

**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 March 31, 2015

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

ANTHEM, 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 the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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
Common Stock, \$0.01 par value

Outstanding at April 14, 2015
264,536,271 shares

Anthem, Inc.
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2015
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Anthem, Inc.
Consolidated Balance Sheets

	March 31, 2015	December 31, 2014
	(Unaudited)	
<i>(In millions, except share data)</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,397.0	\$ 2,151.7
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$18,333.2 and \$17,120.4)	18,804.7	17,467.4
Equity securities (cost of \$1,521.8 and \$1,303.7)	2,103.4	1,906.6
Other invested assets, current	25.4	20.2
Accrued investment income	173.8	161.4
Premium and self-funded receivables	4,964.6	4,825.5
Other receivables	2,549.7	2,117.0
Income taxes receivable	—	308.9
Securities lending collateral	2,023.6	1,515.2
Deferred tax assets, net	164.1	280.4
Other current assets	2,534.1	1,474.6
Total current assets	34,740.4	32,228.9
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$523.6 and \$500.7)	529.3	504.4
Equity securities (cost of \$27.0 and \$27.0)	31.5	31.5
Other invested assets, long-term	1,718.4	1,695.9
Property and equipment, net	1,915.9	1,944.3
Goodwill	17,570.9	17,082.0
Other intangible assets	8,293.6	7,958.1
Other noncurrent assets	746.0	619.9
Total assets	\$ 65,546.0	\$ 62,065.0
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 7,177.1	\$ 6,861.2
Reserves for future policy benefits	68.1	68.1
Other policyholder liabilities	2,782.5	2,626.5
Total policy liabilities	10,027.7	9,555.8
Unearned income	1,079.8	1,078.1
Accounts payable and accrued expenses	4,454.7	3,651.8
Income taxes payable	283.8	—
Security trades pending payable	189.3	66.2
Securities lending payable	2,023.4	1,515.3
Short-term borrowings	450.0	400.0
Current portion of long-term debt	625.0	625.0
Other current liabilities	2,171.7	1,861.2
Total current liabilities	21,305.4	18,753.4
Long-term debt, less current portion	14,764.4	14,127.2
Reserves for future policy benefits, noncurrent	684.8	671.3
Deferred tax liabilities, net	3,357.7	3,226.0
Other noncurrent liabilities	1,099.4	1,035.8

Total liabilities	41,211.7	37,813.7
Commitment and contingencies – Note 9		
Shareholders' equity		
Preferred stock, without par value, shares authorized – 100,000,000; shares issued and outstanding – none	—	—
Common stock, par value \$0.01, shares authorized – 900,000,000; shares issued and outstanding – 264,905,598 and 268,109,932	2.6	2.7
Additional paid-in capital	9,943.7	10,062.3
Retained earnings	14,150.1	14,014.4
Accumulated other comprehensive income	237.9	171.9
Total shareholders' equity	24,334.3	24,251.3
Total liabilities and shareholders' equity	\$ 65,546.0	\$ 62,065.0

See accompanying notes.

Anthem, Inc.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended March 31	
	2015	2014
<i>(In millions, except per share data)</i>		
Revenues		
Premiums	\$ 17,610.5	\$ 16,517.0
Administrative fees	1,227.1	1,118.3
Other revenue	13.8	9.5
Total operating revenue	18,851.4	17,644.8
Net investment income	167.6	183.7
Net realized gains on investments	46.5	41.7
Other-than-temporary impairment losses on investments:		
Total other-than-temporary impairment losses on investments	(15.4)	(10.8)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	1.4	—
Other-than-temporary impairment losses recognized in income	(14.0)	(10.8)
Total revenues	19,051.5	17,859.4
Expenses		
Benefit expense	14,126.9	13,664.6
Selling, general and administrative expense:		
Selling expense	368.2	370.8
General and administrative expense	2,777.0	2,490.7
Total selling, general and administrative expense	3,145.2	2,861.5
Interest expense	154.4	146.2
Amortization of other intangible assets	52.5	54.0
Loss on extinguishment of debt	3.4	3.0
Total expenses	17,482.4	16,729.3
Income from continuing operations before income tax expense	1,569.1	1,130.1
Income tax expense	703.9	438.7
Income from continuing operations	865.2	691.4
Income from discontinued operations, net of tax	—	9.6
Net income	\$ 865.2	\$ 701.0
Basic net income per share:		
Basic - continuing operations	\$ 3.25	\$ 2.43
Basic - discontinued operations	—	0.03
Basic net income per share	\$ 3.25	\$ 2.46
Diluted net income per share:		
Diluted - continuing operations	\$ 3.09	\$ 2.37
Diluted - discontinued operations	—	0.03
Diluted net income per share	\$ 3.09	\$ 2.40
Dividends per share	\$ 0.6250	\$ 0.4375

See accompanying notes.

Anthem, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

<i>(In millions)</i>	Three Months Ended March 31	
	2015	2014
Net income	\$ 865.2	\$ 701.0
Other comprehensive income, net of tax:		
Change in net unrealized gains/losses on investments	60.4	140.3
Change in non-credit component of other-than-temporary impairment losses on investments	3.5	0.5
Change in net unrealized gains/losses on cash flow hedges	0.9	0.7
Change in net periodic pension and postretirement costs	4.7	2.9
Foreign currency translation adjustments	(3.5)	(0.2)
Other comprehensive income	66.0	144.2
Total comprehensive income	\$ 931.2	\$ 845.2

See accompanying notes.

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

<i>(In millions)</i>	Three Months Ended March 31	
	2015	2014
Operating activities		
Net income	\$ 865.2	\$ 701.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized gains on investments	(46.5)	(41.7)
Other-than-temporary impairment losses recognized in income	14.0	10.8
Loss on extinguishment of debt	3.4	3.0
Gain on disposal from discontinued operations	—	(3.2)
Loss on disposal of assets	0.9	0.1
Deferred income taxes	70.6	85.2
Amortization, net of accretion	189.2	190.3
Depreciation expense	25.1	26.4
Impairment of property and equipment	—	2.1
Share-based compensation	27.1	38.8
Excess tax benefits from share-based compensation	(68.8)	(22.4)
Changes in operating assets and liabilities:		
Receivables, net	(429.6)	(616.0)
Other invested assets	(10.1)	(14.6)
Other assets	(191.0)	(69.5)
Policy liabilities	382.9	545.6
Unearned income	(31.8)	250.0
Accounts payable and accrued expenses	(189.4)	(137.3)
Other liabilities	401.1	107.4
Income taxes	635.0	356.0
Other, net	3.2	(24.5)
Net cash provided by operating activities	1,650.5	1,387.5
Investing activities		
Purchases of fixed maturity securities	(3,273.3)	(3,084.8)
Proceeds from fixed maturity securities:		
Sales	2,065.0	2,061.2
Maturities, calls and redemptions	270.4	284.3
Purchases of equity securities	(1,051.5)	(228.6)
Proceeds from sales of equity securities	575.5	30.3
Purchases of other invested assets	(48.1)	(35.4)
Proceeds from sales of other invested assets	15.0	25.6
Settlement of non-hedging derivatives	(32.0)	(46.2)
Changes in securities lending collateral	(508.0)	(354.9)
Purchase of subsidiary, net of cash acquired	(635.8)	—
Proceeds from sale of subsidiary, net of cash sold	—	740.0
Purchases of property and equipment	(88.8)	(135.7)
Other, net	—	(0.1)
Net cash used in investing activities	(2,711.6)	(744.3)
Financing activities		
Net proceeds from commercial paper borrowings	638.8	379.4
Repayments of long-term borrowings	(16.4)	(24.2)
Proceeds from short-term borrowings	850.0	970.0
Repayments of short-term borrowings	(800.0)	(780.0)
Changes in securities lending payable	508.1	354.9
Changes in bank overdrafts	(105.9)	75.0

Premiums paid on equity call options	(12.8)	—
Proceeds from equity put options	12.7	—
Repurchase and retirement of common stock	(774.1)	(1,262.8)
Cash dividends	(166.6)	(123.4)
Proceeds from issuance of common stock under employee stock plans	109.3	130.1
Excess tax benefits from share-based compensation	68.8	22.4
Net cash provided by (used in) financing activities	311.9	(258.6)
Effect of foreign exchange rates on cash and cash equivalents	(5.5)	(0.3)
Change in cash and cash equivalents	(754.7)	384.3
Cash and cash equivalents at beginning of period	2,151.7	1,586.9
Cash and cash equivalents at end of period	\$ 1,397.0	\$ 1,971.2

See accompanying notes.

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

<i>(In millions)</i>	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number of Shares	Par Value				
January 1, 2015	268.1	\$ 2.7	\$ 10,062.3	\$ 14,014.4	\$ 171.9	\$ 24,251.3
Net income	—	—	—	865.2	—	865.2
Other comprehensive income	—	—	—	—	66.0	66.0
Premiums for equity options	—	—	(12.8)	—	—	(12.8)
Repurchase and retirement of common stock	(5.7)	(0.1)	(212.4)	(561.6)	—	(774.1)
Dividends and dividend equivalents	—	—	—	(167.9)	—	(167.9)
Issuance of common stock under employee stock plans, net of related tax benefits	2.5	—	106.6	—	—	106.6
March 31, 2015	264.9	\$ 2.6	\$ 9,943.7	\$ 14,150.1	\$ 237.9	\$ 24,334.3
January 1, 2014	293.3	\$ 2.9	\$ 10,765.2	\$ 13,813.9	\$ 183.2	\$ 24,765.2
Net income	—	—	—	701.0	—	701.0
Other comprehensive income	—	—	—	—	144.2	144.2
Settlement of equity options	—	—	(19.4)	—	—	(19.4)
Repurchase and retirement of common stock	(14.3)	—	(884.3)	(378.5)	—	(1,262.8)
Dividends and dividend equivalents	—	—	—	(124.9)	—	(124.9)
Issuance of common stock under employee stock plans, net of related tax benefits	2.9	—	142.0	—	—	142.0
March 31, 2014	281.9	\$ 2.9	\$ 10,003.5	\$ 14,011.5	\$ 327.4	\$ 24,345.3

See accompanying notes.

Anthem, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
March 31, 2015

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

1. Organization

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

We are one of the largest health benefits companies in terms of medical membership in the United States, serving 38.5 medical members through our affiliated health plans as of March 31, 2015. We offer a broad spectrum of network-based managed care plans to large and small employer, individual, Medicaid and Medicare markets. Our managed care plans include: preferred provider organizations, or PPOs; health maintenance organizations, or HMOs; point-of-service, or POS, plans; traditional indemnity plans and other hybrid plans, including consumer-driven health plans, or CDHPs; and hospital only and limited benefit products. In addition, we provide a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services. We provide an array of specialty and other insurance products and services such as dental, vision, life and disability insurance benefits, radiology benefit management and analytics-driven personal health care. We also provide services to the federal government in connection with the Federal Employee Program, or FEP. We also sold contact lenses, eyeglasses and other ocular products through our 1-800 CONTACTS, Inc., or 1-800 CONTACTS, business, which was divested on January 31, 2014.

We are an independent licensee of the Blue Cross and Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California 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 Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, and Empire Blue Cross Blue Shield, or Empire Blue Cross (in our New York service areas). We also conduct business through arrangements with other BCBS licensees in the states of South Carolina and Texas. We conduct business through our AMERIGROUP Corporation, or Amerigroup, subsidiary, in Florida, Georgia, Kansas, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, Tennessee, Texas and Washington. We also conduct business through our recently acquired Simply Healthcare Holdings, Inc., or Simply Healthcare, subsidiary in the state of Florida. We also serve customers throughout the country as HealthLink, UniCare (including a non-risk arrangement with the state of Massachusetts), and in certain Arizona, California, Nevada, New York and Virginia markets through our CareMore Health Group, Inc., or CareMore, subsidiary. We are licensed to conduct insurance operations in all 50 states through our subsidiaries.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation: The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. We have omitted certain footnote disclosures that would substantially duplicate the disclosures in our 2014 Annual Report on Form 10-K, unless the information contained in those disclosures materially changed or is required by GAAP. Unless otherwise specified, all financial information presented in the accompanying consolidated financial statements and in the notes to consolidated financial statements relates only to our continuing operations, other than cash flows presented on the consolidated statements of cash flows. 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 months ended March 31, 2015 and 2014 have been recorded. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2015. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2014 included in our 2014 Annual Report on Form 10-K.

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

Recent Accounting Guidance Not Yet Adopted: In April 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2015-05, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, or ASU 2015-05. This amendment provides guidance to help entities determine whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software or as a service contract. ASU 2015-05 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. Upon adoption, an entity has the option to apply the provisions of ASU 2015-05 either prospectively to all arrangements entered into or materially modified, or retrospectively. We will evaluate the effects, if any, the adoption of ASU 2015-05 will have upon our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, or ASU 2015-03. ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. In accordance with GAAP guidance currently in effect, debt issuance costs are included within other current assets and other noncurrent assets in our consolidated balance sheets. The adoption of ASU 2015-03 will not impact our consolidated financial position, results of operations or cash flows.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, or ASU 2015-02. ASU 2015-02 amends current consolidation guidance by modifying the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, eliminating the presumption that a general partner should consolidate a limited partnership, and affects the consolidation analysis of reporting entities that are involved with variable interest entities. ASU No. 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. All legal entities are subject to reevaluation under the revised consolidation model. The adoption of ASU 2015-02 is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

There were no other new accounting pronouncements that were issued or became effective since the issuance of our 2014 Annual Report on Form 10-K that had, or are expected to have, a material impact on our consolidated financial position, results of operations or cash flows.

3. Business Acquisition and Divestiture

Simply Healthcare

On February 17, 2015, we completed our acquisition of Simply Healthcare, a leading managed care company for people enrolled in Medicaid and Medicare programs in the state of Florida. This acquisition aligns with our strategy for continued growth in our Government Business segment.

In accordance with FASB accounting guidance for business combinations, the preliminary consideration transferred was allocated to the fair value of Simply Healthcare's assets acquired and liabilities assumed, including identifiable intangible assets. The excess of the consideration transferred over the fair value of net assets acquired resulted in preliminary non-tax-deductible goodwill of \$488.9 at March 31, 2015, all of which was allocated to our Government Business segment. Preliminary goodwill recognized from the acquisition of Simply Healthcare primarily relates to the future economic benefits arising from the assets acquired and is consistent with our stated intentions to strengthen our position and expand operations in the government sector to service Medicaid and Medicare enrollees. Any additional payments or receipts of cash resulting from contractual purchase price adjustments or any subsequent adjustments made to the assets acquired and liabilities assumed during the measurement period will be recorded as an adjustment to goodwill.

The preliminary fair value of the net assets acquired from Simply Healthcare includes \$388.0 of other intangible assets, which primarily consist of indefinite-lived state licenses and finite-lived customer relationships with amortization periods ranging from 3 to 4 years.

The results of operations of Simply Healthcare are included in our consolidated financial statements within our Government Business segment for the period following February 17, 2015. The pro-forma effects of this acquisition for prior periods were not material to our consolidated results of operations.

1-800 CONTACTS

In December 2013, we entered into a definitive agreement to sell our 1-800 CONTACTS business to the private equity firm Thomas H. Lee Partners, L.P. Additionally, we entered into an asset purchase agreement with Luxottica Group to sell our glasses.com related assets (collectively, 1-800 CONTACTS). The sales were completed on January 31, 2014 and did not result in any material difference to the loss on disposal from discontinued operations recorded during the year ended December 31, 2013. The operating results for 1-800 CONTACTS for the one month ended January 31, 2014 are reported as discontinued operations in the accompanying consolidated statements of income. The operating results for 1-800 CONTACTS were previously reported in our Commercial and Specialty Business segment.

4. Investments

We evaluate our investment securities for other-than-temporary declines based on qualitative and quantitative factors. Other-than-temporary impairment losses recognized in income totaled \$14.0 and \$10.8 for the three months ended March 31, 2015 and 2014, respectively. There were no individually significant other-than-temporary impairment losses on investments by issuer during the three months ended March 31, 2015 and 2014. We continue to review our investment portfolios under our impairment review policy. Given the inherent uncertainty of changes in market conditions and the significant judgments involved, there is a continuing risk that further declines in fair value may occur and additional material other-than-temporary impairment losses on investments may be recorded in future periods.

A summary of current and long-term investments, available-for-sale, at March 31, 2015 and December 31, 2014 is as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		Estimated Fair Value	Non-Credit Component of Other-Than-Temporary Impairments Recognized in AOCI
			Less than 12 Months	12 Months or Greater		
March 31, 2015						
Fixed maturity securities:						
United States Government securities	\$ 372.8	\$ 7.0	\$ (0.1)	\$ —	\$ 379.7	\$ —
Government sponsored securities	113.6	1.2	—	(0.2)	114.6	—
States, municipalities and political subdivisions, tax-exempt	5,532.4	291.4	(5.0)	(1.6)	5,817.2	—
Corporate securities	9,587.5	213.4	(76.5)	(31.9)	9,692.5	(1.4)
Options embedded in convertible debt securities	7.0	—	—	—	7.0	—
Residential mortgage-backed securities	2,054.9	74.6	(1.6)	(4.6)	2,123.3	—
Commercial mortgage-backed securities	494.0	7.2	(0.3)	(0.1)	500.8	—
Other debt securities	694.6	6.3	(0.9)	(1.1)	698.9	—
Total fixed maturity securities	18,856.8	601.1	(84.4)	(39.5)	19,334.0	\$ (1.4)
Equity securities	1,548.8	597.7	(11.6)	—	2,134.9	—
Total investments, available-for-sale	\$ 20,405.6	\$ 1,198.8	\$ (96.0)	\$ (39.5)	\$ 21,468.9	
December 31, 2014						
Fixed maturity securities:						
United States Government securities	\$ 315.7	\$ 4.6	\$ (0.3)	\$ —	\$ 320.0	\$ —
Government sponsored securities	94.6	0.8	—	(0.4)	95.0	—
States, municipalities and political subdivisions, tax-exempt	5,451.4	287.0	(1.8)	(3.0)	5,733.6	—
Corporate securities	8,335.9	162.9	(123.1)	(43.2)	8,332.5	(6.8)
Options embedded in convertible debt securities	98.7	—	—	—	98.7	—
Residential mortgage-backed securities	2,099.7	68.9	(1.0)	(8.6)	2,159.0	—
Commercial mortgage-backed securities	504.8	6.1	(0.6)	(0.4)	509.9	—
Other debt securities	720.3	6.1	(1.7)	(1.6)	723.1	—
Total fixed maturity securities	17,621.1	536.4	(128.5)	(57.2)	17,971.8	\$ (6.8)
Equity securities	1,330.7	618.5	(11.1)	—	1,938.1	—
Total investments, available-for-sale	\$ 18,951.8	\$ 1,154.9	\$ (139.6)	\$ (57.2)	\$ 19,909.9	

At March 31, 2015, we owned \$2,624.1 of mortgage-backed securities and \$634.7 of asset-backed securities out of a total available-for-sale investment portfolio of \$21,468.9. These securities included sub-prime and Alt-A securities with fair values of \$36.1 and \$73.1, respectively. These sub-prime and Alt-A securities had accumulated net unrealized gains of \$1.4 and \$4.7, respectively. The average credit rating of the sub-prime and Alt-A securities was “CCC” and “CC”, respectively.

The following tables summarize for available-for-sale fixed maturity securities and available-for-sale equity securities in an unrealized loss position at March 31, 2015 and December 31, 2014, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position:

<i>(Securities are whole amounts)</i>	Less than 12 Months			12 Months or Greater		
	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss
March 31, 2015						
Fixed maturity securities:						
United States Government securities	10	\$ 48.5	\$ (0.1)	2	\$ 0.9	\$ —
Government sponsored securities	5	5.3		10	21.4	(0.2)
States, municipalities and political subdivisions, tax-exempt	161	427.3	(5.0)	36	58.1	(1.6)
Corporate securities	906	2,093.1	(76.5)	256	360.7	(31.9)
Residential mortgage-backed securities	105	224.7	(1.6)	118	210.5	(4.6)
Commercial mortgage-backed securities	26	99.9	(0.3)	8	30.5	(0.1)
Other debt securities	61	211.7	(0.9)	18	52.2	(1.1)
Total fixed maturity securities	1,274	3,110.5	(84.4)	448	734.3	(39.5)
Equity securities	445	232.3	(11.6)	—	—	—
Total fixed maturity and equity securities	1,719	\$ 3,342.8	\$ (96.0)	448	\$ 734.3	\$ (39.5)
December 31, 2014						
Fixed maturity securities:						
United States Government securities	17	\$ 145.3	\$ (0.3)	2	\$ 0.9	\$ —
Government sponsored securities	2	0.3	—	16	29.3	(0.4)
States, municipalities and political subdivisions, tax-exempt	136	315.6	(1.8)	80	174.3	(3.0)
Corporate securities	1,802	3,213.3	(123.1)	314	514.6	(43.2)
Residential mortgage-backed securities	78	155.0	(1.0)	186	398.3	(8.6)
Commercial mortgage-backed securities	43	156.2	(0.6)	10	33.2	(0.4)
Other debt securities	79	270.6	(1.7)	21	65.0	(1.6)
Total fixed maturity securities	2,157	4,256.3	(128.5)	629	1,215.6	(57.2)
Equity securities	407	125.4	(11.1)	—	—	—
Total fixed maturity and equity securities	2,564	\$ 4,381.7	\$ (139.6)	629	\$ 1,215.6	\$ (57.2)

The amortized cost and fair value of available-for-sale fixed maturity securities at March 31, 2015, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 452.1	\$ 453.6
Due after one year through five years	4,730.2	4,804.3
Due after five years through ten years	5,159.3	5,338.6
Due after ten years	5,966.3	6,113.4
Mortgage-backed securities	2,548.9	2,624.1
Total available-for-sale fixed maturity securities	\$ 18,856.8	\$ 19,334.0

Proceeds from fixed maturity securities, equity securities and other invested assets and the related gross realized gains and gross realized losses for the three months ended March 31, 2015 and 2014 are as follows:

	Three Months Ended March 31	
	2015	2014
Proceeds	\$ 2,925.9	\$ 2,401.4
Gross realized gains	133.7	82.9
Gross realized losses	(87.2)	(41.2)

In the ordinary course of business, we may sell securities at a loss for a number of reasons, including, but not limited to: (i) changes in the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; or (v) changes in expected cash flow.

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

5. Fair Value

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

<u>Level Input</u>	<u>Input Definition</u>
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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

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

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

Equity securities, available-for-sale: Fair values of equity securities are generally designated as Level I and are based on quoted market prices. For certain equity securities, quoted market prices for the identical security are not always available and the fair value is estimated by reference to similar securities for which quoted prices are available. These securities are

designated Level II. We also have certain equity securities, including private equity securities, for which the fair value is estimated based on each security's current condition and future cash flow projections. Such securities are designated Level III. The fair values of these private equity securities are generally based on either broker quotes or discounted cash flow projections using assumptions for inputs such as the weighted-average cost of capital, long-term revenue growth rates and earnings before interest, taxes, depreciation and amortization, or EBITDA, and/or revenue multiples that are not observable in the markets.

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

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

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

Long-term receivable: Fair value is estimated based on discounted cash flow analysis using assumptions for inputs such as expected cash flow and discount rates that are not observable in the markets.

A summary of fair value measurements by level for assets and liabilities measured at fair value on a recurring basis at March 31, 2015 and December 31, 2014 is as follows:

	Level I	Level II	Level III	Total
March 31, 2015				
Assets:				
Cash equivalents	\$ 665.7	\$ —	\$ —	\$ 665.7
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	379.7	—	—	379.7
Government sponsored securities	—	114.6	—	114.6
States, municipalities and political subdivisions, tax-exempt	—	5,817.2	—	5,817.2
Corporate securities	7.1	9,519.9	165.5	9,692.5
Options embedded in convertible debt securities	—	7.0	—	7.0
Residential mortgage-backed securities	—	2,123.3	—	2,123.3
Commercial mortgage-backed securities	—	497.6	3.2	500.8
Other debt securities	64.1	632.2	2.6	698.9
Total fixed maturity securities	450.9	18,711.8	171.3	19,334.0
Equity securities	1,875.0	208.1	51.8	2,134.9
Other invested assets, current	25.4	—	—	25.4
Securities lending collateral	1,113.9	909.7	—	2,023.6
Derivatives excluding embedded options (reported with other assets)	—	222.7	—	222.7
Total assets	\$ 4,130.9	\$ 20,052.3	\$ 223.1	\$ 24,406.3
Liabilities:				
Derivatives excluding embedded options (reported with other liabilities)	\$ —	\$ (224.6)	\$ —	\$ (224.6)
Total liabilities	\$ —	\$ (224.6)	\$ —	\$ (224.6)
December 31, 2014				
Assets:				
Cash equivalents	\$ 573.2	\$ —	\$ —	\$ 573.2
Investments available-for-sale:				
Fixed maturity securities:				
United States Government securities	320.0	—	—	320.0
Government sponsored securities	—	95.0	—	95.0
States, municipalities and political subdivisions, tax-exempt	—	5,733.6	—	5,733.6
Corporate securities	7.1	8,180.8	144.6	8,332.5
Options embedded in convertible debt securities	—	98.7	—	98.7
Residential mortgage-backed securities	—	2,159.0	—	2,159.0
Commercial mortgage-backed securities	—	506.6	3.3	509.9
Other debt securities	89.2	627.3	6.6	723.1
Total fixed maturity securities	416.3	17,401.0	154.5	17,971.8
Equity securities	1,696.9	192.9	48.3	1,938.1
Other invested assets, current	20.2	—	—	20.2
Securities lending collateral	808.3	706.9	—	1,515.2
Derivatives excluding embedded options (reported with other assets)	—	224.8	—	224.8
Total assets	\$ 3,514.9	\$ 18,525.6	\$ 202.8	\$ 22,243.3
Liabilities:				
Derivatives excluding embedded options (reported with other liabilities)	\$ —	\$ (260.4)	\$ —	\$ (260.4)
Total liabilities	\$ —	\$ (260.4)	\$ —	\$ (260.4)

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the three months ended March 31, 2015 and 2014 is as follows:

	Corporate Securities	Commercial Mortgage-backed Securities	Other Debt Securities	Equity Securities	Long-term Receivable	Total
Three Months Ended March 31, 2015						
Beginning balance at January 1, 2015	\$ 144.6	\$ 3.3	\$ 6.6	\$ 48.3	\$ —	\$ 202.8
Total gains (losses):						
Recognized in net income	(0.2)	—	0.2	(0.8)	—	(0.8)
Recognized in accumulated other comprehensive income	1.6	—	(0.2)	1.3	—	2.7
Purchases	32.4	—	—	7.5	—	39.9
Sales	—	—	(0.9)	(4.5)	—	(5.4)
Settlements	(13.6)	(0.1)	(0.1)	—	—	(13.8)
Transfers into Level III	0.7	—	—	—	—	0.7
Transfers out of Level III	—	—	(3.0)	—	—	(3.0)
Ending balance at March 31, 2015	\$ 165.5	\$ 3.2	\$ 2.6	\$ 51.8	\$ —	\$ 223.1
Change in unrealized losses included in net income related to assets still held for the three months ended March 31, 2015	\$ (0.6)	\$ —	\$ —	\$ (0.8)	\$ —	\$ (1.4)
Three Months Ended March 31, 2014						
Beginning balance at January 1, 2014	\$ 115.2	\$ 6.5	\$ 14.8	\$ 41.4	\$ —	\$ 177.9
Total gains (losses):						
Recognized in net income	(3.3)	—	—	(0.3)	21.6	18.0
Recognized in accumulated other comprehensive income	3.1	—	0.2	(5.8)	—	(2.5)
Purchases	9.3	—	—	9.0	—	18.3
Sales	(1.7)	—	—	(1.1)	—	(2.8)
Settlements	(2.1)	(3.4)	(0.2)	—	—	(5.7)
Transfers into Level III	—	—	—	—	—	—
Transfers out of Level III	(6.5)	—	—	—	—	(6.5)
Ending balance at March 31, 2014	\$ 114.0	\$ 3.1	\$ 14.8	\$ 43.2	\$ 21.6	\$ 196.7
Change in unrealized losses included in net income related to assets still held for the three months ended March 31, 2014	\$ (4.0)	\$ —	\$ —	\$ (0.3)	\$ —	\$ (4.3)

Transfers between levels, if any, are recorded as of the beginning of the reporting period. There were no material transfers between levels during the three months ended March 31, 2015 or 2014.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. As disclosed in Note 3, "Business Acquisition and Divestiture", we completed our acquisition of Simply Healthcare on February 17, 2015. The values of net assets acquired in our acquisition of Simply Healthcare and resulting goodwill and other intangible assets were recorded at fair value primarily using Level III inputs. The majority of Simply Healthcare's assets acquired and liabilities assumed were recorded at their carrying values as of the respective date of acquisition, as their carrying values approximated their fair values due to their short-term nature. The fair values of goodwill and other intangible assets acquired in our acquisition of Simply Healthcare were internally estimated based on the income approach. The income approach estimates fair value based on the present value of the cash flows that the assets could be expected to generate in the future. We developed internal estimates for the expected cash flows and discount rate in the present value calculation. Other than the

assets acquired and liabilities assumed in our acquisition of Simply Healthcare described above, there were no other assets or liabilities measured at fair value on a nonrecurring basis during the three months ended March 31, 2015 or 2014.

Our valuation policy is determined by members of our treasury and accounting departments. Whenever possible, our policy is to obtain quoted market prices in active markets to estimate fair values for recognition and disclosure purposes. Where quoted market prices in active markets are not available, fair values are estimated using discounted cash flow analyses, broker quotes or other valuation techniques. These techniques are significantly affected by our assumptions, including discount rates and estimates of future cash flows. Potential taxes and other transaction costs are not considered in estimating fair values. Our valuation policy is generally to obtain only one quoted price for each security from third party pricing services, which are derived through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. When broker quotes are used, we generally obtain only one broker quote per security. As we are responsible for the determination of fair value, we perform monthly analysis on the prices received from the pricing services to determine whether the prices are reasonable estimates of fair value. This analysis is performed by our internal treasury personnel who are familiar with our investment portfolios, the pricing services engaged and the valuation techniques and inputs used. Our analysis includes a review of month-to-month price fluctuations. If unusual fluctuations are noted in this review, we may obtain additional information from other pricing services to validate the quoted price. There were no adjustments to quoted market prices obtained from the pricing services during the three months ended March 31, 2015 or 2014.

In addition to the preceding disclosures on assets recorded at fair value in the consolidated balance sheets, FASB guidance also requires the disclosure of fair values for certain other financial instruments for which it is practicable to estimate fair value, whether or not such values are recognized in the consolidated balance sheets.

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

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

The following methods, assumptions and inputs were used to estimate the fair value of each class of financial instrument that is recorded at its carrying value on the consolidated balance sheets:

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

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

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

Long-term debt – notes: The fair values of our notes are based on quoted market prices in active markets for the same or similar debt, or, if no quoted market prices are available, on the current market observable rates estimated to be available to us for debt of similar terms and remaining maturities.

Long-term debt – convertible debentures: The fair value of our convertible debentures is based on the market price in the active private market in which the convertible debentures trade.

A summary of the estimated fair values by level of each class of financial instrument that is recorded at its carrying value on our consolidated balance sheets at March 31, 2015 and December 31, 2014 are as follows:

	Carrying Value	Estimated Fair Value			
		Level I	Level II	Level III	Total
March 31, 2015					
Assets:					
Other invested assets, long-term	\$ 1,718.4	\$ —	\$ —	\$ 1,718.4	\$ 1,718.4
Liabilities:					
Debt:					
Short-term borrowings	450.0	—	450.0	—	450.0
Commercial paper	638.8	—	638.8	—	638.8
Notes	13,774.1	—	15,018.3	—	15,018.3
Convertible debentures	976.5	—	3,098.4	—	3,098.4
December 31, 2014					
Assets:					
Other invested assets, long-term	\$ 1,695.9	\$ —	\$ —	\$ 1,695.9	\$ 1,695.9
Liabilities:					
Debt:					
Short-term borrowings	400.0	—	400.0	—	400.0
Notes	13,777.8	—	14,794.8	—	14,794.8
Convertible debentures	974.4	—	2,581.9	—	2,581.9

6. Income Taxes

During the three months ended March 31, 2015 and 2014, we recognized income tax expense of \$703.9 and \$438.7, respectively, which represents effective tax rates of 44.9% and 38.8%, respectively. The increase in income tax expense was primarily due to increased income before income taxes and the increase to the non-tax deductible Health Insurance Provider Fee, or HIP Fee. For the three months ended March 31, 2015 and 2014, the HIP Fee resulted in additional income tax expense of \$113.3 and \$80.5, respectively. The increase was further impacted due to favorable 2014 discrete tax adjustments related to state income tax audits, including refund claims filed, and adjustments to state deferred tax liabilities in 2014 resulting from a decrease in the Indiana statutory income tax rate.

The increase in the effective tax rate was primarily due to the increase to the non-tax deductible HIP Fee, the favorable 2014 discrete tax adjustments, and adjustments to the state deferred tax liabilities in 2014, discussed above.

7. Retirement Benefits

The components of net periodic (credit) benefit cost included in the consolidated statements of income for the three months ended March 31, 2015 and 2014 are as follows:

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Service cost	\$ 3.3	\$ 3.3	\$ 0.5	\$ 0.8
Interest cost	17.0	18.5	5.9	6.6
Expected return on assets	(35.7)	(34.4)	(5.9)	(5.8)
Recognized actuarial loss	6.4	5.3	3.8	2.3
Settlement loss	1.3	1.1	—	—
Amortization of prior service credit	(0.2)	(0.2)	(3.6)	(3.6)
Net periodic (credit) benefit cost	\$ (7.9)	\$ (6.4)	\$ 0.7	\$ 0.3

For the year ending December 31, 2015, no material contributions are expected to be necessary to meet the Employee Retirement Income Security Act, or ERISA, required funding levels; however, we may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. No contributions were made to our retirement benefit plans during the three months ended March 31, 2015 or 2014.

8. Debt

We generally issue senior unsecured notes for long-term borrowing purposes. At March 31, 2015, we had \$13,749.2 outstanding under these notes. During the three months ended March 31, 2015, we purchased \$13.0 of outstanding principal balance of certain senior unsecured notes, plus applicable premium for early redemption plus accrued and unpaid interest, for cash totaling \$16.2. We recognized a loss on extinguishment of debt of \$3.4 for the repurchase of these notes.

We have an unsecured surplus note with an outstanding principal balance of \$24.9 at March 31, 2015.

We have a senior revolving credit facility, or the Facility, with certain lenders for general corporate purposes. The Facility, as amended, provides credit up to \$2,000.0, and matures on September 29, 2016. There were no amounts outstanding under this Facility as of March 31, 2015 or at any time during the three months then ended.

We have an authorized commercial paper program of up to \$2,500.0, the proceeds of which may be used for general corporate purposes. At March 31, 2015, we had \$638.8 outstanding under this program.

We have outstanding senior convertible debentures due 2042, or the Debentures, which are governed by an indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee. We have accounted for the Debentures in accordance with the cash conversion guidance in FASB guidance for debt with conversion and other options. As a result, the value of the embedded conversion option has been bifurcated from its debt host and recorded as a component of "additional paid-in capital" (net of deferred taxes and equity issuance costs) in our consolidated balance sheets. The following table summarizes at March 31, 2015 the related balances, conversion rate and conversion price of the Debentures:

Outstanding principal amount	\$ 1,500.0
Unamortized debt discount	\$ 523.5
Net debt carrying amount	\$ 976.5
Equity component carrying amount	\$ 543.6
Conversion rate (shares of common stock per \$1,000 of principal amount)	13.3953
Effective conversion price (per \$1,000 of principal amount)	\$ 74.6524

We have \$450.0 in outstanding short-term borrowings from various Federal Home Loan Banks at March 31, 2015 with fixed interest rates of 0.194%.

9. Commitments and Contingencies

Litigation

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

We are defending a certified class action filed as a result of the 2001 demutualization of Anthem Insurance Companies, Inc., or Anthem Insurance. The lawsuit names Anthem Insurance as well as Anthem, Inc. and is captioned *Ronald Gold, et al. v. Anthem, Inc. et al.* Anthem Insurance's 2001 Plan of Conversion, or the Plan, provided for the conversion of Anthem Insurance from a mutual insurance company into a stock insurance company pursuant to Indiana law. Under the Plan, Anthem Insurance distributed the fair value of the company at the time of conversion to its Eligible Statutory Members, or ESMs, in the form of cash or Anthem common stock in exchange for their membership interests in the mutual company. Plaintiffs in *Gold* allege that Anthem Insurance distributed value to the wrong ESMs. Cross motions for summary judgment were granted in part and denied in part on July 26, 2006 with regard to the issue of sovereign immunity asserted by co-defendant, the state of Connecticut, or the State. The trial court also denied our motion for summary judgment as to plaintiffs' claims on January 10, 2005. The State appealed the denial of its motion to the Connecticut Supreme Court. We filed a cross-appeal on the sovereign immunity issue. On May 11, 2010, the Supreme Court reversed the judgment of the trial court denying the State's motion to dismiss the plaintiff's claims under sovereign immunity and dismissed our cross-appeal. The case was remanded to the trial court for further proceedings. Plaintiffs' motion for class certification was granted on December 15, 2011. We and the plaintiffs filed renewed cross-motions for summary judgment on January 24, 2013. On August 19, 2013, the trial court denied plaintiffs' motion for summary judgment. The trial court deferred a final ruling on our motion for summary judgment. On March 6, 2014, the trial court denied our motion for summary judgment finding that an issue of material fact existed. A trial on liability commenced on October 14, 2014 and concluded on October 16, 2014. The matter was taken under advisement by the trial court, which has requested post-trial briefing. We expect the trial court to issue its decision on liability sometime in 2015. We intend to vigorously defend the *Gold* lawsuit; however, its ultimate outcome cannot be presently determined.

We are currently a defendant in eleven putative class actions relating to out-of-network, or OON, reimbursement that were consolidated into a single multi-district lawsuit called *In re WellPoint, Inc. (n/k/a Anthem, Inc.) Out-of-Network "UCR" Rates Litigation* that is pending in the United States District Court for the Central District of California. The lawsuits were filed in 2009. The plaintiffs include current and former members on behalf of a putative class of members who received OON services for which the defendants paid less than billed charges, the American Medical Association, four state medical associations, OON physicians, OON non-physician providers, the American Podiatric Medical Association, California Chiropractic Association and the California Psychological Association on behalf of putative classes of OON physicians and all OON non-physician health care providers. The plaintiffs have filed several amended complaints alleging that the defendants violated the Racketeer Influenced and Corrupt Organizations Act, or RICO, the Sherman Antitrust Act, ERISA, federal regulations, and state law by using an OON reimbursement database called Ingenix and by using non-Ingenix OON reimbursement methodologies. We have filed motions to dismiss in response to each of those amended complaints. Our motions to dismiss have been granted in part and denied in part by the court. The most recent pleading filed by the plaintiffs is a Fourth Amended Complaint to which we filed a motion to dismiss most, but not all, of the claims. In July 2013 the court issued an order granting in part and denying in part our motion. The court held that the state and federal anti-trust claims along with the RICO claims should be dismissed in their entirety with prejudice. The court further found that the ERISA claims, to the extent they involved non-Ingenix methodologies, along with those that involved our alleged non-disclosures should be dismissed with prejudice. The court also dismissed most of the plaintiffs' state law claims with prejudice. The only claims that remain after the court's decision are an ERISA benefits claim relating to claims priced based on Ingenix, a breach of contract claim on behalf of one subscriber plaintiff, a breach of implied covenant claim on behalf of one subscriber plaintiff, and one subscriber plaintiff's claim under the California Unfair Competition Law. The plaintiffs filed a motion for reconsideration of the motion to dismiss order, which the court granted in part and denied in part. The court ruled that the

plaintiffs adequately allege that one Georgia provider plaintiff is deemed to have exhausted administrative remedies regarding non-Ingenix methodologies based on the facts alleged regarding that plaintiff so those claims are back in the case. Fact discovery is complete. The plaintiffs filed a motion for class certification in November 2013 seeking the following classes: (1) a subscriber ERISA class as to OON claims processed using the Ingenix database as the pricing methodology; (2) a physician provider class as to OON claims processed using Ingenix; (3) a non-physician provider class as to OON claims processed using Ingenix; (4) a provider ERISA class as to OON claims processed using non-Ingenix pricing methodologies; (5) a California subscriber breach of contract/unfair competition class; and (6) a subscriber breach of implied covenant class for all Anthem states except California. Following expert discovery and briefing, oral argument was held on the motion. In late 2014, the court denied the plaintiffs' motion for class certification in its entirety. The California subscriber plaintiffs filed a motion for leave to file a renewed motion for class certification with more narrowly defined proposed classes, which the court denied. Earlier in the case, in 2009, we filed a motion in the United States District Court for the Southern District of Florida, or the Florida Court, to enjoin the claims brought by the physician plaintiffs and certain medical association plaintiffs based on prior litigation releases, which was granted in 2011. The Florida Court ordered those plaintiffs to dismiss their claims that are barred by the release. The plaintiffs then filed a petition for declaratory judgment asking the court to find that these claims are not barred by the releases from the prior litigation. We filed a motion to dismiss the declaratory judgment action, which was granted. The plaintiffs appealed the dismissal of the declaratory judgment to the United States Court of Appeals for the Eleventh Circuit, but the dismissal was upheld. The enjoined physicians and some the medical associations did not dismiss their barred claims. The Florida Court found those enjoined plaintiffs in contempt and sanctioned them in July 2012. Those plaintiffs appealed the Florida Court's sanctions order to the United States Court of Appeals for the Eleventh Circuit. The Eleventh Circuit upheld the Florida court's enforcement of the injunction as it relates to the plaintiffs' RICO and antitrust claims, but vacated it as it relates to certain ERISA claims. The plaintiffs filed a petition for rehearing en banc as to the antitrust claims only, which was denied. The plaintiffs then filed a petition for writ of certiorari with the U.S. Supreme Court. The American Medical Association filed an amicus brief in support of the petition. The U.S. Supreme Court denied the petition on February 23, 2015. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

We are a defendant in multiple lawsuits that were initially filed in 2012 against the BCBSA as well as Blue Cross and/or Blue Shield licensees across the country. The cases were consolidated into a single multi-district lawsuit called *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the United States District Court for the Northern District of Alabama. Generally, the suits allege that the BCBSA and the Blue plans have engaged in a conspiracy to horizontally allocate geographic markets through license agreements, best efforts rules (which limit the percentage of non-Blue revenue of each plan), restrictions on acquisitions and other arrangements in violation of the Sherman Antitrust Act and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers. Subscriber and provider plaintiffs each filed consolidated amended complaints on July 1, 2013. The consolidated amended subscriber complaint was also brought on behalf of putative state classes of health plan subscribers in Alabama, Arkansas, California, Florida, Hawaii, Illinois, Louisiana, Michigan, Mississippi, Missouri, New Hampshire, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, and Texas. Defendants filed motions to dismiss in September 2013, which were argued in April 2014. In June 2014, the court denied the majority of the motions, ruling that plaintiffs had alleged sufficient facts at this stage of the litigation to avoid dismissal of their claims. Following the subsequent filing of amended complaints by each of the subscriber and provider plaintiffs, we filed our answer and asserted our affirmative defenses in December 2014. Discovery has commenced. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

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

With respect to many of the proceedings to which we are a party, we cannot provide an estimate of the possible losses, or the range of possible losses in excess of the amount, if any, accrued, for various reasons, including but not limited to some or all of the following: (i) there are novel or unsettled legal issues presented, (ii) the proceedings are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or decertified or the ultimate size and scope of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) in many cases, the plaintiffs have not specified damages in their complaint or in court filings. For those legal proceedings

where a loss is probable, or reasonably possible, and for which it is possible to reasonably estimate the amount of the possible loss or range of losses, we currently believe that the range of possible losses, in excess of established reserves, for all of those proceedings is from \$0.0 to approximately \$250.0 at March 31, 2015. This estimated aggregate range of reasonably possible losses is based upon currently available information taking into account our best estimate of such losses for which such an estimate can be made.

Cyber Attack Incident

In February 2015, we reported that we were the target of a sophisticated external cyber attack. The attackers gained unauthorized access to certain of our information technology systems and obtained personal information related to many individuals and employees, such as names, birthdays, health care identification/social security numbers, street addresses, email addresses, phone numbers and employment information, including income data. To date, there is no evidence that credit card or medical information, such as claims, test results or diagnostic codes, were targeted, accessed or obtained, although no assurance can be given that we will not identify additional information that was accessed or obtained.

Currently, we are in the process of addressing the cyber attack and supporting federal law enforcement efforts to identify the responsible parties. Upon discovery of the cyber attack, we took immediate action to remediate the security vulnerability and retained a cybersecurity firm to evaluate our systems and identify solutions based on the evolving landscape. We will provide credit monitoring and identity protection services to those who have been affected by this cyber attack. While the cyber attack did not have an impact on our business, cash flows, financial condition and results of operations for the year ended December 31, 2014, we have incurred expenses subsequent to the cyber attack to investigate and remediate this matter and expect to continue to incur expenses of this nature in the foreseeable future. Although we are unable to quantify the ultimate magnitude of such expenses and any other impact to our business from this incident at this time, they may be significant. We will recognize these expenses in the periods in which they are incurred.

Actions have been filed in various federal and state courts and other claims have been or may be asserted against us on behalf of current or former members, current or former employees, other individuals, shareholders or others seeking damages or other related relief, allegedly arising out of the cyber attack. State and federal agencies, including state insurance regulators, state attorneys general, the Health and Human Services Office of Civil Rights and the Federal Bureau of Investigations, are investigating events related to the cyber attack, including how it occurred, its consequences and our responses. Although we are cooperating in these investigations, we may be subject to fines or other obligations, which may have an adverse effect on how we operate our business and our results of operations. With respect to the civil actions, a motion to transfer was filed with the Judicial Panel on Multidistrict Litigation on February 10, 2015 and will be heard by the Panel on May 28, 2015.

We have contingency plans and insurance coverage for certain expenses and potential liabilities of this nature, however, the coverage may not be sufficient to cover all claims and liabilities. While a loss from these matters is reasonably possible, we cannot reasonably estimate a range of possible losses because our investigation into the matter is ongoing, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved.

Other Contingencies

From time to time, we and certain of our subsidiaries are parties to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. We, like HMOs and health insurers generally, exclude certain health care and other services from coverage under our HMO, PPO and other plans. We are, in the ordinary course of business, subject to the claims of our enrollees arising out of decisions to restrict or deny reimbursement for uncovered services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on us. In addition, the risk of potential liability under punitive damage theories may increase significantly the difficulty of obtaining reasonable settlements of coverage claims.

In addition to the lawsuits described above, we are also involved in other pending and threatened litigation of the character incidental to our business, and are from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits, reviews and administrative proceedings include routine and special inquiries by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the

imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on our business operations. Any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on our consolidated financial position or results of operations.

The National Organization of Life & Health Insurance Guaranty Associations, or NOLHGA, is a voluntary organization consisting of the state life and health insurance guaranty associations located throughout the U.S. Such associations, working together with NOLHGA, provide a safety net for their state's policyholders, ensuring that they continue to receive coverage, subject to state maximum limits, even if their insurer is declared insolvent. We are aware that the Pennsylvania Insurance Commissioner, or Insurance Commissioner, has placed Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, or collectively Penn Treaty, in rehabilitation, an intermediate action before insolvency. The state court denied the Insurance Commissioner's petition for the liquidation of Penn Treaty and ordered the Insurance Commissioner to file an updated plan of rehabilitation. An initial plan was filed on April 30, 2013. The Insurance Commissioner filed an amended plan on August 8, 2014 and a second amended plan on October 8, 2014. The state court ordered a hearing to consider motions in response to and in connection with the second amended plan on May 11, 2015, which has been set for July 15, 2015. The Insurance Commissioner has filed a Notice of Appeal asking the Pennsylvania Supreme Court to reverse the order denying the liquidation petition. The Supreme Court held oral argument on the appeal in September 2014. In the event rehabilitation of Penn Treaty is unsuccessful and Penn Treaty is declared insolvent and placed in liquidation, we and other insurers may be required to pay a portion of their policyholder claims through state guaranty association assessments in future periods. Given the uncertainty around whether Penn Treaty will ultimately be declared insolvent and, if so, the amount of the insolvency, the amount and timing of any associated future guaranty fund assessments, and the availability and amount of any potential premium tax and other offsets, we currently cannot estimate our net exposure, if any, to this potential insolvency. We will continue to monitor the situation and may record a liability and expense in future reporting periods, which could be material to our cash flows and results of operations.

Contractual Obligations and Commitments

We are a party to an agreement with Express Scripts, Inc., or Express Scripts, whereby Express Scripts is the exclusive provider of pharmacy benefit management, or PBM, services to our plans, excluding some Amerigroup subsidiaries and certain self-insured members, which have exclusive agreements with different PBM service providers. It is expected that those Amerigroup subsidiaries will complete their transition to the Express Scripts agreement during 2015. The initial term of this agreement expires on December 31, 2019. Under this agreement, Express Scripts is the exclusive provider of certain specified PBM services, such as pharmacy network management, home delivery, pharmacy customer service, claims processing, rebate management, drug utilization and specialty pharmaceutical management services. Accordingly, the agreement contains certain financial and operational requirements obligating both Express Scripts and us. Express Scripts' primary obligations relate to the performance of such services and meeting certain pricing guarantees and performance standards. Our primary obligations relate to oversight, provision of data, payment for services and certain minimum volume requirements. The failure by either party to meet the respective requirements could potentially serve as a basis for financial penalties or early termination of the contract. We believe we have appropriately recognized all rights and obligations under this contract at March 31, 2015.

During December 2014, we entered into a new agreement with International Business Machines Corporation to provide information technology infrastructure services. This new agreement supersedes certain prior agreements and also includes provisions for additional services. Our remaining commitment under this agreement at March 31, 2015 was \$452.7 through March 31, 2020. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

On March 31, 2009, we entered into an agreement with Affiliated Computer Services, Inc. to provide certain print and mailroom services that were previously performed in-house. Our remaining commitment under this agreement at March 31, 2015 was \$62.9 through March 31, 2016. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

Vulnerability from Concentrations

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, investment securities, premium receivables and instruments held through hedging activities. All investment securities are managed by professional investment managers within policies authorized by our Board of Directors. Such policies limit the amounts that may be invested in any one issuer and prescribe certain investee company criteria. Concentrations of credit risk

with respect to premium receivables are limited due to the large number of employer groups that constitute our customer base in the states in which we conduct business. As of March 31, 2015, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

10. Capital Stock

Use of Capital – Dividends and Stock Repurchase Program

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

A summary of the cash dividend activity for the three months ended March 31, 2015 and 2014 is as follows:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Dividend per Share</u>	<u>Total</u>
Three Months Ended March 31, 2015				
January 27, 2015	March 10, 2015	March 25, 2015	\$0.6250	\$166.6
Three Months Ended March 31, 2014				
January 28, 2014	March 10, 2014	March 25, 2014	\$0.4375	\$123.4

Under our Board of Directors' authorization, we maintain a common stock repurchase program. On October 2, 2014, the Board of Directors authorized a \$5,000.0 increase to the common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. The repurchases are effected from time to time in the open market, through negotiated transactions, including accelerated share repurchase agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Our stock repurchase program is discretionary as we are under no obligation to repurchase shares. We repurchase shares under the program when we believe it is a prudent use of capital. The excess cost of the repurchased shares over par value is charged on a pro rata basis to additional paid-in capital and retained earnings.

A summary of common stock repurchases for the period April 1, 2015 through April 14, 2015 (subsequent to March 31, 2015) and for the three months ended March 31, 2015 and 2014 is as follows:

	<u>April 1, 2015 Through April 14, 2015</u>	<u>Three Months Ended March 31</u>	
		<u>2015</u>	<u>2014</u>
Shares repurchased	0.5	5.7	14.3
Average price per share	\$ 154.99	\$ 136.88	\$ 88.14
Aggregate cost	\$ 79.9	\$ 774.1	\$ 1,262.8
Authorization remaining at the end of each period	\$ 4,837.7	\$ 4,917.6	\$ 2,428.2

Under the common stock repurchase program authorized by our Board of Directors, on February 4, 2014, we entered into an accelerated share repurchase agreement with a counterparty. The agreement provided for the repurchase of a number of our shares, equal to \$600.0, as determined by the volume weighted-average price of our shares during the term of the agreement. In March 2014, we repurchased 6.6 shares under the agreement.

In addition, during the three months ended March 31, 2015, we entered into a series of call and put options with certain counterparties to repurchase shares of our common stock below the then current market price. The Company exercised call options that enabled the repurchase of 1.8 shares of our common stock at an average strike price of \$132.13. In order to set the call option strike prices below our market price at inception, we sold 4.2 put options at equal strike prices. During the three months ended March 31, 2015, 2.4 put options expired unexercised. The remaining 1.8 put options have expiration dates in September 2015. If the closing market price of our common stock on the expiration dates of the remaining put options is below the put option strike price, we will be required to repurchase up to 1.8 shares of our common stock at the

higher contract price. Based on FASB guidance, the value of the call options was recognized as a reduction of shareholders' equity and the value of the put options was recognized as a liability.

Subsequent to March 31, 2015, during April 2015 we bought call options for the repurchase of 0.4 shares of our common stock at an average strike price of \$144.06 and sold put options for 1.0 shares of our common stock at equal strike prices. The call options expired in April 2015 while the put options expire in August 2015. If the closing market price of our common stock on the expiration dates of the put options is below the put option strike price, we will be required to repurchase up to 1.0 shares at the higher contract price.

For additional information regarding the use of capital for debt security repurchases, see Note 8, "Debt."

Stock Incentive Plans

A summary of stock option activity for the three months ended March 31, 2015 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, 2015	7.3	\$ 70.30		
Granted	1.2	146.93		
Exercised	(1.5)	67.75		
Forfeited or expired	(0.1)	77.92		
Outstanding at March 31, 2015	6.9	84.31	4.80	\$ 487.0
Exercisable at March 31, 2015	4.0	66.61	2.92	\$ 352.1

A summary of the status of nonvested restricted stock activity, including restricted stock units, for the three months ended March 31, 2015 is as follows:

	Restricted Stock Shares and Units	Weighted- Average Grant Date Fair Value per Share
Nonvested at January 1, 2015	3.6	\$ 75.63
Granted	0.9	146.85
Vested	(1.5)	72.13
Forfeited	—	—
Nonvested at March 31, 2015	3.0	98.64

Fair Value

We use a binomial lattice valuation model to estimate the fair value of all stock options granted. For a more detailed discussion of our stock incentive plan fair value methodology, see Note 14, "Capital Stock," to our audited consolidated financial statements as of and for the year ended December 31, 2014 included in our 2014 Annual Report on Form 10-K.

The following weighted-average assumptions were used to estimate the fair values of options granted during the three months ended March 31, 2015 and 2014:

	2015	2014
Risk-free interest rate	1.96%	2.16%
Volatility factor	31.00%	35.00%
Quarterly dividend yield	0.425%	0.500%
Weighted-average expected life (years)	4.00	3.75

The following weighted-average fair values were determined for the three months ended March 31, 2015 and 2014:

	2015	2014
Options granted during the period	\$ 33.95	\$ 22.20
Restricted stock awards granted during the period	146.85	89.43

11. Accumulated Other Comprehensive Income

A reconciliation of the components of accumulated other comprehensive income at March 31, 2015 and 2014 is as follows:

	2015	2014
Investments:		
Gross unrealized gains	\$ 1,198.8	\$ 1,156.5
Gross unrealized losses	(135.5)	(161.8)
Net pre-tax unrealized gains	1,063.3	994.7
Deferred tax liability	(375.3)	(345.4)
Net unrealized gains on investments	688.0	649.3
Non-credit components of other-than-temporary impairments on investments:		
Unrealized losses	(1.4)	—
Deferred tax asset	0.5	—
Net unrealized non-credit component of other-than-temporary impairments on investments	(0.9)	—
Cash flow hedges:		
Gross unrealized losses	(53.8)	(48.6)
Deferred tax asset	18.8	17.0
Net unrealized losses on cash flow hedges	(35.0)	(31.6)
Defined benefit pension plans:		
Deferred net actuarial loss	(556.1)	(426.4)
Deferred prior service credits	2.1	8.4
Deferred tax asset	220.3	167.5
Net unrecognized periodic benefit costs for defined benefit pension plans	(333.7)	(250.5)
Postretirement benefit plans:		
Deferred net actuarial loss	(194.8)	(154.7)
Deferred prior service credits	71.8	86.2
Deferred tax asset	48.8	27.4
Net unrecognized periodic benefit costs for postretirement benefit plans	(74.2)	(41.1)
Foreign currency translation adjustments:		
Gross unrealized (losses) gains	(9.7)	2.0
Deferred tax asset (liability)	3.4	(0.7)
Net unrealized (losses) gains on foreign currency translation adjustments	(6.3)	1.3
Accumulated other comprehensive income	\$ 237.9	\$ 327.4

Other comprehensive income (loss) reclassification adjustments for the three months ended March 31, 2015 and 2014 are as follows:

	2015	2014
Investments:		
Net holding gain on investment securities arising during the period, net of tax expense of (\$33.4) and (\$67.5), respectively	\$ 39.3	\$ 120.2
Reclassification adjustment for net realized gain on investment securities, net of tax expense of (\$11.4) and (\$10.8), respectively	21.1	20.1
Total reclassification adjustment on investments	60.4	140.3
Non-credit component of other-than-temporary impairments on investments:		
Non-credit component of other-than-temporary impairments on investments, net of tax expense of (\$1.9) and (\$0.3), respectively	3.5	0.5
Cash flow hedges:		
Holding gain, net of tax expense of (\$0.5) and (\$0.4), respectively	0.9	0.7
Other:		
Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax expense of (\$3.0) and (\$1.9), respectively	4.7	2.9
Foreign currency translation adjustment, net of tax benefit of \$1.9 and \$0.0, respectively	(3.5)	(0.2)
Net gain recognized in other comprehensive income, net of tax expense of (\$48.3) and (\$80.9), respectively	\$ 66.0	\$ 144.2

12. Earnings per Share

The denominator for basic and diluted earnings per share for the three months ended March 31, 2015 and 2014 is as follows:

	Three Months Ended March 31	
	2015	2014
Denominator for basic earnings per share – weighted-average shares	266.6	284.9
Effect of dilutive securities – employee stock options, non-vested restricted stock awards and convertible debentures	13.8	7.7
Denominator for diluted earnings per share	280.4	292.6

During the three months ended March 31, 2015 and 2014, weighted-average shares related to certain stock options of 0.4 and 0.6, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive.

During the three months ended March 31, 2015, we issued approximately 0.9 restricted stock units under our stock incentive plans, 0.5 of which vesting is contingent upon us meeting specified annual earnings targets for the three year period of 2015 through 2017. During the three months ended March 31, 2014, we issued approximately 1.3 restricted stock units under our stock incentive plans, 0.7 of which vesting was contingent upon us meeting specified annual operating gain targets for 2014. The contingent restricted stock units have been excluded from the denominator for diluted earnings per share for the three months ended March 31, 2015 and 2014, respectively, and are included only if and when the contingency is met.

13. Segment Information

The results of our operations are described through three reportable segments: Commercial and Specialty Business, Government Business and Other, as further described in Note 19, "Segment Information," to our audited consolidated financial statements as of and for the year ended December 31, 2014 included in our 2014 Annual Report on Form 10-K.

Financial data by reportable segment for the three months ended March 31, 2015 and 2014 is as follows:

	Commercial and Specialty Business	Government Business	Other	Total
Three Months Ended March 31, 2015				
Operating revenue	\$ 9,366.9	\$ 9,480.1	\$ 4.4	\$ 18,851.4
Operating gain (loss)	1,267.0	324.4	(12.1)	1,579.3
Three Months Ended March 31, 2014				
Operating revenue	\$ 9,697.5	\$ 7,941.3	\$ 6.0	\$ 17,644.8
Operating gain (loss)	886.1	239.6	(7.0)	1,118.7

A reconciliation of reportable segments operating revenues, a non-GAAP measure, to the amounts of total revenues included in the consolidated statements of income for the three months ended March 31, 2015 and 2014 is as follows:

	Three Months Ended March 31	
	2015	2014
Reportable segments operating revenues	\$ 18,851.4	\$ 17,644.8
Net investment income	167.6	183.7
Net realized gains on investments	46.5	41.7
Other-than-temporary impairment losses recognized in income	(14.0)	(10.8)
Total revenues	\$ 19,051.5	\$ 17,859.4

A reconciliation of reportable segments operating gain, a non-GAAP measure, to income from continuing operations before income tax expense included in the consolidated statements of income for the three months ended March 31, 2015 and 2014 is as follows:

	Three Months Ended March 31	
	2015	2014
Reportable segments operating gain	\$ 1,579.3	\$ 1,118.7
Net investment income	167.6	183.7
Net realized gains on investments	46.5	41.7
Other-than-temporary impairment losses recognized in income	(14.0)	(10.8)
Interest expense	(154.4)	(146.2)
Amortization of other intangible assets	(52.5)	(54.0)
Loss on extinguishment of debt	(3.4)	(3.0)
Income from continuing operations before income tax expense	\$ 1,569.1	\$ 1,130.1

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

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

References to the terms "we", "our" or "us" used throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, refer to Anthem, Inc., an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries.

This MD&A should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2014 and the MD&A included in our 2014 Annual Report on Form 10-K, and our unaudited consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2015 included in this Form 10-Q. Results of operations, cost of care trends, investment yields and other measures for the three months ended March 31, 2015 are not necessarily indicative of the results and trends that may be expected for the full year ending December 31, 2015. Also see Part I, Item 1A, "Risk Factors" of our 2014 Annual Report on Form 10-K and Part II, Item 1A, "Risk Factors" of this Form 10-Q.

Overview

We manage our operations through three reportable segments: Commercial and Specialty Business, Government Business and Other. We regularly evaluate the appropriateness of our reportable segments, particularly in light of organizational changes, merger and acquisition activity and changing laws and regulations. Therefore, these reportable segments may change in the future. For additional information about our organization, see the "Overview" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2014 Annual Report on Form 10-K.

In February 2015, we reported that we were the target of a sophisticated external cyber attack. The attackers gained unauthorized access to certain of our information technology systems and obtained personal information related to many individuals and employees. We are in the process of addressing the cyber attack and are supporting federal law enforcement efforts to identify the responsible parties. For additional information about the cyber attack, see Note 9, "Commitments and Contingencies - *Cyber Attack Incident*," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

On February 17, 2015, we completed our acquisition of Simply Healthcare Holdings, Inc., or Simply Healthcare, a leading managed care company for people enrolled in Medicaid and Medicare programs in the state of Florida. This acquisition aligns with our strategy for continued growth in our Government Business segment. For additional information about this acquisition, see Note 3, "Business Acquisition and Divestiture - *Simply Healthcare*," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

On January 31, 2014, we sold our 1-800 CONTACTS, Inc. business and our glasses.com related assets (collectively, 1-800 CONTACTS). The operating results for 1-800 CONTACTS for the one month ended January 31, 2014 are reported as discontinued operations. These results were previously reported in the Commercial and Specialty Business segment. Unless otherwise specified, all financial and membership information, other than cash flows, disclosed in this MD&A is from continuing operations. In accordance with Financial Accounting Standards Board, or FASB, guidance, we have elected to not separately disclose net cash provided by or used in operating, investing, and financing activities and the net effect of those cash flows on cash and cash equivalents for discontinued operations during the periods presented. For additional information regarding these transactions, see Note 3, "Business Acquisition and Divestiture - *1-800 CONTACTS*," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q and Note 3, "Business Acquisitions and Divestitures," included in our 2014 Annual Report on Form 10-K.

The Patient Protection and Affordable Care Act, or ACA, and the Health Care and Education Reconciliation Act of 2010, or collectively, Health Care Reform, has changed and will continue to make broad-based changes to the U.S. health care system and we expect will continue to significantly impact our business model and results of operations. Health Care Reform presents us with new growth opportunities, but also with new financial and regulatory challenges. Beginning in 2014, Health Care Reform imposed a mandatory annual Health Insurance Provider Fee, or HIP Fee, on health insurers that write certain types of health insurance on U.S. risks. The annual HIP Fee is allocated to health insurers based on the ratio of the amount of

an insurer's net premium revenues written during the preceding calendar year to an adjusted amount of health insurance for all U.S. health risk for those certain lines of business written during the preceding calendar year. The HIP Fee is non-deductible for federal income tax purposes. The total amount collected from allocations to health insurers in 2014 was \$8,000.0, and increases to \$11,300.0 for 2015 and 2016, \$13,900.0 for 2017 and \$14,300.0 for 2018. For 2019 and beyond, the annual HIP Fee will equal the amount for the preceding year increased by the rate of premium growth for the preceding year. We record our estimated liability for the HIP Fee in full at the beginning of the year with a corresponding deferred asset that is amortized on a straight-line basis. The final calculation and payment of the annual HIP Fee occurs in the third quarter each year. For the three months ended March 31, 2015 and 2014, we estimated our portion of the HIP Fee to be \$323.7 and \$230.0, respectively, which is recognized as general and administrative expense. As a result of the complexity of the law, its impact on health care in the United States and the continuing modification and interpretation of Health Care Reform rules, we will continue to evaluate the impact of Health Care Reform as additional guidance is made available. For additional discussion regarding Health Care Reform, see Part I, Item 1 "Business – Regulation", Part I, Item 1A "Risk Factors" and the "Overview" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2014 Annual Report on Form 10-K.

Executive Summary

We are one of the largest health benefits companies in terms of medical membership in the United States, serving 38.5 medical members through our affiliated health plans as of March 31, 2015. We are an independent licensee of the Blue Cross and Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California 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 Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, and Empire Blue Cross Blue Shield, or Empire Blue Cross (in our New York service areas). We also conduct business through arrangements with other BCBS licensees in the states of South Carolina and Texas. We conduct business through our AMERIGROUP Corporation, or Amerigroup, subsidiary, in Florida, Georgia, Kansas, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, Tennessee, Texas and Washington. We also conduct business through our recently acquired Simply Healthcare subsidiary in the state of Florida. We also serve customers throughout the country as HealthLink, UniCare (including a non-risk arrangement with the state of Massachusetts), and in certain Arizona, California, Nevada, New York and Virginia markets through our CareMore Health Group, Inc., or CareMore, subsidiary. We are licensed to conduct insurance operations in all 50 states through our subsidiaries.

Operating revenue for the three months ended March 31, 2015 was \$18,851.4, an increase of \$1,206.6, or 6.8%, from the three months ended March 31, 2014. The increase in operating revenue was primarily a result of higher premium revenue in our Government Business segment and, to a lesser extent, increased administrative fees in our Commercial and Specialty Business segment. These increases were partially offset by lower premium revenue in our Commercial and Specialty Business segment.

Net income for the three months ended March 31, 2015 was \$865.2, an increase of \$164.2, or 23.4%, from the three months ended March 31, 2014. The increase in net income was primarily due to higher operating revenues in our Government Business segment and lower benefit costs in our Commercial and Specialty Business segment. The increase in net income was partially offset by increases in selling, general and administrative expenses to support the growth in membership. The increase in net income was further offset by increased income tax expense. Our fully-diluted earnings per share, or EPS, was \$3.09 for the three months ended March 31, 2015, which represented a 28.8% increase from the EPS of \$2.40 for the three months ended March 31, 2014. The increase in EPS resulted primarily from the increase in net income and the lower number of shares outstanding in 2015 due to share buyback activity under our share repurchase program.

Operating cash flow for the three months ended March 31, 2015 was \$1,650.5, or 1.9 times net income. Operating cash flow for the three months ended March 31, 2014 was \$1,387.5. The increase in operating cash flow from 2014 of \$263.0 was primarily attributable to an increase in premium receipts as a result of rate increases across our businesses designed to cover overall cost trends and Health Care Reform fees, and growth in membership. The increase in cash provided by operating activities was further attributable to payments in 2014 that did not recur in 2015 for the adjudication of claims relating to the New York State contract conversion from our fully-insured Local Group business to a self-funded ASO contract. The increase

in cash provided by operating activities was partially offset by an increase in claims payments, primarily as a result of membership growth.

Our results of operations discussed throughout this MD&A are determined in accordance with U.S. generally accepted accounting principles, or GAAP. We also calculate operating gain, which is a non-GAAP measure, to further aid investors in understanding and analyzing our core operating results and comparing them among periods. Operating gain is calculated as total operating revenue less benefit expense, and selling, general and administrative expense. We use this measure as a basis for evaluating segment performance, allocating resources, setting incentive compensation targets and forecasting future operating periods. This information is not intended to be considered in isolation or as a substitute for income from continuing operations before income tax expense, net income or EPS prepared in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies. For additional details on operating gain, see our "Reportable Segments Results of Operations" discussion included in this MD&A. For a reconciliation of reportable segment operating gain to income from continuing operations before income tax expense, see Note 13, "Segment Information," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Membership

Our medical membership includes seven different customer types: Local Group, Individual, National Accounts, BlueCard[®], Medicare, Medicaid and Federal Employee Program, or FEP. BCBS-branded business generally refers to members in our service areas licensed by the BCBSA. Non-BCBS-branded business refers to Amerigroup, CareMore and Simply Healthcare members as well as HealthLink and UniCare members predominantly outside of our BCBSA service areas. For a more detailed description of our medical membership, see the "Membership" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2014 Annual Report on Form 10-K.

The following table presents our medical membership by customer type, funding arrangement and reportable segment as of March 31, 2015 and 2014. Also included below is other membership by product. The medical membership and other membership data presented are unaudited and in certain instances include estimates of the number of members represented by each contract at the end of the period.

<i>(In thousands)</i>	<u>March 31</u>		<u>Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>		
Medical Membership				
Customer Type				
Local Group	15,219	15,198	21	0.1 %
Individual	1,895	1,850	45	2.4 %
National:				
National Accounts	7,361	7,266	95	1.3 %
BlueCard®	5,444	5,209	235	4.5 %
Total National	12,805	12,475	330	2.6 %
Medicare	1,426	1,379	47	3.4 %
Medicaid	5,622	4,499	1,123	25.0 %
FEP	1,570	1,543	27	1.7 %
Total Medical Membership by Customer Type	<u>38,537</u>	<u>36,944</u>	<u>1,593</u>	<u>4.3 %</u>
Funding Arrangement				
Self-Funded	23,597	22,630	967	4.3 %
Fully-Insured	14,940	14,314	626	4.4 %
Total Medical Membership by Funding Arrangement	<u>38,537</u>	<u>36,944</u>	<u>1,593</u>	<u>4.3 %</u>
Reportable Segment				
Commercial and Specialty Business	29,919	29,523	396	1.3 %
Government Business	8,618	7,421	1,197	16.1 %
Total Medical Membership by Reportable Segment	<u>38,537</u>	<u>36,944</u>	<u>1,593</u>	<u>4.3 %</u>
Other Membership & Customers				
Life and Disability Members	4,785	4,758	27	0.6 %
Dental Members	5,161	4,966	195	3.9 %
Dental Administration Members	5,303	4,849	454	9.4 %
Vision Members	5,503	5,025	478	9.5 %
Medicare Advantage Part D Members	599	653	(54)	(8.3)%
Medicare Part D Standalone Members	374	469	(95)	(20.3)%

Medical Membership (in thousands)

For the twelve months ended March 31, 2015, total medical membership increased 1,593, or 4.3%, primarily due to increases in our Medicaid, BlueCard® and National Accounts membership.

Self-funded medical membership increased 967, or 4.3%, primarily due to increases in our Local Group self-funded accounts as a result of new sales and conversions of fully-insured contracts to self-funded administrative services only, or ASO, contracts, and growth in our BlueCard® and National Accounts membership.

Fully-insured membership increased 626, or 4.4%, primarily due to growth in our Medicaid and Medicare businesses, including membership acquired with the acquisition of Simply Healthcare, and growth in our Individual business. These increases were partially offset by Local Group fully-insured membership declines, largely driven by conversions of fully-

insured contracts to self-funded ASO contracts and our decision to exit the state of Georgia employer group Medicare product offering.

Local Group membership increased 21, or 0.1%, primarily due to increases in our self-funded accounts. The increase in membership was partially offset by attrition in our Small Group line of business resulting from product mix changes as members move into Health Care Reform product offerings and competitive pressures. The increase was further offset by fully-insured membership declines resulting from our decision to exit the state of Georgia employer group Medicare product offering.

Individual membership increased 45, or 2.4%, primarily due to increased sales in ACA-compliant on- and off-exchange product offerings, partially offset by lapses in non-ACA-compliant product offerings.

National Accounts membership increased 95, or 1.3%, primarily due to new sales, partially offset by in-group change and lapses.

BlueCard® membership increased 235, or 4.5%, primarily due to favorable membership activity at other BCBSA plans whose members reside in or travel to our licensed areas.

Medicare membership increased 47, or 3.4%, primarily due to membership acquired through the acquisition of Simply Healthcare and commencement of operations in new dual eligible markets.

Medicaid membership increased 1,123, or 25.0%, primarily due to commencement of operations in new markets including membership acquired through the acquisition of Simply Healthcare, Health Care Reform expansions and growth in existing markets.

FEP membership increased 27, or 1.7%, primarily due to higher sales during open enrollment.

Other Membership (in thousands)

Our Other products are often ancillary to our health business and can therefore be impacted by corresponding changes in our medical membership.

Life and disability membership increased 27, or 0.6%, primarily due to growth and new sales in our Local Group business.

Dental membership increased 195, or 3.9%, primarily due to growth in our Local Group and Individual exchange products, partially offset by lapses in our Individual and Local Group off-exchange products.

Dental administration membership increased 454, or 9.4%, primarily due to membership expansion under current contracts.

Vision membership increased 478, or 9.5%, primarily due to growth in our Local Group business, increased sales and penetration in our Medicare business and growth in our Individual and National Accounts businesses. These increases were partially offset by lapses in our off-exchange Local Group and Individual businesses.

Medicare Advantage Part D membership decreased 54, or 8.3%, primarily due to membership declines resulting from our decision to exit the state of Georgia employer group Medicare product offering, partially offset by membership acquired through the acquisition of Simply Healthcare and increased eligibility in various markets.

Medicare Part D standalone membership decreased 95, or 20.3%, primarily due to our product repositioning strategies and select strategic actions in certain markets.

Cost of Care

The following discussion summarizes our aggregate underlying cost of care trends for the rolling 12 months ended March 31, 2015 for our Local Group fully-insured business only.

Our cost of care trends are calculated by comparing the year-over-year change in average per member per month claim costs. While our cost of care trend varies by geographic location, based on underlying medical cost trends, we believe that a 2015 cost of care trend estimate of 7.0% plus or minus 50 basis points is appropriate.

Medical utilization, including pharmacy utilization, has been lower than in previous periods. Consistent with prior years, provider rate increases are a primary driver of medical cost trends. We continually negotiate with hospitals and physicians to manage these cost trends. We remain committed to optimizing our reimbursement rates and strategies to help address the cost pressures faced by employers and consumers. Unit cost increases are also a driver of pharmacy cost. New high cost Hepatitis C drug therapies have put upward pressure on pharmacy trend.

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 disease management and advanced care management programs. We are taking a leadership role in the area of payment reform as evidenced by our Enhanced Personal Health Care program. By establishing the primary care doctor as central to the coordination of a patient's health care needs, the initiative builds on the success of current patient-centered medical home programs in helping to improve patient care while lowering costs.

A number of clinical management initiatives are in place to help mitigate inpatient trend. Focused review efforts continue in key areas, including targeting outlier facilities for length of stay and readmission, and high risk maternity and neonatal intensive care unit cases, among others. Additionally, we continue to refine our programs related to readmission management, focused behavioral health readmission reduction and post-discharge follow-up care.

Outpatient costs are a collection of different types of expenses, such as outpatient facilities, labs, x-rays, emergency room, occupational and physical therapy and many others. Two key examples developed to mitigate outpatient costs are as follows:

- *Cancer Care Quality Program*: This program, developed in collaboration with our subsidiary, AIM Specialty Health, or AIM, identifies certain cancer treatment pathways selected based upon current medical evidence, peer-reviewed published literature, consensus guidelines and our clinical policies to support oncologists in identifying cancer treatment therapies that are highly effective and provide greater value.
- *Expanded Cost and Quality Surgery Program*: This program, developed in collaboration with AIM, proactively contacts members who have elected to have an endoscopy, colonoscopy, or knee or shoulder arthroscopy to inform them about alternative sites of care, with the goal of offering information about providers who may be more cost effective.

Consolidated Results of Operations

Our consolidated summarized results of operations for the three months ended March 31, 2015 and 2014 are as follows:

	Three Months Ended March 31		\$ Change	% Change
	2015	2014		
Total operating revenue	\$ 18,851.4	\$ 17,644.8	\$ 1,206.6	6.8 %
Net investment income	167.6	183.7	(16.1)	(8.8)%
Net realized gains on investments	46.5	41.7	4.8	11.5 %
Other-than-temporary impairment losses on investments	(14.0)	(10.8)	(3.2)	(29.6)%
Total revenues	19,051.5	17,859.4	1,192.1	6.7 %
Benefit expense	14,126.9	13,664.6	462.3	3.4 %
Selling, general and administrative expense	3,145.2	2,861.5	283.7	9.9 %
Other expense ¹	210.3	203.2	7.1	3.5 %
Total expenses	17,482.4	16,729.3	753.1	4.5 %
Income from continuing operations before income tax expense	1,569.1	1,130.1	439.0	38.8 %
Income tax expense	703.9	438.7	265.2	60.5 %
Income from continuing operations	865.2	691.4	173.8	25.1 %
Income from discontinued operations, net of tax²	—	9.6	(9.6)	NM³
Net income	\$ 865.2	\$ 701.0	\$ 164.2	23.4 %
Average diluted shares outstanding	280.4	292.6	(12.2)	(4.2)%
Diluted net income per share:				
Diluted - continuing operations	\$ 3.09	\$ 2.37	\$ 0.72	30.4 %
Diluted - discontinued operations ²	—	0.03	(0.03)	NM ³
Diluted net income per share	\$ 3.09	\$ 2.40	\$ 0.69	28.8 %
Benefit expense ratio ⁴	80.2%	82.7%		(250)bp ⁵
Selling, general and administrative expense ratio ⁶	16.7%	16.2%		50bp ⁵
Income from continuing operations before income taxes as a percentage of total revenue	8.2%	6.3%		190bp ⁵
Net income as a percentage of total revenue	4.5%	3.9%		60bp ⁵

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

- 1 Includes interest expense, amortization of other intangible assets and loss on extinguishment of debt.
- 2 The operating results of 1-800 CONTACTS are reported as discontinued operations as a result of the divestiture completed on January 31, 2014.
- 3 Calculation not meaningful.
- 4 Benefit expense ratio represents benefit expense as a percentage of premium revenue. Premiums for the three months ended March 31, 2015 and 2014 were \$17,610.5 and \$16,517.0, respectively. Premiums are included in total operating revenue presented above.
- 5 bp = basis point; one hundred basis points = 1%.
- 6 Selling, general and administrative expense ratio represents selling, general and administrative expense as a percentage of total operating revenue.

Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

Total operating revenue increased \$1,206.6, or 6.8%, to \$18,851.4 in 2015, resulting primarily from higher premiums, and, to a lesser extent, increased administrative fees. Higher premiums were mainly due to rate increases across our businesses designed to cover overall cost trends and the increase in the HIP Fee. The increase in premiums was further attributable to membership increases in our Medicaid business, membership acquired through the acquisition of Simply Healthcare, and membership growth in our Individual business. The increase in premiums was offset, in part, by the fully-

insured membership declines in our Local Group business. The increase in administrative fees primarily resulted from membership growth and price increases for self-funded members in our Local Group and National Accounts businesses.

Net investment income decreased \$16.1, or 8.8%, to \$167.6 in 2015, primarily due to lower income from alternative investments, partially offset by higher investment yields.

Net realized gains on investments increased \$4.8, or 11.5%, to \$46.5 in 2015, primarily due to an increase in net realized gains on sales of equity securities, partially offset by an increase in net realized losses on sales of fixed maturity securities.

Other-than-temporary impairment losses on investments increased \$3.2, or 29.6%, to \$14.0, primarily due to an increase in impairment losses on equity securities.

Benefit expense increased \$462.3, or 3.4%, to \$14,126.9 in 2015, primarily due to membership growth in our Medicaid and Medicare businesses, including the acquisition of Simply Healthcare, an increase in overall cost trends across our businesses, and membership growth in our Individual business. These increases were partially offset by the fully-insured membership declines in our Local Group business.

Our benefit expense ratio decreased 250 basis points to 80.2% in 2015, largely driven by an improvement in our Commercial and Specialty business segment predominantly due to improved clarity in the timing of medical cost experience related to Health Care Reform product offerings, and improved medical cost performance in certain markets of our Medicaid business.

Selling, general and administrative expense increased \$283.7, or 9.9%, to \$3,145.2 in 2015. Our selling, general and administrative expense ratio increased 50 basis points to 16.7% in 2015. The increase in the expense was primarily due to higher administrative costs to support our growth in membership, and the increase in the HIP Fee. The increase in the ratio was primarily attributable to the increase in the HIP Fee.

Other expense increased \$7.1, or 3.5%, to \$210.3, primarily due to higher interest expense driven by higher outstanding debt balances.

Income tax expense increased \$265.2, or 60.5%, to \$703.9 in 2015. The effective tax rates in 2015 and 2014 were 44.9% and 38.8%, respectively. The increase in income tax expense was primarily due to increased income before income taxes and the increase to the non-tax deductible HIP Fee. For the three months ended March 31, 2015 and 2014, the HIP Fee resulted in additional income tax expense of \$113.3 and \$80.5, respectively. The increase was further impacted due to favorable 2014 discrete tax adjustments related to state income tax audits, including refund claims filed, and adjustments to state deferred tax liabilities in 2014 resulting from a decrease in the Indiana statutory income tax rate. The increase in the effective tax rate was primarily due to the increase to the non-tax deductible HIP Fee, the favorable 2014 discrete tax adjustments, and adjustments to the state deferred tax liabilities in 2014, discussed above.

Our net income as a percentage of total revenue increased 60 basis points to 4.5% in 2015 as compared to 2014 as a result of all factors discussed above.

Reportable Segments Results of Operations

We use operating gain to evaluate the performance of our reportable segments, which are Commercial and Specialty Business; Government Business; and Other. Operating gain, which is a non-GAAP measure, is calculated as total operating revenue less benefit expense and selling, general and administrative expense. It does not include net investment income, net realized gains/losses on investments, other-than-temporary impairment losses recognized in income, interest expense, amortization of other intangible assets, loss on extinguishment of debt or income taxes, as these items are managed in a corporate shared service environment and are not the responsibility of operating segment management.

The discussion of segment results for the three months ended March 31, 2015 and 2014 presented below is based on operating gain, as described above, and operating margin, another non-GAAP measure, 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. For additional information, including a reconciliation of non-GAAP financial measures, see Note 13, "Segment Information," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Our Commercial and Specialty Business, Government Business and Other segments' summarized results of operations for the three months ended March 31, 2015 and 2014 are as follows:

	Three Months Ended March 31		\$ Change	% Change
	2015	2014		
Commercial and Specialty Business				
Operating revenue	\$ 9,366.9	\$ 9,697.5	\$ (330.6)	(3.4)%
Operating gain	\$ 1,267.0	\$ 886.1	\$ 380.9	43.0 %
Operating margin	13.5%	9.1%		440bp
Government Business				
Operating revenue	\$ 9,480.1	\$ 7,941.3	\$ 1,538.8	19.4 %
Operating gain	\$ 324.4	\$ 239.6	\$ 84.8	35.4 %
Operating margin	3.4%	3.0%		40bp
Other¹				
Operating revenue	\$ 4.4	\$ 6.0	\$ (1.6)	(26.7)%
Operating loss	\$ (12.1)	\$ (7.0)	\$ (5.1)	72.9 %

1 Segment results are not material.

Commercial and Specialty Business

Operating revenue decreased \$330.6 to \$9,366.9 in 2015, primarily due to fully-insured membership declines in our Local Group business, largely driven by conversions of fully-insured contracts to self-funded ASO contracts. These decreases were partially offset by premium rate increases in our Local Group and Individual businesses designed to cover overall cost trends and the increase in the HIP Fee. The decrease in operating revenue was further offset by membership growth in our Individual business and by increased administrative fees, primarily resulting from membership growth and pricing increases for self-funded members in our Local Group and National Accounts businesses.

Operating gain increased \$380.9, or 43.0%, to \$1,267.0 in 2015, primarily due to improved clarity in the timing of medical cost experience related to Health Care Reform product offerings, and increases in self-funded membership. The increase in operating gain was partially offset by fully-insured membership declines in our Local Group business and higher administrative costs to support our growth in membership.

The operating margin in 2015 was 13.5%, a 440 basis point increase over 2014, primarily due to the factors discussed in the preceding two paragraphs.

Government Business

Operating revenue increased \$1,538.8, or 19.4%, to \$9,480.1 in 2015. The increase in operating revenue was primarily due to increased premiums in our Medicaid business as a result of membership growth through commencement of operations in new markets, including the acquisition of Simply Healthcare, Health Care Reform expansions and growth in existing markets. The increase in Medicaid premiums was further due to pricing increases designed to cover overall cost trends and the increase in the HIP Fee. The increase in operating revenue was further attributable to premium increases in our Medicare business as a result of price increases and the acquisition of Simply Healthcare, and increased benefit utilization and pricing in our FEP business.

Operating gain increased \$84.8, or 35.4%, to \$324.4 in 2015, primarily due to membership growth and improved medical cost performance in certain markets in our Medicaid business, partially offset by higher administrative costs to support our growth in membership.

The operating margin in 2015 was 3.4%, a 40 basis point increase over 2014, primarily due to the factors discussed in the preceding two paragraphs.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with 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. Our accounting policies related to these items are discussed in our 2014 Annual Report on Form 10-K in Note 2, "Basis of Presentation and Significant Accounting Policies," to our audited consolidated financial statements as of and for the year ended December 31, 2014, as well as in the "Critical Accounting Policies and Estimates" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." As of March 31, 2015, our critical accounting policies and estimates have not changed from those described in our 2014 Annual Report on Form 10-K.

New Accounting Pronouncements

For information regarding new accounting pronouncements that were issued during the three months ended March 31, 2015, see the "*Recent Accounting Guidance Not Yet Adopted*" section of Note 2, "Basis of Presentation and Significant Accounting Policies" to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Liquidity and Capital Resources

Sources and Uses of Capital

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 the issuance of common stock under our employee stock plans. Cash disbursements result mainly from claims payments, administrative expenses, taxes, purchases of investment securities, interest expense, payments on borrowings, acquisitions, capital expenditures, repurchases of our debt securities and common stock and the payment of cash dividends. Cash outflows fluctuate with the amount and timing of settlement of these transactions. Any future decline in our profitability would likely have an unfavorable impact on our liquidity.

For a more detailed overview of our liquidity and capital resources management, see the "*Introduction*" section included in the "Liquidity and Capital Resources" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2014 Annual Report on Form 10-K.

For additional information regarding our use of capital during the three months ended March 31, 2015, see Note 3, "Business Acquisition and Divestiture," Note 8, "Debt," and the "*Use of Capital – Dividends and Stock Repurchase Program*" section of Note 10, "Capital Stock," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Liquidity

The table below indicates the change in cash and cash equivalents for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31	
	2015	2014
Cash flows provided by (used in):		
Operating activities	\$ 1,650.5	\$ 1,387.5
Investing activities	(2,711.6)	(744.3)
Financing activities	311.9	(258.6)
Effect of foreign exchange rates on cash and cash equivalents	(5.5)	(0.3)
Increase in cash and cash equivalents	\$ (754.7)	\$ 384.3

During the three months ended March 31, 2015, net cash flow provided by operating activities was \$1,650.5, compared to \$1,387.5 for the three months ended March 31, 2014, an increase of \$263.0. This increase was primarily attributable to an increase in premium receipts as a result of rate increases across our businesses designed to cover overall cost trends and Health Care Reform fees, and growth in membership. The increase in cash provided by operating activities was further attributable to payments in 2014 that did not recur in 2015 for the adjudication of claims relating to the New York State contract conversion from our fully-insured Local Group business to a self-funded ASO contract. The increase in cash provided by operating activities was partially offset by an increase in claims payments, primarily as a result of membership growth.

Net cash flow used in investing activities was \$2,711.6 during the three months ended March 31, 2015, compared to \$744.3 during the three months ended March 31, 2014. The increase in cash flow used in investing activities of \$1,967.3 between the two periods primarily resulted from changes in cash flows relating to the purchase and sale of subsidiaries. During the three months ended March 31, 2015, cash was utilized for the purchase of Simply Healthcare. During the three months ended March 31, 2014, cash was provided by the sale of our 1-800 CONTACTS business and glasses.com related assets. The increase in cash flow used in investing activities was further attributable to an increase in net purchases of investments and by changes in securities lending collateral.

Net cash flow provided by financing activities was \$311.9 during the three months ended March 31, 2015, compared to net cash flow used in financing activities of \$258.6 during the three months ended March 31, 2014. The change in cash flow from financing activities of \$570.5 primarily resulted from a decrease in common stock repurchases, an increase in net proceeds from commercial paper borrowings and an increase in securities lending payable, partially offset by changes in bank overdrafts and a decrease in net proceeds provided by short- and long-term borrowings.

Financial Condition

We maintained a strong financial condition and liquidity position, with consolidated cash, cash equivalents and investments, including long-term investments, of \$24,609.7 at March 31, 2015. Since December 31, 2014, total cash, cash equivalents and investments, including long-term investments, increased by \$832.0 primarily due to cash generated from operations, net proceeds received from commercial paper borrowings, changes in securities lending payable and proceeds from issuance of common stock under employee stock plans. These increases were partially offset by common stock repurchases, the acquisition of Simply Healthcare, changes in securities lending collateral, cash dividends paid to shareholders and changes in bank overdrafts.

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. Certain accounting practices prescribed by insurance regulatory authorities, or statutory accounting practices, differ from GAAP. Changes that occur in statutory accounting practices, if any, could impact our subsidiaries' future dividend capacity. In addition, we have agreed to certain undertakings with regulatory authorities, including requirements to maintain certain capital levels in certain of our subsidiaries.

At March 31, 2015, we held \$2,817.9 of cash and cash equivalents and investments at the parent company, which are available for general corporate use, including investment in our businesses, acquisitions, potential future common stock repurchases and dividends to shareholders, repurchases of debt securities and debt and interest payments.

We calculate our consolidated debt-to-capital ratio, a non-GAAP measure, which we believe assists investors and rating agencies in measuring our overall leverage and additional borrowing capacity. In addition, our bank covenants include a maximum debt-to-capital ratio that we cannot and did not exceed. Our debt-to-capital ratio is calculated as the sum of debt divided by the sum of debt plus shareholders' equity. Our debt-to-capital ratio may not be comparable to similarly titled measures reported by other companies. Our consolidated debt-to-capital ratio was 39.4% and 38.5% as of March 31, 2015 and December 31, 2014, respectively.

Our senior debt is rated "A-" by Standard & Poor's, "BBB" by Fitch, Inc., "Baa2" by Moody's Investor Service, Inc. and "bbb+" 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

We have a shelf registration statement on file with the Securities and Exchange Commission to register an unlimited amount of any combination of debt or equity securities in one or more offerings. Substantially concurrent with the filing of this Quarterly Report on Form 10-Q, we filed a post-effective amendment to our shelf registration statement to register warrants, depositary shares, rights, stock purchase contracts and stock purchase units as additional securities that can be offered under the shelf registration statement. 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, but not limited to, the repayment of debt, investments in or extensions of credit to our subsidiaries and the financing of possible acquisitions or business expansion.

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

For additional information regarding our sources and uses of capital at March 31, 2015, see Note 3, "Business Acquisition and Divestiture," Note 8, "Debt," and the "Use of Capital—Dividends and Stock Repurchase Program" section of Note 10, "Capital Stock" to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

For additional information regarding our future sources and uses of liquidity, see "Future Sources and Uses of Liquidity" included in the "Liquidity and Capital Resources" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 Annual Report on Form 10-K.

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, see the "Other Contingencies" and "Contractual Obligations and Commitments" sections of Note 9, "Commitments and Contingencies," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q. There have been no material changes to our Contractual Obligations and Commitments disclosure in our 2014 Annual Report on Form 10-K other than payments on long-term debt borrowings. See Note 8, "Debt" to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Risk-Based Capital

Our regulated subsidiaries' states of domicile have statutory risk-based capital, or RBC, requirements for health and other insurance companies and health maintenance organizations largely based on the National Association of Insurance

Commissioners, or NAIC, 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 the RBC Model 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 regulated subsidiaries' respective RBC levels as of December 31, 2014, which was the most recent date for which reporting was required, were 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 BCBSA and with the tangible net equity requirements applicable to certain of our California subsidiaries.

For additional information, see Note 21, "Statutory Information," in our audited consolidated financial statements as of and for the year ended December 31, 2014 included in our 2014 Annual Report on Form 10-K.

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

This document contains certain forward-looking information about us 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, which generally are not historical in nature. 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 our control, 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 our public filings with the U.S. Securities and Exchange Commission, or SEC; increased government participation in, or regulation or taxation of health benefits and managed care operations, including, but not limited to, the impact of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, or Health Care Reform; trends in health care costs and utilization rates; our ability to secure sufficient premium rates including regulatory approval for and implementation of such rates; our participation in the federal and state health insurance exchanges under Health Care Reform, which have experienced and continue to experience challenges due to implementation of initial and phased-in provisions of Health Care Reform, and which entail uncertainties associated with the mix and volume of business, particularly in our Individual and Small Group markets, that could negatively impact the adequacy of our premium rates and which may not be sufficiently offset by the risk apportionment provisions of Health Care Reform; 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 Medicare and Medicaid programs, including those related to non-compliance with the complex regulations imposed thereon and funding risks with respect to revenue received from participation therein; a downgrade in our financial strength ratings; litigation and investigations targeted at our industry and our ability to resolve litigation and investigations within estimates; medical malpractice or professional liability claims or other risks related to health care services provided by our subsidiaries; our ability to repurchase shares of our common stock and pay dividends on our common stock due to the adequacy of our cash flow and earnings and other considerations; non-compliance by any party with the Express Scripts, Inc. pharmacy benefit management services agreement, which could result in financial penalties, our inability to meet customer demands, and sanctions imposed by governmental entities, including the Centers for Medicare and Medicaid Services; events that result in negative publicity for us or 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 licenses 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 or employee sensitive or confidential information, including the impact and outcome of investigations, inquiries, claims and litigation related to the cyber attack we reported in February 2015; changes in the economic and market conditions, as well as regulations that may negatively affect our investment portfolios and liquidity; possible restrictions in the payment of dividends by our subsidiaries and increases in required minimum levels of capital and the potential negative effect from our substantial amount of outstanding indebtedness; general risks associated with mergers and acquisitions; various laws and provisions in our governing documents that may prevent or discourage takeovers and business combinations; future public health epidemics and catastrophes; 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, we do 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 our SEC reports.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our market risks, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” included in our 2014 Annual Report on Form 10-K. There have been no material changes to any of these risks since December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation as of March 31, 2015, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our 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 our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be disclosed in our reports under the Securities Exchange Act of 1934. In addition, based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our 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 our internal control over financial reporting that occurred during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings at March 31, 2015, see the “*Litigation*,” “*Cyber Attack Incident*” and “*Other Contingencies*” sections of Note 9, “Commitments and Contingencies” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our 2014 Annual Report on Form 10-K.

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 Purchased¹	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs²	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
<i>(in millions, except share and per share data)</i>				
January 1, 2015 to January 31, 2015	1,509,573	\$ 130.37	1,486,650	\$ 5,497.8
February 1, 2015 to February 28, 2015	1,847,767	136.67	1,845,175	5,245.6
March 1, 2015 to March 31, 2015	2,852,157	142.20	2,323,053	4,917.6
	<u>6,209,497</u>		<u>5,654,878</u>	

- ¹ Total number of shares purchased includes 554,619 delivered to or withheld by us 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 the common stock repurchase program authorized by our Board of Directors, which the Board evaluates periodically. During the three months ended March 31, 2015, we repurchased 5,654,878 shares at a cost of \$774.1 under the program. The Board of Directors has authorized our common stock repurchase program since 2003. The Board's most recent authorized increase to the program was \$5,000.0 on October 2, 2014. Between April 1, 2015 and April 14, 2015, we repurchased 515,571 shares at a cost of \$79.9, bringing our current availability to \$4,837.7 at April 14, 2015. No duration has been placed on our common stock repurchase program and we reserve the right to discontinue the program at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
3.1	Amended and Restated Articles of Incorporation of the Company, as amended effective December 2, 2014, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 2, 2014.
3.2	By-Laws of the Company, as amended effective December 2, 2014, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on December 2, 2014.
4.6	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.
10.2*	(n) Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement for 2015. (o) Form of Incentive Compensation Plan Restricted Stock Unit Award Agreement for 2015. (p) Form of Incentive Compensation Plan Performance Share Award Agreement for 2015.
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.
101	The following material from Anthem, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Shareholders' Equity; and (vi) Notes to Consolidated Financial Statements.

* Indicates management contracts or compensatory plans or arrangements.

Schedule A
Notice of Option Grant

Participant: [●]
Company: Anthem, Inc.
Notice: You have been granted the following nonqualified stock option to purchase shares of common stock of the Company in accordance with the terms of the Plan and the attached Nonqualified Stock Option Award Agreement.
Plan: Anthem Incentive Compensation Plan
Grant: Grant Date: [●]
 Option Price per Share: \$[●]
 Number of Shares under Option: [●]
Exercisability: Subject to the terms of the Plan and this Agreement, your Option will become exercisable on and after the dates indicated below as to the number of Shares set forth below opposite each such date, plus any Shares as to which your Option could have been exercised previously but was not so exercised.

Shares	Date

In the event that a Change of Control (as defined in the Plan) occurs before your Termination, your Option will remain subject to the terms of this Agreement, unless the successor company does not assume your Option. If a successor company does not assume your Option, then your Option shall become fully exercisable immediately prior to the Change of Control.

Expiration Date: Your Option will expire ten years from the Grant Date, subject to earlier termination as set forth in the Plan and this Agreement.

Rejection: If you do not want to accept your Option, please return this Agreement, executed by you on the last page of this Agreement, at any time within sixty (60) days after the Grant Date to Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Stock Administration. **Do not return a signed copy of this Agreement if you accept your Option.** If you do not return a signed copy of this Agreement within sixty (60) days after the Grant Date, you will have accepted your Option and agreed to the terms and conditions set forth in this Agreement and the terms and conditions of the Plan.

Nonqualified Stock Option Award Agreement

This Nonqualified Stock Option Award Agreement (this "Agreement") dated as of the Grant Date (the "Grant Date") set forth in the Notice of Option Grant attached as Schedule A hereto (the "Grant Notice") is made between Anthem, Inc. (the "Company") and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. **Grant of the Option.** Subject to the provisions of this Agreement and the provisions of the Plan, the Company hereby grants to the Participant, pursuant to the Plan, the right and option (the "Option") to purchase all or any part of the number of shares of common stock of the Company ("Shares") as set forth in the Grant Notice at an Option Price ("Option Price") per share and on the other terms as set forth in the Grant Notice. This Option is intended to be a nonqualified stock option for federal income tax purposes.

2. **Method of Exercise of the Option.**

(a) The Participant may exercise the Option, to the extent then exercisable, by delivering a notice to the Company's captive broker in a form specified or accepted by the captive broker, specifying the number of Shares with respect to which the Option is being exercised.

(b) At the time the Participant exercises the Option, the Participant shall pay the Option Price of the Shares as to which the Option is being exercised and applicable taxes (i) in United States dollars by personal check, bank draft or money order; (ii) subject to such terms, conditions and limitations as the Compensation Committee of the Board of Directors of the Company ("Committee") may prescribe, by tendering (either by actual delivery or attestation) unencumbered Shares previously acquired by the Participant having an aggregate Fair Market Value at the time of exercise equal to the total Option Price of the Shares for which the Option is so exercised; (iii) subject to such terms, conditions and limitations as the Committee may prescribe, a cashless (broker-assisted) exercise that complies with all applicable laws; or (iv) by a combination of the consideration provided for in the foregoing clauses (i), (ii) and (iii).

3. **Termination.** The Option shall terminate upon the Participant's Termination for any reason and no Shares may thereafter be purchased under the Option except as provided below. Notwithstanding anything contained in this Agreement, the Option shall not be exercisable after the Expiration Date.

(a) *Retirement.* If the Participant's Termination is due to Retirement (for purposes of this Agreement, defined as the Participant's Termination after attaining age fifty-five (55) with at least ten (10) completed years of service or after attaining age sixty-five (65))¹, the Option shall continue to become exercisable according to the schedule set forth in the Grant Notice; *provided* that the Option shall terminate on the five-year anniversary of the date of the Participant's Retirement but not later than the Expiration Date noted on the attached Schedule A; *provided, further*, that if the Participant's Termination is due to Retirement during the calendar year of the Grant Date, the Option shall be immediately terminated on a pro-rata basis, measured by the number of completed full months in that calendar year during which the Participant was employed by the Company or an Affiliate (e.g., if the Participant's Retirement occurs in September, 33.3% (or 4/12) of the Option shall be immediately terminated), and the non-terminated portion of the Option shall continue to become exercisable according to the schedule set forth in the Grant Notice.²

(b) *Death and Disability.* If the Participant's Termination is due to the Participant's death or Disability (for purposes of this Agreement, as defined in the applicable Anthem Long-Term Disability Plan), the Option shall immediately become fully exercisable and shall terminate on the five-year anniversary of the date of such Termination but not later than the Expiration Date noted on the attached Schedule A.

¹ For stock option grants to Joseph R. Swedish, Retirement is defined as attaining age sixty-five pursuant to his February 6, 2013 Offer Letter.

² This retirement provision is deleted in non-annual retention grants.

(c) *Termination without Cause.*³ Unless Section 3(e) is applicable, if the Participant's Termination is by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of "conduct" as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the "Agreement Plan"), the Key Associate Agreement or the Key Sales Associate Agreement also as defined in that plan or agreement) or voluntarily by the Participant, the Option, to the extent exercisable as of the date of such Termination, shall thereafter only be exercisable for a period of forty-five (45) days from the date of such Termination, but not later than the Expiration Date noted on the attached Schedule A⁴

(d) *Cause.* If the Participant's Termination is for Cause, even if on the date of such Termination the Participant has met the definition of Retirement or Disability, then the portion of the Option that has not been exercised shall immediately terminate.⁵

(e) *Termination after Change in Control.* If after a Change in Control the Participant's Termination is (i) by the Company or an Affiliate without Cause or (ii) if the Participant participates in the Executive Agreement Plan, by the Participant for Good Reason (as defined in the Executive Agreement Plan), the Option shall immediately become fully exercisable and shall terminate on the five-year anniversary of the date of such Termination but not later than the Expiration Date noted on the attached Schedule A.⁶

(f) *Clawback Provision.* Notwithstanding any other provisions of this Agreement to the contrary, in the event that the Participant is a non-executive participant in the Agreement Plan, is an Executive (as defined by the Company) at the time of the Participant's Termination, regardless of whether the Executive is then a participant in such Agreement Plan, or has the Amerigroup title of EVP or Regional CEO, the Option shall immediately terminate if the Participant breaches any provision of Section 3.6 or 3.10 of the Agreement Plan, in which case the Participant shall be subject to the "Return of Consideration" provision contained in Section 3.7 of the Agreement Plan.

4. Transferability of the Option. The Option shall not be transferable or assignable by the Participant except as provided in this Section 4 and the Option shall be exercisable, during the Participant's lifetime, only by him/her or, during periods of legal disability, by his guardian or other legal representative. No Option shall be subject to execution, attachment, or similar process. The Participant shall have the right to appoint any individual or legal entity in writing, on a Designation of Beneficiary form as his/her beneficiary to receive any Option (to the extent not previously terminated or forfeited) under this Agreement upon the Participant's death. Such designation under this Agreement may be revoked by the Participant at any time and a new beneficiary may be appointed by the Participant by execution and submission to the Company, or its designee, of a revised Designation of Beneficiary form to this Agreement. In order to be effective, a designation of beneficiary must be completed by the Participant on the Designation of Beneficiary form and received by the Company, or its designee, prior to the date of the Participant's death. If the Participant dies without such designation, the Option may be exercised only by the executor or administrator of the Participant's estate or by a person who shall have acquired the right to such exercise by will or by the laws of descent and distribution.

5. Taxes and Withholdings. At the time of receipt of Shares upon the exercise of all or any part of the Option, the Participant shall pay to the Company in cash (or make other arrangements, in accordance with Article XVIII of the Plan, for the satisfaction of) any taxes of any kind required by law to be withheld with respect to such Shares; *provided, however*, that pursuant to any procedures, and subject to any limitations as the Committee may prescribe and subject to applicable law, the Participant may elect to satisfy, in whole or in part, such withholding

³ For stock option grants to Joseph R. Swedish, this section also references Good Reason and is entitled Termination without Cause and for Good Reason. Both Cause and Good Reason are defined in his February 6, 2013 Offer Letter.

⁴ This section is sometimes revised to add Good Reason termination and to allow for the immediate vesting of the options involving sign-on grants for new hires with 45 days to exercise the options.

⁵ If section (c) is revised as noted in footnote 6 above, this section is entitled Other Terminations and it states that unless (c) is applicable, if the termination is for any reason other than those noted in (a), (b), and (c) above, the Option that has not yet vested shall immediately terminate.

⁶ For grants to Joseph R. Swedish, Cause is defined in his February 6, 2013 Offer Letter and this section contains the appropriate reference to his Offer Letter.

obligations by (a) withholding Shares otherwise deliverable to the Participant pursuant to the Option (*provided, however*, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required Federal, state, local and non-United States withholding obligations using the minimum statutory withholding rates for Federal, state, local and/or non-U.S. tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by the Participant (or the Participant and the Participant's spouse jointly) based, in each case, on the Fair Market Value of the Shares on the payment date as determined by the Committee. Any such election made by the Participant must be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

6. No Rights as a Shareholder. Neither the Participant nor any other person shall become the beneficial owner of the Shares subject to the Option, nor have any rights to dividends or other rights as a shareholder with respect to any such Shares, until the Participant has actually received such Shares following the exercise of the Option in accordance with the terms of the Plan and this Agreement.

7. No Right to Continued Employment. Neither the Option nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employment or service of the Company or any Affiliate for any period, nor restrict in any way the right of the Company, which right is hereby expressly reserved, to terminate the Participant's employment or service at any time with or without Cause. The Participant acknowledges and agrees that any right to exercise the Option is earned only by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate, or satisfaction of any other applicable terms and conditions contained in the Plan and this Agreement, and not through the act of being hired, being granted the Option or acquiring Shares hereunder.

8. The Plan. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. Unless defined herein, capitalized terms are as defined in the Plan. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on the Company's HR intranet. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Corporate Secretary, Shareholder Services Department.

9. Compliance with Laws and Regulations.

(a) The Option and the obligation of the Company to sell and deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Option may not be exercised if its exercise, or the receipt of Shares pursuant thereto, would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

(b) The Shares received upon the exercise of the Option shall have been registered under the Securities Act of 1933 ("Securities Act"). If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

(c) If at the time of exercise of all or part of the Option, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the

Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant's own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

10. Notices. All notices by the Participant or the Participant's assignees shall be addressed to Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Stock Administration, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

11. Other Plans. The Participant acknowledges that any income derived from the exercise of the Option shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Affiliate.

12. Recoupment Policy for Incentive Compensation. The Company's Recoupment Policy for Incentive Compensation, as may be amended from time to time, shall apply to the Option, any Shares acquired upon exercise of the Option and any profits realized from the sale of such Shares to the extent that the Participant is covered by such policy. If the Participant is covered by such policy, the policy may apply to recoup the Option, any Shares acquired upon exercise of the Option or profits realized from the sale of Shares previously covered by the Option either before, on or after the date on which the Participant becomes subject to such policy.

ANTHEM, INC.

By: _____
Printed: Lewis Hay III
Its: Chairman, Compensation Committee
Anthem, Inc. Board of Directors

I DO NOT accept this Option:

Signature: _____ Date _____

Printed Name: _____

**Schedule A
Notice of Restricted Stock Unit Grant**

Participant: [•]

Company: Anthem, Inc.

Notice: You have been granted the following award of restricted stock units of common stock of the Company in accordance with the terms of the Plan and the attached Restricted Stock Unit Award Agreement.

Plan: Anthem Incentive Compensation Plan

Grant: Grant Date[•]
Number of Restricted Stock Units: [•]

Period of Restriction: The Period of Restriction applicable to the number of your Restricted Stock Units listed in the “Shares” column below, and any related Dividend Equivalents, shall commence on the Grant Date and shall lapse on the date listed in the “Lapse Date” column below.

Shares	Lapse Date
[•]	[•]
[•]	[•]
[•]	[•]

In the event that a Change of Control (as defined in the Plan) occurs before your Termination, your Restricted Stock Unit Grant will remain subject to the terms of this Agreement, unless the successor company does not assume the Restricted Stock Unit Grant. If the successor company does not assume the Restricted Stock Unit Grant, then the Period of Restriction shall immediately lapse upon a Change of Control and the Shares covered by the award shall be immediately delivered upon the Change of Control, provided that in the event that the Restricted Stock Unit Grant is deferred compensation within the meaning of Code Section 409A, such Shares shall only be delivered upon the Change of Control if such Change of Control is a “change in control event” within the meaning of Code Section 409A and the delivery is made in accordance with Treasury Regulation 1-409A-3(j)(ix).

Rejection: If you do not want to accept your Restricted Stock Units, please return this Agreement, executed by you on the last page of this Agreement, at any time within sixty (60) days after the Grant Date to Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Stock Administration. **Do not return a signed copy of this Agreement if you accept your Restricted Stock Units.** If you do not return a signed copy of this Agreement within sixty (60) days after the Grant Date, you will have accepted your Restricted Stock Units and agreed to the terms and conditions set forth in this Agreement and the terms and conditions of the Plan.

Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this “Agreement”) dated as of the Grant Date (the “Grant Date”) set forth in the Notice of Restricted Stock Unit Grant attached as Schedule A hereto (the “Grant Notice”) is made between Anthem, Inc. (the “Company”) and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. Period of Restriction. The Period of Restriction with respect to the Restricted Stock Units shall be as set forth in the Grant Notice (the “Period of Restriction”). The Participant acknowledges that prior to the expiration of the applicable portion of the Period of Restriction, the Restricted Stock Units may not be sold, transferred, pledged, assigned, encumbered, alienated, hypothecated or otherwise disposed of (whether voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy)). Upon the expiration of the applicable portion of the Period of Restriction described in the attached Grant Notice, the restrictions set forth in this Agreement with respect to the Restricted Stock Units theretofore subject to such expired Period of Restriction shall lapse and the Shares covered by the related portion of the award shall be immediately delivered, except as may be provided in accordance with Section 10 hereof.

2. Ownership. Upon expiration of the applicable portion of the Period of Restriction described in the attached Grant Notice, the Company shall transfer the Shares covered by the related portion of the award to the Participant’s account with the Company’s captive broker.

3. Termination.

(a) *Retirement.* If the Participant’s Termination is due to Retirement (for purposes of this Agreement, defined as the Participant’s Termination after attaining age fifty-five (55) with at least ten (10) completed years of service or after attaining age sixty-five (65))¹, the restrictions upon the Restricted Stock Units shall continue to lapse throughout the Period of Restriction and the Shares covered by the related portion of the Restricted Stock Units shall continue to be delivered upon the applicable Lapse Date; *provided, however*, that if the Participant’s Termination due to Retirement is during the calendar year of the Grant Date, the Restricted Stock Units shall be forfeited on a pro-rata basis, measured by the number of completed full months in that calendar year during which the Participant was employed by the Company or an Affiliate (e.g., if the Participant’s Retirement occurs in September, 33.3% (or 4/12) of the Restricted Stock Units will be forfeited), and the Period of Restriction on the non-forfeited portion of the Restricted Stock Units shall continue to lapse throughout the Period of Restriction described in the attached Grant Notice and the Shares covered by the related portion of the Restricted Stock Units shall continue to be delivered upon the applicable Lapse Date.²

(b) *Death and Disability.*³ If the Participant’s Termination is due to death or Disability (for purposes of this Agreement, as defined in the applicable Anthem Long-Term Disability Plan), then the Period of Restriction shall immediately lapse, causing any restrictions which would otherwise remain on the Restricted Stock Units to immediately lapse and the Shares covered by the Restricted Stock Units shall be immediately delivered.

(c) *Other Terminations.*⁴ Unless Section 3(d) is applicable, if the Participant’s Termination is by the Company or an Affiliate or by the Participant for any reason other than death, Disability or

1 For restricted stock unit awards to Joseph R. Swedish, Retirement is defined as attaining age sixty-five pursuant to his February 6, 2013 Offer Letter.

2 This retirement provision is deleted in non-annual retention awards.

3 This section is sometimes revised to add Termination by the Company without Cause and Good Reason terminations and to allow for the immediate vesting of restricted stock units involving sign-on equity for new hires.

4 If section (b) is revised as noted in footnote 4 above, this section includes the termination reasons noted in footnote 4 above.

Retirement, then all Restricted Stock Units for which the Period of Restriction had not lapsed prior to the date of such Termination shall be immediately forfeited.⁵

(d) *Termination after Change in Control.*⁶ If after a Change in Control the Participant's Termination is (i) by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of "conduct" as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the "Agreement Plan"), the Key Associate Agreement or the Key Sales Associate Agreement also as defined in that plan or agreement) or (ii), if the Participant participates in the Agreement Plan, by the Participant for Good Reason (as defined in the Agreement Plan), then the Period of Restriction on all Restricted Stock Units shall immediately lapse, causing any restrictions which would otherwise remain on the Restricted Stock Units to immediately lapse and the Shares covered by the Restricted Stock Units shall be immediately delivered. Notwithstanding any provision of this Agreement to the contrary, in the event that the restrictions on any Restricted Stock Units lapse under any provision of this Section 3 by reason of any Termination and such Termination occurs within the two year period following a Change in Control that is a "change in control event" within the meaning of Code Section 409A, the Shares subject to the Participant's Restricted Stock Units shall be delivered to the Participant immediately upon such Termination.

(e) *Clawback Provision.* Notwithstanding any other provisions of this Agreement to the contrary, in the event that the Participant is a non-executive participant in the Agreement Plan, is an Executive (as defined by the Company) at the time of the Participant's Termination, regardless of whether the Executive is then a participant in such Agreement Plan, or has the Amerigroup title of EVP or Regional CEO, the Restricted Stock Units shall be forfeited if the Participant breaches any provision of Section 3.6 or 3.10 of the Agreement Plan, in which case the Participant shall be subject to the "Return of Consideration" provision contained in Section 3.7 of the Agreement Plan.

4. Transferability of the Restricted Stock Units. The Participant shall have the right to appoint any individual or legal entity in writing, on a Designation of Beneficiary form, as his/her beneficiary to receive any Restricted Stock Units (to the extent not previously terminated or forfeited) under this Agreement upon the Participant's death. Such designation under this Agreement may be revoked by the Participant at any time and a new beneficiary may be appointed by the Participant by execution and submission to the Company, or its designee, of a revised Designation of Beneficiary form to this Agreement. In order to be effective, a designation of beneficiary must be completed by the Participant on the Designation of Beneficiary form and received by the Company, or its designee, prior to the date of the Participant's death. If the Participant dies without such designation, the Restricted Stock Units will become part of the Participant's estate.

5. Dividend Equivalents. In the event the Company declares a dividend on Shares (as defined in the Plan), for each unvested Restricted Stock Unit on the dividend payment date, the Participant shall be credited with a Dividend Equivalent, payable in cash, with a value equal to the value of the declared dividend. The Dividend Equivalents shall be subject to the same restrictions as the unvested Restricted Stock Units to which they relate. No interest or other earnings shall be credited on the Dividend Equivalents. Subject to continued employment with the Company and Affiliates, the restrictions with respect to the Dividend Equivalents shall lapse at the same time and in the same proportion as the initial award of Restricted Stock Units. No additional Dividend Equivalents shall be accrued for the benefit of the Participant with respect to record dates occurring prior to, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited the Restricted Stock Units or any Restricted Stock Units have been settled. For any specified employee, any Dividend Equivalents subject to Code Section 409A and payable upon a termination of employment shall be subject to a six month delay. The Dividend Equivalents shall be subject to all such other provisions set forth herein, and may be used to satisfy any or all obligations for the payment of any tax attributable to the Dividend Equivalents and/or Restricted Stock Units.

6. Taxes and Withholdings. Upon the expiration of the applicable portion of the Period of Restriction (and delivery of the underlying Shares), or as of which the value of any Restricted Stock Units first becomes

⁵ For restricted stock unit awards to Joseph R. Swedish, this section is labeled Without Cause, for Good Reason, and Other Terminations and contains the applicable references to his February 6, 2013 Offer Letter.

⁶ For awards to Joseph R. Swedish, Cause is also defined in his February 6, 2013 Offer Letter and this section contains the appropriate reference to his Offer Letter.

includible in the Participant's gross income for income tax purposes, the Participant shall satisfy all obligations for the payment of any tax attributable to the Restricted Stock Units. The Participant shall notify the Company if the Participant wishes to pay the Company in cash, check or with shares of Anthem common stock already owned for the satisfaction of any taxes of any kind required by law to be withheld with respect to such Restricted Stock Units. Any such election made by the Participant must be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Compensation Committee of the Board of Directors of the Company ("Committee"), in its sole discretion, deems appropriate. If the Participant does not notify the Company in writing at least 14 days prior to the applicable lapse of the Period of Restriction, the Committee is authorized to take any such other action as may be necessary or appropriate, as determined by the Committee, to satisfy all obligations for the payment of such taxes. Such other actions may include withholding the required amounts from other compensation payable to the Participant, a sell-to-cover transaction or such other method determined by the Committee, in its discretion.

7. No Rights as a Shareholder. The Participant shall have no rights of a shareholder (including, without limitation, dividend and voting rights) with respect to the Restricted Stock Units, for record dates occurring on or after the Grant Date and prior to the date any such Restricted Stock Units vest in accordance with this Agreement.

8. No Right to Continued Employment. Neither the Restricted Stock Units nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employment or service of the Company or any Affiliate for any period, nor restrict in any way the right of the Company, which right is hereby expressly reserved, to terminate the Participant's employment or service at any time for any reason. The Participant acknowledges and agrees that any right to have restrictions on the Restricted Stock Units lapse is earned only by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate, or satisfaction of any other applicable terms and conditions contained in the Plan and this Agreement, and not through the act of being hired, being granted the Restricted Stock Units or acquiring Shares hereunder.

9. The Plan. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. Unless defined herein, capitalized terms are as defined in the Plan. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on the Company's HR intranet. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Corporate Secretary, Shareholder Services Department.

10. Compliance with Laws and Regulations.

(a) The Restricted Stock Units and the obligation of the Company to deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

(b) The Shares received upon the expiration of the applicable portion of the Period of Restriction shall have been registered under the Securities Act of 1933 ("Securities Act"). If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

(c) If, at any time, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant's own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

11. Code Section 409A Compliance. Except with respect to Participants who are Retirement eligible or become Retirement eligible before the calendar year containing the second Lapse Date as shown on the Grant Notice, it is intended that this Agreement meet the short-term deferral exception from Code Section 409A. This Agreement and the Plan shall be administered in a manner consistent with this intent and any provision that would cause the Agreement or Plan to fail to satisfy this exception shall have no force and effect. Notwithstanding anything contained herein to the contrary, Shares in respect of any Restricted Stock Units that (a) constitute "nonqualified deferred compensation" as defined under Code Section 409A and (b) vest as a consequence of the Participant's Termination shall not be delivered until the date that the Participant incurs a "separation from service" within the meaning of Code Section 409A (or, if the Participant is a "specified employee" within the meaning of Code Section 409A and the regulations promulgated thereunder, the date that is six months following the date of such "separation from service" (or death, if earlier)). In addition, each amount to be paid or benefit to be provided to the Participant pursuant to this Agreement that constitutes deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A.

12. Notices. All notices by the Participant or the Participant's assignees shall be addressed to Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Stock Administration, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

13. Other Plans. The Participant acknowledges that any income derived from the Restricted Stock Units shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Affiliate.

14. Recoupment Policy for Incentive Compensation. The Company's Recoupment Policy for Incentive Compensation, as may be amended from time to time, shall apply to the Restricted Stock Units, any Shares delivered hereunder and any profits realized on the sale of such Shares to the extent that the Participant is covered by such policy. If the Participant is covered by such policy, the policy may apply to recoup Restricted Stock Units awarded, any Shares delivered hereunder or profits realized on the sale of such Shares either before, on or after the date on which the Participant becomes subject to such policy.

ANTHEM, INC.

By:

Printed: Ramiro G. Peru
Its: Chairman, Compensation Committee
Anthem, Inc. Board of Directors

I DO NOT accept this Restricted Stock Unit:

Signature: _____

Printed Name: _____ Date: _____

Schedule A

Notice of Performance Stock Unit Grant

Participant: [●]

Company: Anthem, Inc.

Notice: You have been granted the following award of performance stock units of common stock of the Company in accordance with the terms of the Plan and the attached Performance Stock Unit Agreement.

Plan: Anthem Incentive Compensation Plan

Grant: Grant Date: [●]
Number of Performance Stock Units: [●]

Performance Period: The period beginning on the Grant Date and ending on the Vesting Date is the Performance Period. Subject to achievement of the performance measures described below, the number of your Performance Stock Units listed in the “Shares” column, and any related Dividend Equivalents shall vest on the date listed in the “Vesting Date” column. Achievement of the performance measures described below may increase or decrease the total number of Performance Stock Units covered by the Grant and any related Dividend Equivalents that vest on the Vesting Date.

Shares	Vesting Date

Achievement of the following performance measures must be approved by the Compensation Committee of the Board of Directors of Anthem, Inc. For the Cumulative Earnings Per Share performance measure, you will earn between 0% and 200% (share amounts will be interpolated) of three-fourths of the number of Performance Stock Units originally covered by the Grant. For the Cumulative Operating Revenue performance measure, you will earn between 0% and 200% of one-fourth of the number of Performance Stock Units originally covered by the Grant. The total number of Performance Stock Units, as adjusted for achievement of the performance measures, will vest on the date listed in the Vesting Date column above. If achievement of any performance measure results in a number of shares awarded that is more or less than 100%, then the number of Dividend Equivalents payable upon the Vesting Date shall be adjusted accordingly.

Cumulative Adjusted Earnings Per Share (2015-2017)	\$31.38	\$32.47	\$33.52
Percent of Shares Vesting	0%	100%	200%

Cumulative Operating Revenue (2015-2017)	\$240.3B	\$249.0B	\$257.7B
Percent of Shares Vesting	0%	100%	200%

In the event that a Change of Control (as defined in the Plan) occurs before your Termination, your Performance Stock Unit Grant will remain subject to the terms of this Agreement, unless the successor company does not assume the Performance Stock Unit Grant. If the successor company does not assume the Performance Stock Unit Grant, then the Performance Stock Units shall immediately vest upon a Change of Control and the Shares covered by the award shall be immediately delivered upon the Change of Control, provided that in the event that the Performance Stock Units are deferred compensation within the meaning of Code Section 409A, such Stock Units shall only be delivered upon the Change of Control if such Change of Control is a “change in control event” within the meaning of Code Section 409A and the delivery is made in accordance with Treasury Regulation 1-409A-3(j)(ix).

Rejection:

If you do not want to accept your Performance Stock Units, please return this Agreement, executed by you on the last page of this Agreement, at any time within sixty (60) days after the Grant Date to Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Stock Administration. **Do not return a signed copy of this Agreement if you accept your Performance Stock Units.** If you do not return a signed copy of this Agreement within sixty (60) days after the Grant Date, you will have accepted your Performance Stock Units and agreed to the terms and conditions set forth in this Agreement and the terms and conditions of the Plan.

Performance Stock Unit Award Agreement

This Performance Stock Unit Award Agreement (this "Agreement") dated as of the Grant Date (the "Grant Date") set forth in the Notice of Performance Stock Unit Grant attached as Schedule A hereto (the "Grant Notice") is made between Anthem, Inc. (the "Company") and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. Performance Period. The Performance Period with respect to the Performance Stock Units shall be as set forth in the Grant Notice (the "Performance Period"). The Participant acknowledges that the Performance Stock Units may not be sold, transferred, pledged, assigned, encumbered, alienated, hypothecated or otherwise disposed of (whether voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy)). Upon the completion of the applicable portion of the Performance Period and subject to the performance measure described in the attached Grant Notice, the restrictions set forth in this Agreement with respect to the Performance Stock Units theretofore subject to such completed Performance Period shall lapse and the Shares covered by the related portion of the award shall be immediately delivered, except as may be provided in accordance with Section 10 hereof.

2. Ownership. Upon expiration of the applicable portion of the Performance Period and subject to the performance measure described in the attached Grant Notice, the Company shall transfer the Shares covered by the related portion of the award to the Participant's account with the Company's captive broker.

3. Termination.

(a) *Retirement.* If the Participant's Termination is due to Retirement (for purposes of this Agreement, defined as the Participant's Termination after attaining age fifty-five (55) with at least ten (10) completed years of service) or after attaining age sixty-five (65)¹, the restrictions upon the Performance Stock Units shall continue to lapse throughout the Performance Period and the shares covered by the related portion of the award shall continue to be delivered upon the applicable Vesting Date; *provided, however*, that if the Participant's Termination due to Retirement is during the calendar year of the Grant Date, the Performance Stock Units shall be forfeited on a pro-rata basis, measured by the number of completed full months in that calendar year during which the Participant was employed by the Company or an Affiliate (*e.g.*, if the Participant's Retirement occurs in September, 33.3% (or 4/12) of the Performance Stock Units will be forfeited), and the Performance Period on the non-forfeited portion of the Performance Stock Units shall continue to lapse throughout the Performance Period, subject to the performance measure described in the attached Grant Notice.²

(b) *Death and Disability.* If the Participant's Termination is due to death or Disability (for purposes of this Agreement, as defined in the applicable Anthem Long-Term Disability Plan), then the Performance Period shall immediately lapse, causing any restrictions which would otherwise remain on the Performance Stock Units to immediately lapse, and the Shares covered by the award shall be immediately delivered.

(c) *Without Cause One Year or More After the Grant Date.* If the Participant's Termination is by the Company or an Affiliate without Cause³ (for purposes of this Agreement, defined as a violation of "conduct" as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the "Agreement Plan"), the Key Associate Agreement, or the Key Sales Associate Agreement also as defined in that plan or agreement) and the termination occurs one year or more after the Grant Date, then the Performance Period shall revert from a three year period to either a one year or two year period based on the Participant's termination date and a prorated number of Performance Stock Units shall immediately vest as described in this subsection of this Agreement. If the Participant's Termination occurs at least one year and no more than two years after the Grant Date, then two-thirds of the Performance Stock Units shall be forfeited and between 0% and 200% of one-third of the Performance Stock Units shall vest based on the results of year one of the Performance Period. If the Participant's Termination occurs at least two years and no more than three years after the Grant Date,

1 For performance stock unit awards to Joseph R. Swedish, Retirement is defined as attaining age sixty-five pursuant to his February 6, 2013 Offer Letter.

2 This retirement provision is deleted in non-annual retention grants.

3 For awards to Joseph R. Swedish, Cause is also defined in his February 6, 2013 Offer Letter and this section contains the applicable reference to his Offer Letter.

then one-third of the Performance Stock Units shall be forfeited and between 0% and 200% of two-thirds of the Performance Stock Units shall vest based on the cumulative results of the first two years of the Performance Period.

(d) *Other Terminations.*⁴ Unless Section 3(d) is applicable, if the Participant's Termination is by the Company or an Affiliate or by the Participant for any reason other than death, Disability, Retirement or without Cause one year or more after the Grant Date, then all Performance Stock Units for which the Performance Period had not lapsed prior to the date of such Termination shall be immediately forfeited.

(e) *Termination after Change in Control.* If after a Change in Control the Participant's Termination is (i) by the Company or an Affiliate without Cause or (ii), if the Participant participates in the Agreement Plan, by the Participant for Good Reason (as defined in the Agreement Plan), then there shall be paid out in cash to the Participant within 30 days following termination of employment the value of the Performance Stock Units to which the Participant would have been entitled if performance achieved 100% of the target performance measures as described in the attached Grant Notice. Notwithstanding any provision of this Agreement to the contrary, in the event that the Participant becomes entitled to vest in Performance Stock Units under any provision of this Section 3 by reason of any Termination and such Termination occurs within the two year period following a Change in Control that is a "change in control event" within the meaning of Code Section 409A, the Participant's Performance Stock Units shall be paid to the Participant immediately upon such Termination.⁵

(f) *Clawback Provision.* Notwithstanding any other provisions of this Agreement to the contrary, in the event that the Participant is a non-executive participant in the Agreement Plan, is an Executive (as defined by the Company) at the time of the Participant's Termination, regardless of whether the Executive is then a participant in such Agreement Plan, the Performance Stock Units shall be forfeited if the Participant breaches any provision of Section 3.6 or 3.10 of the Agreement Plan, in which case the Participant shall be subject to the "Return of Consideration" provision contained in Section 3.7 of the Agreement Plan.

4. Transferability of the Performance Stock Units. The Participant shall have the right to appoint any individual or legal entity in writing, on a Designation of Beneficiary form, as his/her beneficiary to receive any Shares (to the extent not previously terminated or forfeited) under this Agreement upon the Participant's death. Such designation under this Agreement may be revoked by the Participant at any time and a new beneficiary may be appointed by the Participant by execution and submission to the Company, or its designee, of a revised Designation of Beneficiary form to this Agreement. In order to be effective, a designation of beneficiary must be completed by the Participant on the Designation of Beneficiary form and received by the Company, or its designee, prior to the date of the Participant's death. If the Participant dies without such designation, the Performance Stock Units will become part of the Participant's estate.

5. Dividend Equivalents. In the event the Company declares a dividend on Shares (as defined in the Plan), for each unvested Performance Stock Unit on the dividend payment date, the Participant shall be credited with a Dividend Equivalent, payable in cash, with a value equal to the value of the declared dividend. The Dividend Equivalents shall be subject to the same restrictions as the unvested Performance Stock Units to which they relate. No interest or other earnings shall be credited on the Dividend Equivalents, provided that additional Dividend Equivalents may be awarded or forfeited in the same proportion as the number of Performance Stock Units determined to be awarded or forfeited based on the achievement of the performance measures. Subject to continued employment with the Company and Affiliates and, as applicable, achievement of performance measures, the restrictions with respect to the Dividend Equivalents shall lapse at the same time and in the same proportion as the initial award of Performance Stock Units. No additional Dividend Equivalents shall be accrued for the benefit of the Participant with respect to record dates occurring prior to, or with respect to record dates occurring on or after the date, if any, on which the

⁴ For performance stock unit awards to Joseph R. Swedish, this section is labeled Without Cause within One Year of the Grant Date, for Good Reason and Other Terminations and contains the applicable references to his February 6, 2013 Offer Letter.

⁵ For awards to Joseph R. Swedish, Cause is also defined in his February 6, 2013 Offer Letter and this section contains the applicable reference to his Offer Letter.

Participant has forfeited the Performance Stock Units or any Performance Stock Units have been settled. For any specified employee, any Dividend Equivalents subject to Code Section 409A and payable upon a termination of employment shall be subject to a six month delay. The Dividend Equivalents shall be subject to all such other provisions set forth herein, and may be used to satisfy any or all obligations for the payment of any tax attributable to the Dividend Equivalents and/or Performance Stock Units.

6. **Taxes and Withholdings.** Upon the expiration of the applicable portion of the Performance Period (and delivery of the underlying Shares), or as of which the value of any Performance Stock Units first becomes includible in the Participant's gross income for income tax purposes, the Participant shall satisfy all obligations for the payment of any tax attributable to the Performance Stock Units. The Participant shall notify the Company if the Participant wishes to pay the Company in cash, check or with shares of Anthem common stock already owned for the satisfaction of any taxes of any kind required by law to be withheld with respect to such Performance Stock Units. Any such election made by the Participant must be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Compensation Committee of the Board of Directors of the Company ("Committee"), in its sole discretion deems appropriate. If the Participant does not notify the Company in writing at least 14 days prior to the applicable lapse of the Performance Period, the Committee is authorized to take any such other action as may be necessary or appropriate, as determined by the Committee, to satisfy all obligations for the payment of such taxes. Such other actions may include withholding the required amounts from other compensation payable to the Participant, a sell-to-cover transaction or such other method determined by the Committee, in its discretion.

7. **No Rights as a Shareholder.** The Participant shall have no rights of a shareholder (including, without limitation, dividend and voting rights) with respect to the Performance Stock Units, for record dates occurring on or after the Grant Date and prior to the date any such Performance Stock Units vest in accordance with this Agreement.

8. **No Right to Continued Employment.** Neither the Performance Stock Units nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employment or service of the Company or any Affiliate for any period, nor restrict in any way the right of the Company, which right is hereby expressly reserved, to terminate the Participant's employment or service at any time for any reason. The Participant acknowledges and agrees that any right to have restrictions on the Performance Stock Units lapse is earned only by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate, or satisfaction of any other applicable terms and conditions contained in the Plan and this Agreement, and not through the act of being hired, being granted the Performance Stock Units or acquiring Shares hereunder.

9. **The Plan.** This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. Unless defined herein, capitalized terms are as defined in the Plan. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on the Company's HR intranet. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Corporate Secretary, Shareholder Services Department.

10. **Compliance with Laws and Regulations.**

(a) The Performance Stock Units and the obligation of the Company to deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

(b) The Shares received upon the expiration of the applicable portion of the Performance Period shall have been registered under the Securities Act of 1933 (“Securities Act”). If the Participant is an “affiliate” of the Company, as that term is defined in Rule 144 under the Securities Act (“Rule 144”), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an “affiliate” of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

(c) If, at any time, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant’s own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

11. Code Section 409A Compliance. Except with respect to Participants who are Retirement eligible or become Retirement eligible before the calendar year containing the Vesting Date as shown on the Grant Notice, it is intended that this Agreement meet the short-term deferral exception from Code Section 409A. This Agreement and the Plan shall be administered in a manner consistent with this intent and any provision that would cause the Agreement or Plan to fail to satisfy this exception shall have no force and effect. Notwithstanding anything contained herein to the contrary, Shares in respect of any Performance Stock Units that (a) constitute “nonqualified deferred compensation” as defined in Code Section 409A and (b) vest as a consequence of the Participant’s Termination shall not be delivered until the date that the Participant incurs a “separation from service” within the meaning of Code Section 409A (or, if the Participant is a “specified employee” within the meaning of Code Section 409A and the regulations promulgated thereunder, the date that is six months following the date of such “separation from service” (or death, if earlier)). In addition, each amount to be paid or benefit to be provided to the Participant pursuant to this Agreement that constitutes deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A.

12. Notices. All notices by the Participant or the Participant’s assignees shall be addressed to Anthem, Inc., 120 Monument Circle, Indianapolis, Indiana 46204, Attention: Stock Administration, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant’s address in the Company’s records.

13. Other Plans. The Participant acknowledges that any income derived from the Performance Stock Units shall not affect the Participant’s participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Affiliate.

14. Recoupment Policy for Incentive Compensation. The Company's Recoupment Policy for Incentive Compensation, as may be amended from time to time, shall apply to the Performance Stock Units, any Shares delivered hereunder and any profits realized on the sale of such Shares to the extent that the Participant is covered by such policy. If the Participant is covered by such policy, the policy may apply to recoup Performance Stock Units awarded, any Shares delivered hereunder or profits realized on the sale of such Shares either before, on or after the date on which the Participant becomes subject to such policy.

ANTHEM, INC.

By: _____
Printed: Lewis Hay III
Its: Chairman, Compensation Committee
Anthem, Inc. Board of Directors

I DO NOT accept this Performance Stock Unit Award:

Signature: _____

Printed Name: _____ Date: _____

**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, Joseph R. Swedish, certify that:

1. I have reviewed this report on Form 10-Q of Anthem, 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: April 29, 2015

/s/ JOSEPH R. SWEDISH

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 Anthem, 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: April 29, 2015

/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 Anthem, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph R. Swedish, 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/ JOSEPH R. SWEDISH

Joseph R. Swedish
President and Chief Executive Officer

April 29, 2015

**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 Anthem, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 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
April 29, 2015

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

Date of Report (Date of earliest event reported): July 24, 2015 (July 23, 2015)

ANTHEM, INC.

(Exact name of Registrant as specified in its Charter)

Indiana

(State or Other Jurisdiction of Incorporation or Organization)

001-16751

(Commission File Number)

35-2145715

(I.R.S. Employer Identification No.)

**120 Monument Circle
Indianapolis, IN 46204**

(Address of Principal Executive Offices, Including Zip Code)

(317) 488-6000

(Registrant's telephone number, including area code)

Not applicable

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02—Results of Operations and Financial Condition

Today, Anthem, Inc., an Indiana corporation (the “Company”), and Cigna Corporation, a Delaware corporation (“Cigna”), issued a joint press release announcing that they have entered into an Agreement and Plan of Merger, dated as of July 23, 2015 (the “Merger Agreement”), by and among the Company, Cigna and Anthem Merger Sub Corp., a Delaware corporation and a direct wholly-owned subsidiary of the Company, pursuant to which the Company will acquire all outstanding shares of Cigna (the “Acquisition”).

In connection with the Acquisition, the Company is hosting a conference call today and making a presentation to investors to discuss the Acquisition and the Company will also preview on the conference call its second quarter 2015 net income of \$3.13 per share, including net gains of \$0.03 per share. Excluding these gains, adjusted net income was \$3.10 per share for the second quarter. The Company now expects full year 2015 net income to be greater than \$9.75 per share, including greater than \$0.25 per share of net unfavorable adjustment items. Excluding these items, adjusted net income is expected to be greater than \$10.00 per share. This guidance does not include any future merger related transaction costs, which the Company expects to exclude in its adjusted net income calculation, and does not include net adjustment items beyond those to be reported in the Company’s second quarter 2015 earnings release, which are listed in the table below:

	<u>Full Year 2015 Outlook</u>
Net income per diluted share	Greater than \$9.75
Add / (Subtract) - net of related tax effects:	
Net realized gains on investments	(\$0.33)
Other-than-temporary impairment losses on investments	\$0.08
Loss on extinguishment of debt	\$0.00
Amortization of other intangible assets	<u>Greater than \$0.50</u>
Net adjustment items	<u>Greater than \$0.25</u>
 Adjusted net income per diluted share	 <u>Greater than \$10.00</u>

The Company will provide additional details on its financial results on its quarterly earnings conference call on Wednesday, July 29th.

A copy of the investor presentation will be available this morning for download at the Company’s website (www.antheminc.com).

A copy of the joint press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 5.03— Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

On July 23, 2015, the Board of Directors of the Company approved an amendment to the By-Laws of the Company (the “By-Law Amendment”), which became effective immediately. The By-Law Amendment added a new Article XI, which designates the Marion Superior Court in the State of Indiana (or, if the Marion Superior Court lacks jurisdiction, the United States District Court for the Southern District of Indiana) as the sole and exclusive forum for

certain legal action, unless the Company consents in writing to the selection of an alternative forum. The foregoing description of the By-Law Amendment is only a summary, does not purport to be complete, and is qualified in its entirety by reference to the By-Law Amendment, a copy of which is attached hereto as Exhibit 3.1 and is incorporated herein by reference.

Item 7.01—Regulation FD Disclosure

The information set forth in Item 2.02 of this Current Report on Form 8-K is incorporated herein by reference.

Item 8.01—Other Events

The information set forth in Item 2.02 of this Current Report on Form 8-K is incorporated herein by reference.

The information required by Item 1.01, including a copy of the Merger Agreement, will be filed in a separate Current Report on Form 8-K.

None of the information furnished in Item 2.02, Item 7.01, Item 8.01 or Exhibit 99.1 hereto shall be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Unless expressly set forth by specific reference in such filings, none of the information furnished in this report shall be incorporated by reference in any filing under the Securities Act of 1933, as amended, whether made before or after the date hereof and regardless of any general incorporation language in such filings.

Important Information for Investors and Shareholders

This communication does not constitute an offer to sell or a solicitation of an offer to sell or a solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

The proposed transaction between Anthem, Inc. (“Anthem”) and Cigna Corporation (“Cigna”) will be submitted to Anthem’s and Cigna’s shareholders and stockholders (as applicable) for their consideration. In connection with the transaction, Anthem and Cigna will file relevant materials with the U.S. Securities and Exchange Commission (the “SEC”), including an Anthem registration statement on Form S-4 that will include a joint proxy statement of Anthem and Cigna that also constitutes a prospectus of Anthem, and each will mail the definitive joint proxy statement/prospectus to its shareholders and stockholders, respectively. This communication is not a substitute for the registration statement, joint proxy statement/prospectus or any other document that Anthem and/or Cigna may file with the SEC in connection with the proposed transaction.

INVESTORS AND SECURITY HOLDERS OF ANTHEM AND CIGNA ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of the registration statement containing the joint proxy statement/prospectus and other documents filed with the SEC by Anthem or Cigna (when available) through the web site maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by Anthem will be available free of charge on Anthem’s internet website at <http://www.antheminc.com> or by contacting Anthem’s Investor Relations Department at (317) 488-6168. Copies of the documents filed with the SEC by Cigna will be available free of charge on Cigna’s internet website at <http://www.cigna.com> or by contacting Cigna’s Investor Relations Department at (215) 761-4198.

Anthem, Cigna and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. You can find information about Anthem’s executive officers and directors in Anthem’s annual report on Form 10-K for the year ended December 31, 2014 and its definitive proxy statement filed with the SEC on April 1, 2015. You can find information about Cigna’s executive officers and directors in Cigna’s annual report on Form 10-K for the year ended December 31, 2014 and its definitive proxy statement filed with the SEC on March 13, 2015. Additional information regarding the interests of such potential participants will be included in the joint proxy statement/prospectus when it is filed with the SEC. You may obtain free copies of these documents using the sources indicated above.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This document, and oral statements made with respect to information contained in this communication, contain certain forward-looking information about Anthem, Inc. ("Anthem"), Cigna Corporation ("Cigna") and the combined businesses of Anthem and Cigna 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 (including the negative thereof) are intended to identify forward-looking statements, which generally are not historical in nature. These statements include, but are not limited to, statements regarding the merger between Anthem and Cigna; Anthem's financing of the proposed transaction; the combined company's expected future performance (including expected results of operations and financial guidance); the combined company's future financial condition, operating results, strategy and plans; statements about regulatory and other approvals; synergies from the proposed transaction; the combined company's expected debt-to-capital ratio and ability to retain investment grade ratings; the closing date for the proposed transaction; 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 known and unknown risks and uncertainties, many of which are difficult to predict and generally beyond Anthem's and Cigna's control, that could cause actual results and other future events 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 Anthem's and Cigna's public filings with the U.S. Securities and Exchange Commission (the "SEC"); those relating to the proposed transaction, as detailed from time to time in Anthem's and Cigna's filings with the SEC; increased government participation in, or regulation or taxation of health benefits and managed care operations, including, but not limited to, the impact of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, or Health Care Reform; trends in health care costs and utilization rates; our ability to secure sufficient premium rates including regulatory approval for and implementation of such rates; our participation in the federal and state health insurance exchanges under Health Care Reform, which have experienced and continue to experience challenges due to implementation of initial and phased-in provisions of Health Care Reform, and which entail uncertainties associated with the mix and volume of business, particularly in Individual and Small Group markets, that could negatively impact the adequacy of our premium rates and which may not be sufficiently offset by the risk apportionment provisions of Health Care Reform; 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 Medicare and Medicaid programs, including those related to non-compliance with the complex regulations imposed thereon and funding risks with respect to revenue received from participation therein; our projected consolidated revenue growth and global medical customer growth; a downgrade in our financial strength ratings; litigation and investigations targeted at our industry and our ability to resolve litigation and investigations within estimates; medical malpractice or professional liability claims or other risks related to health care services provided by our subsidiaries; our ability to repurchase shares of its common stock and pay dividends on its common stock due to the adequacy of its cash flow and earnings and other considerations; non-compliance by any party with the Express Scripts, Inc. pharmacy benefit management services agreement, which could result in financial penalties; our inability to meet customer demands, and sanctions imposed by governmental entities, including the Centers for Medicare and Medicaid Services; events that result in negative publicity for us or 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 Anthem's licenses 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 or employee sensitive or confidential information, including the impact and outcome of investigations, inquiries, claims and litigation related to the cyber attack Anthem reported in February 2015; changes in the economic and market conditions, as well as regulations that may negatively affect our investment portfolios and liquidity; possible restrictions in the payment of dividends by our subsidiaries and increases in required minimum levels of capital and the potential negative effect from our substantial amount of outstanding indebtedness; general risks associated with mergers and acquisitions; various laws and provisions in Anthem's governing documents that may prevent or discourage takeovers and business combinations; future public health epidemics and catastrophes; and general economic downturns. Important factors that could cause actual results and other future events to differ materially from the forward-looking statements made in this communication are set forth in other reports or documents that Anthem and/or Cigna may file from time to time with the SEC, and include, but are not limited to: (i) the ultimate outcome of the proposed transaction, including the ability to achieve the synergies and value creation contemplated by the proposed transaction, (ii) the ultimate outcome and results of integrating the operations of Anthem and Cigna, (iii) disruption from the merger making it more difficult to maintain businesses and operational relationships, (iv) the risk that unexpected costs will be incurred in connection with the proposed transaction, (v) the timing to consummate the proposed transaction, (vi) the possibility that the proposed transaction does not close, including, but not limited to, due to the failure to satisfy the closing conditions, including the receipt of required regulatory approvals and the receipt of approval of both Anthem's and Cigna's shareholders and stockholders, respectively, and (viii) the risks and uncertainties detailed by Cigna with respect to its business as described in its reports and

documents filed with the SEC. All forward-looking statements attributable to Anthem, Cigna or any person acting on behalf of Anthem and/or Cigna are expressly qualified in their entirety by this cautionary statement. 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, neither Anthem nor Cigna 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 or the receipt of new information. Readers are also urged to carefully review and consider the various disclosures in Anthem's and Cigna's SEC reports.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	Amendment to the By-Laws of Anthem, Inc.
99.1	Press release, dated July 24, 2015 issued by Anthem, Inc. and Cigna Corporation

SIGNATURES

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

ANTHEM, INC.

By: _____ /s/ Kathleen S. Kiefer
Name: Kathleen S. Kiefer
Title: Corporate Secretary

Dated: July 24, 2015

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
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Amendment to Anthem, Inc. By-Laws

Pursuant to a resolution duly adopted by the Board of Directors of Anthem, Inc., an Indiana corporation (the "Corporation"), effective July 23, 2015, the By-Laws of the Corporation are amended to add the following Article XI:

ARTICLE XI

Forum for Adjudication of Disputes

Section 11.1 Forum. Unless the Corporation consents in writing to the selection of an alternative forum (an "Alternative Forum Consent") the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim for breach of a fiduciary duty owed by any Director, officer, employee or agent of the Corporation to the Corporation or the Corporation's constituents identified in Chapter 35 of the Indiana Business Corporation Law (IC 23-1-35-1(d)), (c) any action asserting a claim arising pursuant to any provision of the Indiana Business Corporation Law or the Corporation's Articles of Incorporation or these By-Laws (in each case, as may be amended from time to time), or (d) any action asserting a claim governed by the internal affairs doctrine, shall be, to the fullest extent permitted by law, the Marion Superior Court (Marion County, Indiana) (or, if the Marion Superior Court lacks jurisdiction, the United States District Court for the Southern District of Indiana); in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants.

Section 11.2 Personal Jurisdiction. If any action the subject matter of which is within the scope of Section 11.1 of these By-Laws is filed in a court other than the Marion Superior Court (Marion County, Indiana) (or, if the Marion Superior Court lacks jurisdiction, the United States District Court for the Southern District of Indiana) (a "Foreign Action") in the name of any shareholder (including any beneficial owner), such shareholder shall be deemed to have consented to (a) the personal jurisdiction of the Marion Superior Court or the United States District Court for the Southern District of Indiana in connection with any action brought in any such court to enforce Section 11.1 of these By-Laws and (b) having service of process made upon such shareholder in any such action by service upon such shareholder's counsel in the Foreign Action as agent for such shareholder.

Section 11.3 Enforceability. Any person or entity purchasing or otherwise acquiring any interest in shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XI. If any provision of this Article XI shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of this Article XI (including, without limitation, each portion of any sentence of this Article XI containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby. The existence of any prior Alternative Forum Consent shall not act as a waiver of the Corporation's ongoing consent right as set forth above in Section 11.1 with respect to any current or future actions or claims.

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Act of 1934

Subject Company: Cigna Corporation
Commission File No. 001-08323

P R E S S R E L E A S E



ANTHEM ANNOUNCES DEFINITIVE AGREEMENT TO ACQUIRE CIGNA CORPORATION

- **Combination will create the premier health services company with critical diversification to lead the transformation of health care for consumers by enhancing health care access, quality and affordability**
- **Cigna shareholders receiving consideration of \$103.40 per share in cash and 0.5152 shares of Anthem stock in exchange for each Cigna share, reflecting a value of \$188.00 based on Anthem's unaffected share price as of May 28, 2015**
- **Combination expected to drive adjusted earnings per share accretion approaching 10% in year one, with accretion more than doubling in year two**
- **The combined company will cover approximately 53 million medical members with well positioned commercial, government, consumer, specialty businesses along with a market leading international franchise**

Indianapolis, Ind. and Bloomfield, Conn. – July 24, 2015 – Anthem, Inc. (NYSE: ANTM) and Cigna Corporation (NYSE: CI) today announced that they have entered into a definitive agreement whereby Anthem will acquire all outstanding shares of Cigna in a cash and stock transaction and Cigna shareholders will receive \$103.40 in cash and 0.5152 Anthem common shares for each Cigna common share. The total per share consideration equates to approximately \$188.00 for each Cigna share based on Anthem's closing share price on May 28, 2015, valuing the transaction at \$54.2 billion on an enterprise basis.

The combined company will be an industry leader with enhanced diversification and capabilities to advance the transformation of health care delivery for consumers. Following the transaction, Anthem will have more than \$115 billion in pro forma annual revenues, based on the most recent 2015 outlooks publicly reported by both companies and will gain meaningful diversification covering approximately 53 million medical members with well positioned commercial, government, consumer, specialty and international franchises. Upon the close of the transaction, Joseph Swedish will serve as Chairman and Chief Executive Officer of the combined company and David Cordani will be President and Chief Operating Officer. In addition, effective upon closing, the Anthem Board of Directors will be expanded to 14 members. David Cordani and four independent directors from Cigna's current Board of Directors will join the nine current members of the Anthem Board of Directors.

The agreement provides an "unaffected" premium to Cigna's shareholders of approximately 38.4%, based on the unaffected closing price of Cigna's shares on May 28, 2015. Under the terms of the transaction, the consideration consists of approximately 55% cash and 45% Anthem shares, and the combined company would reflect a pro forma equity ownership comprised of approximately 67% Anthem shareholders and approximately 33% Cigna shareholders.

"We are very pleased to announce an agreement that will deliver meaningful value to consumers and shareholders through expanded provider collaboration, enhanced affordability and cost of care management capabilities, and superior innovations that deliver a high quality health care experience for consumers. We believe that this transaction will allow us to enhance our competitive position and be better positioned to apply the insights and access of a broad network and dedicated local presence to the health care challenges of the increasingly diverse markets, membership, and communities we serve. The Cigna team has built a set of capabilities that greatly complement our own offerings and the combined company will have a competitive presence across commercial, government, international and specialty segments. These expanded capabilities will enable us to better serve our customers as their health care needs evolve," said Joseph Swedish, President and Chief Executive Officer of Anthem.

"Our companies share proud histories and an even brighter future. Going forward our new company will deliver an acceleration of innovative and affordable health and protection benefits solutions that help address our health system's challenges and provide supplemental insurance protection, and health care security to consumers, their families, and the communities we share with them. The complementary nature of our businesses will allow us to leverage the deep global health care knowledge, local market talent, and expertise of both organizations to ensure that consumers have access to affordable and personalized solutions across diverse life and health stages and position us for sustained success," said David M. Cordani, President and Chief Executive Officer of Cigna.

Utilizing Anthem's and Cigna's complementary strengths, the combined company will be able to deliver higher quality health care as America's valued health partner. By combining Anthem's Blue Cross and Blue Shield footprint in 14 states and Medicaid footprint via its Amerigroup brand in 19 states with Cigna's broad portfolio of health and protection services in the U.S. and globally, the combined company will offer a comprehensive range of high quality, high value products and services to the full spectrum of customers – individuals, employers and State and Federal governments.

The transaction is expected to close in the second half of 2016, pending the receipt of customary approvals, including certain state regulatory approvals and expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. In addition, the transaction is subject to customary closing conditions, including the approval of Cigna's shareholders of the merger agreement and Anthem's shareholders of the issuance of shares in the transaction. Anthem is confident in its ability to obtain all necessary regulatory and other approvals.

The combined company expects to achieve adjusted earnings per share accretion approaching 10% in year one, with the accretion more than doubling by year two following the closing of the transaction. We are confident in our ability to achieve synergy targets and are committed to retaining investment grade debt ratings. Anthem expects its debt-to-capital ratio to be approximately 49% at the time of close, with a plan to bring the ratio down to the low 40% range within 24 months. Anthem has received committed financing from Bank of America, Credit Suisse and UBS Investment Bank in connection with the transaction.

Anthem and Cigna management will host a conference call to discuss the transaction at 8:30 AM EDT today, July 24, 2015. Additional materials regarding the transaction are available on our website at www.betterhealthcaretogether.com/.

Anthem's lead financial advisor is UBS Investment Bank and Credit Suisse also served as financial advisor and its legal advisor is White & Case LLP. Morgan Stanley is acting as Cigna's financial advisor, and Cravath, Swaine & Moore LLP is acting as legal advisor to Cigna.

Conference Call

Anthem and Cigna will hold a conference call and webcast at 8:30 a.m. Eastern Daylight Time (“EDT”) today, July 24, 2015, to discuss the transaction. The conference call should be accessed at least 15 minutes prior to its start with the following numbers. An investor presentation is available for download at www.antheminc.com or www.cigna.com/aboutcigna/investors under the “Investors” link.

877-871-3172 (Domestic)
412-902-6603 (International)

877-344-7529 (Domestic Replay)
412-317-0088 (International Replay)

The access code for the July 24, 2015, conference call is 4135855. The access code for the replay is 10069758. The replay will be available from 1:00 p.m. EDT on July 24, 2015, until the end of the day on August 7, 2015. A webcast replay will be available following the call.

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About Anthem, Inc.

Anthem is working to transform health care with trusted and caring solutions. Our health plan companies deliver quality products and services that give their members access to the care they need. With nearly 71 million people served by its affiliated companies, including more than 38 million enrolled in its family of health plans, Anthem is one of the nation’s leading health benefits companies. For more information about Anthem’s family of companies, please visit www.antheminc.com/companies.

About Cigna

Cigna Corporation (NYSE: CI) is a global health service company dedicated to helping people improve their health, well-being and sense of security. All products and services are provided exclusively by or through operating subsidiaries of Cigna Corporation, including Connecticut General Life Insurance Company, Cigna Health and Life Insurance Company, Life Insurance Company of North America and Cigna Life Insurance Company of New York. Such products and services include an integrated suite of health services, such as medical, dental, behavioral health, pharmacy, vision, supplemental benefits, and other related products including group life, accident and disability insurance. Cigna maintains sales capability in 30 countries and jurisdictions, and has more than 88 million customer relationships throughout the world. To learn more about Cigna®, including links to follow us on Facebook or Twitter, visit www.cigna.com.

Important Information for Investors and Shareholders

This communication does not constitute an offer to sell or a solicitation of an offer to sell or a solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

The proposed transaction between Anthem, Inc. (“Anthem”) and Cigna Corporation (“Cigna”) will be submitted to Anthem’s and Cigna’s shareholders and stockholders (as applicable) for their consideration. In connection with the transaction, Anthem and Cigna will file relevant materials with the U.S. Securities and Exchange Commission (the “SEC”), including an Anthem registration statement on Form S-4 that will include a joint proxy statement of Anthem and Cigna that also constitutes a prospectus of Anthem, and each will mail the definitive joint proxy statement/prospectus to its shareholders and stockholders, respectively. This communication is not a substitute for the registration statement, joint proxy statement/prospectus or any other document that Anthem and/or Cigna may file with the SEC in connection with the proposed transaction.

INVESTORS AND SECURITY HOLDERS OF ANTHEM AND CIGNA ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of the registration statement containing the joint proxy statement/prospectus and other documents filed with the SEC by Anthem or Cigna (when available) through the web site maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by Anthem will be available free of charge on Anthem’s internet website at <http://www.antheminc.com> or by contacting Anthem’s Investor Relations Department at (317) 488-6168. Copies of the documents filed with the SEC by Cigna will be available free of charge on Cigna’s internet website at <http://www.cigna.com> or by contacting Cigna’s Investor Relations Department at (215) 761-4198.

Anthem, Cigna and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. You can find information about Anthem’s executive officers and directors in Anthem’s annual report on Form 10-K for the year ended December 31, 2014 and its definitive proxy statement filed with the SEC on April 1, 2015. You can find information about Cigna’s executive officers and directors in Cigna’s annual report on Form 10-K for the year ended December 31, 2014 and its definitive proxy statement filed with the SEC on March 13, 2015. Additional information regarding the interests of such potential participants will be included in the joint proxy statement/prospectus when it is filed with the SEC. You may obtain free copies of these documents using the sources indicated above.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This document, and oral statements made with respect to information contained in this communication, contain certain forward-looking information about Anthem, Inc. ("Anthem"), Cigna Corporation ("Cigna") and the combined businesses of Anthem and Cigna 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 (including the negative thereof) are intended to identify forward-looking statements, which generally are not historical in nature. These statements include, but are not limited to, statements regarding the merger between Anthem and Cigna; Anthem's financing of the proposed transaction; the combined company's expected future performance (including expected results of operations and financial guidance); the combined company's future financial condition, operating results, strategy and plans; statements about regulatory and other approvals; synergies from the proposed transaction; the combined company's expected debt-to-capital ratio and ability to retain investment grade ratings; the closing date for the proposed transaction; 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 known and unknown risks and uncertainties, many of which are difficult to predict and generally beyond Anthem's and Cigna's control, that could cause actual results and other future events 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 Anthem's and Cigna's public filings with the U.S. Securities and Exchange Commission (the "SEC"); those relating to the proposed transaction, as detailed from time to time in Anthem's and Cigna's filings with the SEC; increased government participation in, or regulation or taxation of health benefits and managed care operations, including, but not limited to, the impact of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, or Health Care Reform; trends in health care costs and utilization rates; our ability to secure sufficient premium rates including regulatory approval for and implementation of such rates; our participation in the federal and state health insurance exchanges under Health Care Reform, which have experienced and continue to experience challenges due to implementation of initial and phased-in provisions of Health Care Reform, and which entail uncertainties associated with the mix and volume of business, particularly in Individual and Small Group markets, that could negatively impact the adequacy of our premium rates and which may not be sufficiently offset by the risk apportionment provisions of Health Care Reform; 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 Medicare and Medicaid programs, including those related to non-compliance with the complex regulations imposed thereon and funding risks with respect to revenue received from participation therein; our projected consolidated revenue growth and global medical customer growth; a downgrade in our financial strength ratings; litigation and investigations targeted at our industry and our ability to resolve litigation and investigations within estimates; medical malpractice or professional liability claims or other risks related to health care services provided by our subsidiaries; our ability to repurchase shares of its common stock and pay dividends on its common stock due to the adequacy of its cash flow and earnings and other considerations; non-compliance by any party with the Express Scripts, Inc. pharmacy benefit management services agreement, which could result in financial penalties; our inability to meet customer demands, and sanctions imposed by governmental entities, including the

Centers for Medicare and Medicaid Services; events that result in negative publicity for us or 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 Anthem's licenses 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 or employee sensitive or confidential information, including the impact and outcome of investigations, inquiries, claims and litigation related to the cyber attack Anthem reported in February 2015; changes in the economic and market conditions, as well as regulations that may negatively affect our investment portfolios and liquidity; possible restrictions in the payment of dividends by our subsidiaries and increases in required minimum levels of capital and the potential negative effect from our substantial amount of outstanding indebtedness; general risks associated with mergers and acquisitions; various laws and provisions in Anthem's governing documents that may prevent or discourage takeovers and business combinations; future public health epidemics and catastrophes; and general economic downturns. Important factors that could cause actual results and other future events to differ materially from the forward-looking statements made in this communication are set forth in other reports or documents that Anthem and/or Cigna may file from time to time with the SEC, and include, but are not limited to: (i) the ultimate outcome of the proposed transaction, including the ability to achieve the synergies and value creation contemplated by the proposed transaction, (ii) the ultimate outcome and results of integrating the operations of Anthem and Cigna, (iii) disruption from the merger making it more difficult to maintain businesses and operational relationships, (iv) the risk that unexpected costs will be incurred in connection with the proposed transaction, (v) the timing to consummate the proposed transaction, (vi) the possibility that the proposed transaction does not close, including, but not limited to, due to the failure to satisfy the closing conditions, including the receipt of required regulatory approvals and the receipt of approval of both Anthem's and Cigna's shareholders and stockholders, respectively, and (viii) the risks and uncertainties detailed by Cigna with respect to its business as described in its reports and documents filed with the SEC. All forward-looking statements attributable to Anthem, Cigna or any person acting on behalf of Anthem and/or Cigna are expressly qualified in their entirety by this cautionary statement. 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, neither Anthem nor Cigna 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 or the receipt of new information. Readers are also urged to carefully review and consider the various disclosures in Anthem's and Cigna's SEC reports.