Agreement.

(ii) Executive agrees that Executive will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (1) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (2) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform Executive's duties for the Company or its affiliates; or (3) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral,

documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, Executive shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information.

(b) **DISCLOSURE AND ASSIGNMENT OF INVENTIONS AND IMPROVEMENTS**. Without prejudice to any other duties express or implied imposed on Executive hereunder it shall be part of Executive's normal duties at all times to consider in what manner and by what methods or devices the products, services, processes, equipment or systems of the Company and any customer or vendor of the Company might be improved and promptly to give to the Chief Executive Officer of the Company or his or her designee full details of any improvement, invention, research, development, discovery, design, code, model, suggestion or innovation (collectively called "Work Product"), which Executive (alone or with others) may make, discover, create or conceive in the course of Executive's employment. Executive acknowledges that the Work Product is the property of the Company. To the extent that any of the Work Product is capable of protection by copyright, Executive acknowledges that it is created within the scope of Executive's employment and is a work made for hire. To the extent that any such material may not be a work made for hire, Executive hereby assigns to the Company all rights in such material. To the extent that any of the Work Product is an invention, discovery, process or other potentially patentable subject matter (the "Inventions"), Executive hereby assigns to the Company all right, title, and interest in and to all Inventions. The Company acknowledges that the assignment in the preceding sentence does not apply to an Invention that Executive develops entirely on his or her own time without using the Company's equipment, supplies, facilities or trade secret information, except for those Inventions that either:

- (1) relate at the time of conception or reduction to practice of the Invention to the Company's business, or actual or demonstrably anticipated research or development of the Company, or
- (2) result from any work performed by Executive for the Company.

Execution of this Agreement constitutes Executive's acknowledgment of receipt of written notification of this Section and of notice of the general exception to assignments of Inventions provided under the Uniform Employee Patents Act, in the form adopted by the state having jurisdiction over this Agreement or provision, or any comparable applicable law.

(c) **NON-COMPETITION**. During the Employment Period, and any period in which Executive is employed by the Company during or after the Employment Period, and during the period of time after Executive's termination of employment as set forth in Schedule A, Executive will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) in which Executive has executive level duties for such Competitor, or (B) in which Executive will use any Confidential Information of the Company.

(ii) Restricted Territory means any geographic area in which the Company does business and in which the Executive had responsibility for, or Confidential Information about, such business within the thirty six (36) months prior to Executive's termination of employment from the Company.

(iii) Restricted Activity means any activity for which Executive had responsibility for the Company within the thirty-six (36) months prior to Executive's termination of employment from the Company or about which Executive had Confidential Information.

(iv) Competitor means any entity or individual (other than the Company), engaged in management of network-based managed care plans and programs, or the performance of managed care services, health insurance, long term care insurance, dental, life or disability insurance, behavioral health, vision, flexible spending accounts, COBRA administration or other products or services substantially the same or similar to those offered by the Company while Executive was employed, or other products or services offered by the Company within twelve (12) months after the termination of Executive's employment if the Executive had responsibility for, or Confidential Information about, such other products or services while Executive was employed by the Company.

(d) **NON-SOLICITATION OF CUSTOMERS.** During the Employment Period, and any period in which Executive is employed by the Company during or after the Employment Period, and for the period of time after Executive's termination of employment as set forth in the Plan, Executive will not, either individually or as a employee, partner, consultant, independent contractor, owner, agent, or in any other capacity, directly or indirectly, for a Competitor of the Company as defined in Section 9(c)(iv) above: (i) solicit business from any client or account of the Company or any of its affiliates with which Executive had contact, or responsibility for, or about which Executive had knowledge of Confidential Information by reason of Executive's employment with the Company, (ii) solicit business from any client or account which was pursued by the Company or any of its affiliates and with which Executive had contact, or responsibility for, or about which Executive had knowledge of Confidential Information by reason of Executive's employment with the Company, within the twelve (12) month period prior to termination of employment. For purposes of this provision, an individual policyholder in a plan maintained by the Company or by a client or account of the Company under which individual policies are issued, or a certificate holder in such plan under which group policies are issued, shall not be considered a client or account subject to this restriction solely by reason of being such a policyholder or certificate holder.

(e) **NON-SOLICITATION OF EMPLOYEES.** During the Employment Period, and any period in which Executive is employed by the Company during or after the Employment Period, and for the period of time after Executive's termination of employment as set forth in the Plan, Executive will not, either individually or as a employee, partner, independent contractor, owner, agent, or in any other capacity, directly or indirectly solicit, hire, attempt to solicit or hire, or participate in any attempt to solicit or hire, for any non-Company affiliated entity, any person who on or during the six (6) months immediately preceding the date of such solicitation or hire is or was an officer or employee of the Company, or whom Executive was involved in recruiting while Executive was employed by the Company.

(f) **NON-DISPARAGEMENT.** Executive agrees that he or she will not, nor will he or she cause or assist any other person to, make any statement to a third party or take any action which is intended to or would reasonably have the effect of disparaging or harming the Company or the business reputation of the Company's directors, employees, officers and managers.

(g) **CESSATION AND RECOUPMENT OF SEVERANCE PAYMENTS AND OTHER BENEFITS .** If at any time Executive breaches any provision of this Section 9 or Section 10, then: (i) the Company shall cease to provide any further severance Pay or other benefits previously received under the Plan and Executive shall repay to the Company all Severance Pay and other benefits previously received under the Plan, (ii) all unexercised Company stock options under any Designated Plan (as defined in the Plan) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (iii) Executive shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iv) the Executive shall pay to the Company (A) for each share of common stock of the Company ("Common Share") acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each Share of restricted stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 9(g) shall be held by the Executive in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by Executive to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested, as the case may be, to the date of payment, at 120% of the applicable federal rate, determined under Section 1274(d) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). Any amount described in clauses (i), (ii) or (iii) that the Executive forfeits as a result of a breach of the provisions of Sections 9 and 10 shall not reduce any money damages that would be payable to the Company as compensation for such breach. The amount to be repaid pursuant to this Section 9(g) shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such gain against any amounts otherwise owed to Executive by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code). For purposes of this Section 9(g), a "Designated Plan" is each annual bonus and incentive plan, stock option, restricted stock, or other equity compensation or long-term incentive compensation plan, deferred compensation plan, or supplemental retirement plan, listed on Exhibit C to the Plan. The provisions of this Section 9(g) shall apply to awards described in clauses (i), (ii), (iii) and (iv) of this Section earned or made after the date Executive becomes a participant in the Plan and executes this Agreement, and to awards earned or made prior thereto which by their terms are subject to cessation and recoupment under terms similar to those of this paragraph.

(h) **EQUITABLE RELIEF AND OTHER REMEDIES—CONSTRUCTION.**

(i) Executive acknowledges that each of the provisions of this Agreement are reasonable and necessary to preserve the legitimate business interests of the Company, its

present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in Executive's chosen business and are not an undue restraint on the trade of Executive, or any of the public interests which may be involved.

(ii) Executive agrees that beyond the amounts otherwise to be provided under this Agreement and the Plan, the Company will be damaged by a violation of this Agreement and the amount of such damage may be difficult to measure. Executive agrees that if Executive commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 9 and 10 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefore, except as required by law, in addition to any other rights and remedies that may be available at law or under this Agreement, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, if Executive violates Section 9(b)—(e) hereof Executive agrees that the period of violation shall be added to the Period in which Executive's activities are restricted.

(iii) Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent an Executive residing in California from engaging in post termination competition in California under Section 9(c) or 9(d) of this Agreement provided that the Company may seek and obtain relief to enforce Section 9(g) of this Section with respect to such Executives.

(iv) The parties agree that the covenants contained in this Agreement are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company's rights under Section 9(g) should be enforced to the fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided thereon or if the arbitrator or court deems equitable relief to be inappropriate.

(i) **SURVIVAL OF PROVISIONS** . The obligations contained in this Section 9 and Section 10 below shall survive the cessation of the Employment Period and Executive's employment with the Company and shall be fully enforceable thereafter.

10. COOPERATION. While employed by the Company and for two years (or, if longer, for so long as any claim referred to in Section 3.10 of the Plan remains pending) after the termination of Executive's employment for any reason, Executive will provide cooperation and assistance to the Company as provided in Section 3.10 of the Plan.

11. NOTIFICATION OF EXISTENCE OF AGREEMENT . Executive agrees that in the event that Executive is offered employment with another employer (including service as a

partner of any partnership or service as an independent contractor) at any time during the existence of this Agreement, or such other period in which post termination obligations of this Agreement apply, Executive shall immediately advise said other employer (or partnership) of the existence of this Agreement and shall immediately provide said employer (or partnership or service recipient) with a copy of Sections 9 and 10 of this Agreement.

12. NOTIFICATION OF SUBSEQUENT EMPLOYMENT. Executive shall report promptly to the Company any employment with another employer (including service as a partner of any partnership or service as an independent contractor or establishment of any business as a sole proprietor) obtained during the period in which Executive's post termination obligations set forth in Section 9(b)—(f) apply.

13. NOTICE. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered by hand, (ii) on the date of transmission, if delivered by confirmed facsimile or e-mail, (iii) on the first business day following the date of deposit if delivered by guaranteed overnight delivery service, or (iv) on the fourth business day following the date delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:

At the address (or to the facsimile number) shown on the records of the Company

If to the Company:

Randal L. Brown
Executive Vice President and Chief Human Resources Officer
WellPoint, Inc.
120 Monument Circle
Indianapolis, IN 46204

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

14. SECTION HEADINGS; INCONSISTENCY. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement. In the event of any inconsistency between the terms of this Agreement and any form, award, plan or policy of the Company, the terms of this Agreement shall control.

15. SUCCESSORS AND ASSIGNS—BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns, as the case may be. The Company may assign this Agreement to any affiliate of the Company and to any successor or assign of all or a substantial portion of the Company's business. Executive may not assign or transfer any of his rights or obligations under this Agreement.

16. **SEVERABILITY.** The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

17. **DISPUTE RESOLUTION.**

(a) In the event of any dispute arising out of or relating to this Agreement the determinations of fact and the construction of this Agreement or any other determination by the Committee in its sole and absolute discretion pursuant to Section 6.3 of the Plan shall be final and binding on all persons and may not be overturned in any arbitration or any other proceeding unless the party challenging the Committee's determination can demonstrate by clear and convincing evidence that a determination of fact is clearly erroneous or any other determination by the Committee is arbitrary and capricious; provided, however, that if a claim relates to benefits due following a Change in Control (as defined in the Plan), the Committee's determination shall not be final and binding if the party challenging the Committee's determination establishes by a preponderance of the evidence that he or she is entitled to the benefit in dispute.

(b) Any dispute arising out of or relating to this Agreement shall first be presented to the Committee pursuant to the claims procedure set forth in Section 5.2 of the Plan and the claims review procedure of Section 5.3 of the Plan within the times therein provided. In the event of any failure timely to use and exhaust such claims procedure, and the claims review procedures, the decision of the Committee on any matter respecting this Agreement shall be final and binding and may not be challenged by further arbitration, or any other proceeding.

(c) Any dispute arising out of or relating to this Agreement, including the breach, termination or validity thereof, which has not been resolved as provided in paragraph (b) of this Section as provided herein shall be finally resolved by arbitration in accordance with the CPR Rules for Non-Administered Arbitration then currently in effect, by a sole arbitrator. The Company shall be initially responsible for the payment of any filing fee and advance in costs required by CPR or the arbitrator; provided, however, if the Executive initiates the claim, the Executive will contribute an amount not to exceed \$250.00 for these purposes. During the arbitration, each Party shall pay for its own costs and attorneys fees, if any. Attorneys fees and costs should be awarded by the arbitrator to the prevailing party pursuant to Section 19 below.

(d) The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator shall not have the right to award speculative damages or punitive damages to either party except as expressly permitted by statute (notwithstanding this provision by which both parties hereto waive the right to such damages) and shall not have the power to amend this Agreement. The arbitrator shall be required to follow applicable law. The place of arbitration shall be Indianapolis, Indiana. Any application to enforce or set aside the arbitration award shall be filed in a state or federal court located in Indianapolis, Indiana.

(e) Any demand for Arbitration must be made or any other proceeding filed within six (6) months after the date of the Committee's decision on review pursuant to Section 5.3 of the Plan.

(f) Notwithstanding the foregoing provisions of this Section, an action to enforce this Agreement shall be filed within eighteen (18) months after the party seeking relief had actual or constructive knowledge of the alleged violation of the Employment Agreement in question or any party shall be able to seek immediate, temporary, or preliminary injunctive or equitable relief from a court of law or equity if, in its judgment, such relief is necessary to avoid irreparable damage. To the extent that any party wishes to seek such relief from a court, the parties agree to the following with respect to the location of such actions. Such actions brought by the Executive shall be brought in a state or federal court located in Indianapolis, Indiana. Such actions brought by the Company shall be brought in a state or federal court located in Indianapolis, Indiana; the Executive's state of residency; or any other forum in which the Executive is subject to personal jurisdiction. The Executive specifically consents to personal jurisdiction in the State of Indiana for such purposes.

(g) IF FOR ANY REASON THIS ARBITRATION CLAUSE BECOMES NOT APPLICABLE, THEN EACH PARTY, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER MATTER INVOLVING THE PARTIES HERETO.

18. GOVERNING LAW. This Agreement forms part of an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), and shall be governed by and construed in accordance with ERISA and, to the extent applicable and not preempted by ERISA, the law of the State of Indiana applicable to contracts made and to be performed entirely within that State, without regard to its conflicts of law principles.

19. ATTORNEYS' FEES. In the event of any contest arising under or in connection with this Agreement, the arbitrator or court, as applicable, shall award the prevailing party attorneys' fees and costs to the extent permitted by applicable law.

20. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer or director as may be designated by the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement and the Plan and together with all exhibits thereto sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

21. OTHER EMPLOYMENT ARRANGEMENTS. Except as set forth on Schedule A or provided in Section 2.1(a)(i) of the Plan, any severance or change in control plan or agreement (other than the Plan) or other similar agreements or arrangements between Executive and the Company including without limitation the Executive Agreement (the Anthem Non-Competition Agreement), shall, effective as of the Effective Date, be superseded by this Agreement and the Plan and shall therefore terminate and be null and void and of no force or effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

WELLPOINT, INC.

By: _____
Name: _____
Its: _____
Date: _____

EXECUTIVE

Date: _____

SCHEDULE A

- | | |
|---|---|
| 1. Name of Executive | [_____] |
| 2. Position | [_____] |
| 3. Agreement Date | [_____] |
| 4. Base Salary | [\$_____] |
| 5. Annual Bonus Target Opportunity | [_____] |
| 6. Severance Payments and Benefits in the case of a Termination Without Cause and in the absence of a Change in Control to be paid over the period indicated at times corresponding with the Company's normal payroll dates | [Key Employee and VPs – 12 months
SVP – 18 months
EVP – 24 months]
[Base salary and bonus and benefit continuation per the Plan] |
| 7. Severance Payments and Benefits in the case of a Termination Without Cause during an Imminent Change in Control period or during the thirty-six (36) month period after a Change in Control or a Termination by Executive with Good Reason during the thirty-six (36) month period after a Change in Control | [Key Employee – 12 months
VP – 12 months
SVP – 30 months
EVP – 36 months]
[Base salary and Change in Control payments and bonus and benefit continuation per the Plan] |
| 8. Non Solicitation and Non Competition Period following Termination of Employment for any reason | [Key Employee and VP – 12 months
SVP – 15 months
EVP – 18 months] |

WAIVER AND RELEASE

This is a Waiver and Release ("Release") between _____ ("Executive") and WellPoint, Inc. (the "Company"). The Company and the Executive agree that they have entered into this Release voluntarily, and that it is intended to be a legally binding commitment between them.

1. In consideration for the promises made herein by the Executive, the Company agrees as follows:

(a) Severance Pay. The Company will pay to the Executive severance or change of control payments and bonus pay in the amount set forth in the WellPoint, Inc. Executive Agreement Plan (the "Plan") and the entire Employment Agreement executed in connection therewith. The Company will also pay Executive accrued but unused vacation pay for all of his or her accrued but unused vacation days.

(b) Other Benefits. The Executive will be eligible to receive other benefits as described in the Plan.

(c) Unemployment Compensation. The Company will not contest the decision of the appropriate regulatory commission regarding unemployment compensation that may be due to the Executive.

2. In consideration for and contingent upon the Executive's right to receive the severance pay and other benefits described in the Plan and the Employment Agreement and this Release, Executive hereby agrees as follows:

(a) General Waiver and Release. Except as provided in Paragraph 2.(f) below, Executive and any person acting through or under the Executive hereby release, waive and forever discharge the Company, its past subsidiaries and its past and present affiliates, and their respective successors and assigns, and their respective present or past officers, trustees, directors, shareholders, executives and agents of each of them, from any and all claims, demands, actions, liabilities and other claims for relief and remuneration whatsoever (including without limitation attorneys' fees and expenses), whether known or unknown, absolute, contingent or otherwise (each, a "Claim"), arising or which could have arisen up to and including the date of his execution of this Release, arising out of or relating to Executive's employment or cessation and termination of employment, or any other written or oral agreement, any change in Executive's employment status, any benefits or compensation, any tortious injury, breach of contract, wrongful discharge (including any Claim for constructive discharge), infliction of emotional distress, slander, libel or defamation of character, and any Claims arising under Title VII of the Civil Rights Act of 1964 (as amended by the Civil Rights Act of 1991), the Americans With Disabilities Act, the Rehabilitation Act of 1973, the Equal Pay Act, the Older Workers Benefits Protection Act, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act of 1974, or any other federal, state or local statute, law, ordinance, regulation, rule or executive order, any tort or contract

claims, and any of the claims, matters and issues which could have been asserted by Executive against the Company or its subsidiaries and affiliates in any legal, administrative or other proceeding. Executive agrees that if any action is brought in his or her name before any court or administrative body, Executive will not accept any payment of monies in connection therewith.

(b) Waiver Under Section 1542 of the California Civil Code. Executive, for Executive's predecessors, successors and assigns, hereby waives all rights which Executive may have under Section 1542 of the Civil Code of the State of California, which reads as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

This waiver is not a mere recital but is a knowing waiver of the rights and benefits otherwise available under said Section 1542.

(c) Miscellaneous. Executive agrees that this Release specifies payment from the Company to himself or herself, the total of which meets or exceeds any and all funds due him or her by the Company, and that he or she will not seek to obtain any additional funds from the Company with the exception of non-reimbursed business expenses. This covenant does not preclude the Executive from seeking workers compensation, unemployment compensation, or benefit payments under the Company's employee benefit plans that could be due him or her.

(d) Non-Competition, Non-Solicitation and Confidential Information and Inventions. Executive warrants that Executive has, and will continue to comply fully with Sections 9 and 10 of the Employment Agreement and the requirements of the Plan.

(e) THE COMPANY AND THE EXECUTIVE AGREE THAT THE SEVERANCE PAY AND BENEFITS DESCRIBED IN THIS RELEASE AND THE PLAN ARE CONTINGENT UPON THE EXECUTIVE SIGNING THIS RELEASE. THE EXECUTIVE FURTHER UNDERSTANDS AND AGREES THAT IN SIGNING THIS RELEASE, EXECUTIVE IS RELEASING POTENTIAL LEGAL CLAIMS AGAINST THE COMPANY. THE EXECUTIVE UNDERSTANDS AND AGREES THAT IF HE OR SHE DECIDES NOT TO SIGN THIS RELEASE, OR IF HE OR SHE REVOKES THIS RELEASE, THAT HE OR SHE WILL IMMEDIATELY REFUND TO THE COMPANY ANY AND ALL SEVERANCE PAYMENTS AND OTHER BENEFITS HE OR SHE MAY HAVE ALREADY RECEIVED.

(f) The waiver contained in Section 2(a) and (b) above does not apply to any Claims with respect to:

(i) Any claims under employee benefit plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA") in accordance with the terms of the applicable employee benefit plan,

-
- (ii) Any Claim under or based on a breach of this Release,
 - (iii) Rights or Claims that may arise under the Age Discrimination in Employment Act after the date that Executive signs this Release,
 - (iv) Any right to indemnification or directors and officers liability insurance coverage to which the Executive is otherwise entitled in accordance with the Company's articles or by-laws.

(v) **EXECUTIVE ACKNOWLEDGES THAT HE OR SHE HAS READ AND IS VOLUNTARILY SIGNING THIS RELEASE. EXECUTIVE ALSO ACKNOWLEDGES THAT HE OR SHE IS HEREBY ADVISED TO CONSULT WITH AN ATTORNEY, HE OR SHE HAS BEEN GIVEN AT LEAST 30 DAYS TO CONSIDER THIS RELEASE BEFORE THE DEADLINE FOR SIGNING IT, AND HE OR SHE UNDERSTANDS THAT HE OR SHE MAY REVOKE THE RELEASE WITHIN SEVEN (7) DAYS AFTER SIGNING IT. IF NOT REVOKED WITHIN SUCH PERIOD, THIS RELEASE WILL BECOME EFFECTIVE ON THE EIGHTH (8) DAY AFTER IT IS SIGNED BY EXECUTIVE.**

BY SIGNING BELOW, BOTH THE COMPANY AND EXECUTIVE AGREE THAT THEY UNDERSTAND AND ACCEPT EACH PART OF THIS RELEASE.

(Executive)

DATE

WELLPOINT, INC.

By: _____

DATE

DESIGNATED PLANS

Anthem 2001 Stock Incentive Plan

WellPoint 2006 Incentive Compensation Plan

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE EXCHANGE ACT RULES,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Angela F. Braly, certify that:

1. I have reviewed this report on Form 10-Q of WellPoint, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2007

/s/ ANGELA F. BRALY

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE EXCHANGE ACT RULES,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wayne S. DeVeydt, certify that:

1. I have reviewed this report on Form 10-Q of WellPoint, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2007

/s/ WAYNE S. DEVEYDT

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WellPoint, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Angela F. Braly, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANGELA F. BRALY

Angela F. Braly
President and Chief Executive Officer
October 24, 2007

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WellPoint, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wayne S. DeVeydt, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WAYNE S. DEVEYDT

Wayne S. DeVeydt
Executive Vice President and Chief Financial Officer
October 24, 2007