WELLPOINT INC

FORM 10-K
(Annual Report)

Filed 2/23/2006 For Period Ending 12/31/2005

Address	120 MONUMENT CIRCLE
	INDIANAPOLIS, Indiana 46204
Telephone	317-488-6000
CIK	0001156039
Industry	Insurance (Accident & Health)
Sector	Financial
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒

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

For the fiscal year ended **December 31, 2005**
OR

☐

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

For the transition period from to

Commission file number 001-16751

WELLPOINT, INC.
(Exact name of registrant as specified in its charter)

Indiana	**35-2145715**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
120 Monument Circle Indianapolis, Indiana	**46204**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $0.01	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☒ Accelerated filer ☐ Non-acceleratedfiler ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant (assuming solely for the purposes of this calculation that all Directors and executive officers of the Registrant are "affiliates") as of June 30, 2005 was approximately $42,376,993,166.

As of February 15, 2006, 657,005,900 shares of the Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information from the Registrant's Definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 16, 2006.

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WELLPOINT, INC.
Indianapolis, Indiana

Annual Report to Securities and Exchange Commission
December 31, 2005

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This Annual Report on Form 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that reflect our views about future events and financial performance. When used in this report, the words "may," "will," "should," "anticipate," "estimate," "expect," "plan," "believe," "predict," "potential," "intend" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those projected. You are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. You are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including "Risk Factors" set forth in Part I Item 1A hereof and our reports filed with the Securities and Exchange Commission from time to time.

References in this Annual Report on Form 10-K to the term "WellPoint" or the "Company" refer to WellPoint, Inc. and its direct and indirect subsidiaries, as the context requires, after the merger of Anthem, Inc. and WellPoint Health Networks Inc. on November 30, 2004. References to the term "WHN" refers to WellPoint Health Networks Inc. prior to the merger. References to the terms "we," "our," or "us," refer to WellPoint.

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PART I

ITEM 1. BUSINESS.

General

We are the largest commercial health benefits company in terms of membership in the United States, serving approximately 34 million medical members as of December 31, 2005. We are an independent licensee of the Blue Cross 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 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. We also serve our members throughout various parts of the United States as UniCare. We are licensed to conduct insurance operations in all 50 states through our subsidiaries and Puerto Rico through an affiliate.

We offer a broad spectrum of network-based managed care plans to the large and small employer, individual, Medicaid and senior markets. Our managed care plans include preferred provider organizations, or PPOs, health maintenance organizations, or HMOs, point-of-service plans, or POS plans, traditional indemnity plans and other hybrid plans, including consumer-driven health plans, or CDHPs, 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 and other administrative services. We also provide an array of specialty and other products and services including pharmacy benefit management, group life and disability insurance, dental, vision, behavioral health benefits, workers compensation and long-term care insurance. For our insured products, we charge a premium and assume all or a portion of the health care risk. Under self-funded and partially insured products, we charge a fee for services, and the employer or plan sponsor reimburses us for all or most of the health care costs. Approximately 93% of our 2005 operating revenue was derived from premium income, while approximately 7% was derived from administrative services and other revenues.

Our customer base primarily includes large groups with 51 to 4,999 eligible employees (48% of our medical members at December 31, 2005), and individuals under age 65 and small groups of one to 50 eligible employees, also known as ISG (17% of our medical members as of December 31, 2005). Other major customer types include National Accounts (multi-state employer groups with 5,000 or more employees), BlueCard Host (enrollees of non-owned BCBS plans who receive benefits in our BCBS markets), Senior (over age 65 individuals enrolled in Medicare Supplement or Medicare Advantage policies) and State Sponsored Programs (primarily Medicaid and State Children’s Health Insurance Plans). We market our products through an extensive network of independent agents and brokers (primarily for Individual, Small Group and Senior customers) and through our in-house sales force that are compensated on a commission basis for new sales and retention of existing business (primarily for Large Group customers).

The aging of the population and other demographic characteristics and advances in medical technology continue to contribute to rising health care costs. Our managed care plans and products are designed to encourage providers and members to participate in quality, cost-effective health benefit plans by using the full range of our innovative medical management services, quality initiatives and financial incentives. Our leading market share enables us to realize the long-term benefits of investing in preventive and early detection programs. Our ability to provide cost-effective health benefits products and services is enhanced through a disciplined approach to internal cost containment, prudent management of our risk exposure and successful integration of acquired businesses.

Our results of operations depend in large part on accurately predicting health care costs and on our ability to manage future health care costs through underwriting criteria, medical management, product design and negotiation of favorable provider contracts.

We believe health care is local, and feel that we have the strong local presence required to understand and meet local customer needs. Our local presence and national expertise have created opportunities for collaborative programs that reward physicians and hospitals for clinical quality and excellence. We feel that our commitment to health improvement and care management provides added value to customers and health care professionals.

Our vision is to transform health care and become the most valued company in our industry. Our mission is to improve the lives of people we serve and the health of our communities. One of the strategies to achieve our vision and fulfill our mission is automation of interactions with customers, brokers, agents, employees and other stakeholders through web-enabling technology and enhancing internal operations. We continue to develop our e-business strategy with the goal of becoming widely regarded as an e-business leader in the health benefits industry. The strategy includes not only sales and distribution of health benefits products on the Internet, but also implementation of advanced self-service capabilities benefiting customers, agents, brokers, partners and our associates.

WellPoint is a large accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended) and is required, pursuant to Item 101 of Regulation S-K, to provide certain information regarding its website and the availability of certain documents filed with or furnished to the Securities and Exchange Commission, or SEC. Our website is www.wellpoint.com . We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC. We also include on our Internet website our Corporate Governance Guidelines, our Standards of Ethical Business Conduct and the charter of each standing committee of our Board of Directors. In addition, we intend to disclose on our Internet website any amendments to, or waivers from, our Standards of Ethical Business Conduct that are required to be publicly disclosed pursuant to rules of the SEC and the New York Stock Exchange, or NYSE. WellPoint is an Indiana corporation incorporated on July 17, 2001.

As required by NYSE Rule 303A.12, in 2005 we filed with the NYSE the annual chief executive officer certificate with no qualifications, indicating that the chief executive officer is unaware of any violations of the NYSE corporate governance standards. In addition, we are filing certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K.

Recent Transactions

We intend to continue our expansion through organic growth and strategic acquisitions. Listed below are the more significant transactions that were completed by WellPoint during the last two years.

- On December 28, 2005 (December 31, 2005 for accounting purposes) we completed our previously announced acquisition of WellChoice, Inc., or WellChoice. Under the terms of the merger agreement, the stockholders of WellChoice received consideration of $38.25 in cash and 0.5191 of a share of WellPoint common stock for each share of WellChoice common stock outstanding. In addition, WellChoice stock options and other awards were converted to WellPoint awards in accordance with the merger agreement. The purchase price including cash, fair value of stock and stock awards and estimated transaction costs was approximately $6.5 billion. WellChoice merged with and into WellPoint Holding Corp., a direct and wholly-owned subsidiary of WellPoint, with WellPoint Holding Corp. as the surviving entity in the merger.
- On June 9, 2005, we completed our acquisition of Lumenos, Inc., or Lumenos, for approximately $185.0 million in cash paid to the stockholders of Lumenos. Lumenos is recognized as a pioneer and market leader in consumer-driven health programs.
- On April 25, 2005, WellPoint's Board of Directors approved a two-for-one split of shares of common stock, which was effected in the form of a 100 percent common stock dividend. All shareholders of record on May 13, 2005 received one additional share of WellPoint common stock for each share of

common stock held on that date. The additional shares of common stock were distributed to shareholders of record in the form of a stock dividend on May 31, 2005. All applicable historical weighted average share and per share amounts and all references to stock compensation data and market prices of our common stock for all periods presented in this Annual Report on Form 10-K have been adjusted to reflect this two-for-one stock split.

- On November 30, 2004, Anthem, Inc., or Anthem, and WellPoint Health Networks Inc., or WHN, completed their merger. WHN merged with and into Anthem Holding Corp., a direct and wholly-owned subsidiary of Anthem, with Anthem Holding Corp. as the surviving entity in the merger. In connection with the merger, Anthem amended its articles of incorporation to change its name to WellPoint, Inc., or WellPoint. As a result of the merger, each WHN stockholder received consideration of $23.80 in cash and one share of WellPoint common stock for each share of WHN common stock held. In addition, WHN stock options and other awards were converted to WellPoint awards in accordance with the merger agreement. The purchase price including cash, fair value of stock and stock awards and estimated transaction costs was approximately $15.8 billion.

Industry Overview

The health benefits industry has experienced significant change in the last decade. The increasing focus on health care costs by employers, the government and consumers has led to the growth of alternatives to traditional indemnity health insurance. HMO, PPO, CDHPs and hybrid plans, such as POS plans, are among the various forms of managed care products that have developed over the past decade. Through these types of products, we attempt to contain the cost of health care by negotiating contracts with hospitals, physicians and other providers to deliver health care to our members at favorable rates. These products usually feature medical management and other quality and cost optimization measures such as pre-admission review and approval for certain non-emergency services, pre-authorization of outpatient surgical procedures, network credentialing to determine that network doctors and hospitals have the required certifications and expertise, and various levels of care management programs to help members better understand and navigate the medical system. In addition, providers may have incentives to achieve certain quality measures, may share medical cost risk or have other incentives to deliver quality medical services in a cost-effective manner. Members are charged periodic, pre-paid premiums and pay co-payments, coinsurance and deductibles when they receive services. While the distinctions between the various types of plans have lessened over recent years, PPO and POS products generally provide reduced benefits for out-of-network services, while traditional HMO products generally provide little to no reimbursement for non-emergency out-of-network utilization. An HMO plan may also require members to select one of the network primary care physicians to coordinate their care and approve any specialist or other services.

Recently, economic factors and greater consumer awareness have resulted in the increasing popularity of products that offer larger, more extensive networks, more member choice related to coverage, physicians and hospitals, and a desire for greater flexibility for customers to assume larger deductibles and co-payments in return for lower premiums. CDHPs, which are relatively high deductible PPO products and which are often paired with some type of member health care expenditure account that can be used at the member's discretion to help fund member out-of-pocket costs, help to meet this demand. CDHPs also usually incorporate member education, wellness, and care management programs, to help customers make better informed health care decisions. We believe we are well-positioned in each of our regions to respond to these market preferences.

Each of the BCBS companies, of which there where 38 independent primary licensees as of December 31, 2005, works cooperatively in a number of ways that create significant market advantages, especially when competing for very large multi-state employer groups. As a result of this cooperation, each BCBS company is able to take advantage of other BCBS licensees' substantial provider networks and discounts when any member from one state works or travels outside of the state in which the policy is written. This program is referred to as BlueCard ®, and is a source of revenue for providing member services in our states for individuals who are customers of BCBS plans not affiliated with us.

Competition

The managed care industry is highly competitive, both nationally and in our regional markets. Competition continues to be intense due to aggressive marketing, business consolidations, a proliferation of new products and increased quality awareness and price sensitivity among customers.

Health benefits industry participants compete for customers mainly on the following factors:

- price;
- quality of service;
- access to provider networks;
- flexibility of benefit designs;
- reputation (including National Committee on Quality Assurance, or NCQA, accreditation status);
- brand recognition; and
- financial stability.

Over the last few years, a health plan's ability to interact with employers, members and other third parties (including health care professionals) via the Internet has become a more important competitive factor. During the last several years, we have made significant investments in technology to enhance our electronic interaction with employers, members and third parties.

We believe our exclusive right to market products under the BCBS brand in many of our markets provides us with an advantage over our competition. In addition, our provider networks in our regions enable us to achieve cost-efficiencies and service levels enabling us to offer a broad range of health benefits to our customers on a more cost-effective basis than many of our competitors. We strive to distinguish our products through provider access, service, product value and brand recognition.

To build our provider networks, we compete with other health benefits plans for contracts with hospitals, physicians and other providers. We believe that physicians and other providers primarily consider member volume, reimbursement rates, timeliness of reimbursement and administrative service capabilities along with the reduction of non-value added administrative tasks when deciding whether to contract with a health benefits plan.

At the sales and distribution level, we compete for qualified agents and brokers to distribute our products. Strong competition exists among insurance companies and health benefits plans for agents and brokers with demonstrated ability to secure new business and maintain existing accounts. We believe that commission structure, support services, reputation, prior relationships, quality and price of the products are the factors agents and brokers consider in choosing whether to market our products. We believe that we have good relationships with our agents and brokers, and that our products, support services and commission structure compare favorably to our competitors in all of our regions.

Reportable Segments

We manage our operations through three reportable segments: Health Care, Specialty and Other.

Health Care

Our Health Care segment is an aggregation of various operating segments, principally differentiated by geographic areas within which we offer similar health benefit products and services, including commercial accounts, senior, Medicaid and other state sponsored businesses. These geographic areas include California, Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, New York, Ohio, Virginia, and Wisconsin. In addition, UniCare provides services in various other areas of the United States.

Specialty

Our Specialty segment is comprised of businesses providing pharmacy benefit management, specialty pharmacy distribution, group life and disability insurance benefits, dental, workers' compensation and long-term care insurance. We also provide benefits for vision and behavioral health services.

Other

Our Other segment is comprised of our Medicare processing business, including AdminaStar Federal and United Government Services; Arcus Enterprises, which works to develop innovative means to promote quality care, well being and education; intersegment revenue and expense eliminations; and corporate expenses not allocated to our Health Care or Specialty segments. Effective December 31, 2005, Empire Medical Services, the Medicare processing company of the former WellChoice, was also included in our Other segment.

For additional information regarding the operating results of our segments, see the Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19 to our audited consolidated financial statements for the year ended December 31, 2005 included in this Form 10-K.

Products and Services

Health Care

A general description of our health benefit products and services is provided below:

Preferred Provider Organization. PPO products offer the member an option to select any health care provider, with benefits reimbursed by us at a higher level when care is received from a participating network provider. Coverage is subject to co-payments or deductibles and coinsurance, with member cost sharing usually limited by out-of-pocket maximums.

Traditional Indemnity. Indemnity products offer the member an option to select any health care provider for covered services. Coverage is subject to deductibles and coinsurance, with member cost sharing usually limited by out-of-pocket maximums.

Health Maintenance Organization. HMO products include comprehensive managed care benefits, generally through a participating network of physicians, hospitals and other providers. A member in one of our HMOs must typically select a primary care physician, or PCP, from our network. PCPs generally are family practitioners, internists or pediatricians who provide necessary preventive and primary medical care, and are generally responsible for coordinating other necessary health care services. Preventive care services are emphasized in these plans. We offer HMO plans with varying levels of co-payments, which result in different levels of premium rates.

Point-of-Service. POS products blend the characteristics of HMO and indemnity plans. Members can have comprehensive HMO-style benefits through participating network providers with minimum out-of-pocket expense (co-payments) and also can go directly, without a referral, to any provider they choose, subject to, among other things, certain deductibles and coinsurance. Member cost sharing is limited by out-of-pocket maximums.

Consumer-Driven Health Plans. CDHPs provide consumers with increased financial responsibility, choice and control regarding how their health care dollars are spent. Generally, CDHPs combine a high-deductible PPO plan with an employer-funded and/or employee-funded personal care account. Some or all of the dollars remaining in the personal care account at year-end can be rolled over to the next year for future health care needs.

Management Services. In addition to fully insured products, we provide administrative services to large group employers that maintain self-funded health plans. These administrative services include underwriting,

actuarial services, medical management, claims processing and administrative services for self-funded employers. Self-funded health plans are also able to use our provider networks and to realize savings through our negotiated provider arrangements, while allowing employers the ability to design certain health benefit plans in accordance with their own requirements and objectives. We also underwrite stop loss insurance for self-funded plans.

Senior Plans. We offer numerous Medicare supplemental plans, which typically pay the difference between health care costs incurred by a beneficiary and amounts paid by Medicare. We also offer a managed care alternative to the Medicare program in certain geographic areas. Additionally, we offer Medicare Advantage plans, HMO fee-for-service and Medicare approved drug discount cards in certain geographic regions. Currently, our Medicare Advantage plans provide Medicare beneficiaries with a managed care alternative to traditional Medicare. Our Medicare-approved drug discount cards afford Medicare beneficiaries, without prescription drug coverage, access to our drug discounts. Effective January 1, 2006, we began marketing Medicare Part D Prescription Drug Plans, or Part D, to eligible Medicare beneficiaries in all 50 states.

BlueCard. BlueCard host members are generally members who reside in or travel to a state in which a WellPoint subsidiary is the Blue Cross and/or Blue Shield licensee and who are covered under an employer sponsored health plan serviced by a non-WellPoint controlled BCBS licensee, who is the “home” plan. We perform certain administrative functions for BlueCard host members, for which we receive administrative fees from the BlueCard members’ home plans. Other administrative functions, including maintenance of enrollment information and customer service, are performed by the home plan.

Medicaid Plans and Other State-Sponsored Programs. In California, a subsidiary holds contracts with the state to provide managed care programs to MediCal, California’s Medicaid program, in a large part of the state. We have also obtained Medicaid contracts to serve members in several other states including, but not limited to Virginia, West Virginia and Connecticut (and the Commonwealth of Puerto Rico) in which we conduct business.

Specialty

Pharmacy Products. We offer pharmacy services and pharmacy benefit management services to our members. Our pharmacy services incorporate features such as drug formularies (where we develop lists of preferred, cost effective drugs), a pharmacy network and maintenance of a prescription drug database and mail order capabilities. Pharmacy benefit management services provided by us include management of drug utilization through outpatient prescription drug formularies, retrospective review and drug education for physicians, pharmacists and members. Two of our subsidiaries are also licensed pharmacies and make prescription dispensing services available through mail order for pharmacy benefit management clients. In July 2005, we launched Precision Rx Specialty Solutions, a full service specialty pharmacy designed to help improve quality and cost of care by coordinating a relatively new class of prescription medications commonly referred to as biopharmaceuticals, also known as specialty medications.

In September 2005, we were awarded contracts to offer Medicare Part D Prescription Drug Plans, or Part D, to eligible Medicare beneficiaries in all 50 states. We began offering these plans to customers through our health benefit subsidiaries throughout the country and providing administrative services for Part D offerings through our pharmacy benefits management companies, on January 1, 2006.

Life Insurance. We offer an array of competitive group life insurance benefit products to both large and small group customers in conjunction with our health plans. The life products include term life, accidental death and dismemberment.

Disability. We offer short-term and long-term disability programs, usually in conjunction with our health plans.

Behavioral Health. We offer specialized behavioral health plans and benefit management. These plans cover mental health and substance abuse treatment services on both an inpatient and an outpatient basis. We have implemented employee assistance and behavioral managed care programs for a wide variety of businesses

throughout the United States. These programs are offered through our subsidiaries and through third party behavioral health networks.

Dental. Our dental plans include networks in certain states in which we operate. Many of the dental benefits are provided to customers enrolled in our health plans and are offered on both an insured and self-funded basis.

Vision Services. Our vision plans include networks within the states we operate. Many of the vision benefits are provided to customers enrolled in our health plans and are offered on both an insured and self-funded basis.

Long-Term Care Insurance. We offer long-term care insurance products to our California members through a subsidiary. The long-term care products include tax-qualified and non-tax qualified versions of a skilled nursing home care plan and comprehensive policies covering skilled, intermediate and custodial long-term care and home health services.

Workers Compensation Plan. We offer workers compensation products to employees principally in the states of Wisconsin, Illinois and Iowa. We ceased underwriting workers compensation business effective December 28, 2005; however, we continue to provide network rental and medical management services to workers compensation carriers.

Other

Medicare Fiscal Intermediary Operations. Through our AdminaStar Federal and United Government Services subsidiaries, we serve as fiscal intermediaries for the Medicare program, which generally provides coverage for persons who are 65 or older and for persons who are disabled or with end-stage renal disease. Part A of the Medicare program provides coverage for services provided by hospitals, skilled nursing facilities and other health care facilities. Part B of the Medicare program provides coverage for services provided by physicians, physical and occupational therapists and other professional providers. As a fiscal intermediary, we receive reimbursement for certain costs and expenditures. Effective December 31, 2005, Empire Medical Services, the Medicare processing company of the former WellChoice, was also included in our Other segment.

Customer Types

Our products are generally developed and marketed with an emphasis on the differing needs of various customer groups. In particular, our product development and marketing efforts take into account the differing characteristics between the various customer groups served by us, including individuals and small employers, large employers, seniors and Medicaid recipients, as well as the unique needs of educational and public entities, federal employee health and benefit programs, national employers and state-run programs servicing low-income, high-risk and under-served markets. Each business unit is responsible for product design, pricing, enrolling, underwriting and servicing customers in specific customer groups. We believe that one of the keys to our success has been the focus on distinct customer groups defined generally by employer size and geographic region, which better enables us to develop benefit plans and services that meet the unique needs of the distinct markets.

In each geographic region, we balance the need to customize products with the efficiencies of product standardization. Overall, we seek to establish pricing and product designs to achieve an appropriate level of profitability for each of our customer categories. As of December 31, 2005, our customer types include the following categories:

- Large groups include employers with 51 to 4,999 employees eligible to participate as a member in one of our health plans as well as public entities that serve educational and public sector clients. In addition, Large group includes customers with 5,000 or more eligible employees with less than 5% of eligible employees located outside of the headquarter’s state. These groups are generally sold through brokers or consultants working with industry specialists from our in-house sales force. Large group cases may be experience rated or sold on a self-insured basis. The customer’s buying decision is typically based upon the size and breadth of our networks, customer service, the quality of our medical management services,

the administrative cost included in our quoted price, our financial stability, and our ability to effectively service large complex accounts. Large group also includes members in the Federal Employee Program. As a BCBSA licensee, we participate in a nationwide contract with the Federal government whereby we cover Federal employees and their dependents in our multi-state service area. Service area is defined as the geographic area in which we are licensed to sell BCBS products. We participate in the overall financial risk for medical claims on a pooled basis with the other participating BCBS companies, and are reimbursed for our costs plus a fee. Large groups accounted for 48% of our members at December 31, 2005.

- Individual (under 65) and small groups are defined as members who purchase health insurance services as individuals or through employers with one to 50 eligible employees. While individual policies are generally sold through independent agents and brokers or our in-house sales force, small groups are sold almost exclusively through independent agents and brokers. Small group cases are sold on a fully-insured basis. Underwriting and pricing is typically done on a community rated basis. Conversely, individual business is also sold on a fully-insured basis and is usually medically underwritten at the point of initial issuance. Individual and small group customers are generally more sensitive to product pricing and, to a lesser extent, the configuration of the network, and the efficiency of administration. Account turnover is generally higher with individual and small groups as compared to large groups. Individuals and small groups accounted for 17% of our members at December 31, 2005.
- National Accounts are defined as multi-state employer groups headquartered in a WellPoint service area with 5,000 or more eligible employees, including 5% or more located in a service area outside of the headquarter's state. National Accounts are generally sold through independent brokers or consultants retained by the customer working with our in-house sales force. We have a significant advantage when competing for very large National Accounts due to our ability to access the national provider networks of BCBS companies and take advantage of their provider discounts in their local markets. National Accounts represented 14% of our members at December 31, 2005.
- BlueCard host customers are defined as enrollees of other BCBS plans, or the "home" plans, who receive health care services in our BCBS licensed markets. BlueCard host membership accounted for 11% of our members at December 31, 2005.
- Senior customers are defined as members age 65 and over with Medicare Supplement or Medicare Advantage policies. Medicare Supplement policies are sold to Medicare recipients as supplements to the benefits they receive from the Medicare program. Rates are filed with and in some cases approved by state insurance departments. The Medicare Advantage program is the managed care alternative to the federally funded Medicare program. Most of the premium is paid directly by the Federal government on behalf of the participant who may also be charged a small premium. Medicare Supplement and Medicare Advantage products are marketed in the same manner. Senior business accounted for 4% of our members at December 31, 2005.
- State sponsored program membership is defined as eligible members with state sponsored managed care alternatives for the Medicaid and State Children's Health Insurance programs that we manage. In 2000, WHN entered into a joint venture with Medical Card Systems, Inc., a Puerto Rico-based group health and life insurer, to pursue contracts under the Health Reform Program in Puerto Rico. As of December 31, 2005, the Company's 50% share of this joint venture served approximately 254,000 members. Total state sponsored program business accounted for 6% of our members at December 31, 2005.

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

The following tables set forth our medical membership by customer type and funding arrangement:

	December 31	
	2005 [1]	2004
	(In thousands)	
Customer Type		
Large Group	16,362	13,073
Individual and Small Group (ISG)	5,645	5,199
National Accounts	4,776	3,212
BlueCard	3,915	3,463
Total National	8,691	6,675
Senior	1,224	1,059
State Sponsored	1,934	1,722
Total medical membership by customer type	33,856	27,728
Funding Arrangement		
Self-Funded	16,234	13,039
Fully-Insured	17,622	14,689
Total medical membership by funding arrangement	33,856	27,728

1 Includes 1,798 self-funded and 2,989 fully-insured members from the WellChoice acquisition that closed on December 28, 2005.

For additional information regarding the change in medical membership between years, see the Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K.

Networks and Provider Relations

Our relationships with physicians, hospitals and professionals that provide health care services to our members are guided by regional and national standards for network development, reimbursement and contract methodologies.

It is generally our philosophy not to delegate full financial responsibility to our physician providers in the form of capitation-based reimbursement. However, in certain markets we believe capitation can be a useful method to lower costs and reduce underwriting risk, and we therefore have some capitation contracts.

We attempt to provide market-based hospital reimbursement along industry standards. We also seek to ensure physicians in our network are paid in a timely manner at appropriate rates. We use multi-year contracting strategies, including case or fixed rates, to limit our exposure to medical cost inflation and increase cost predictability. In all regions, we seek to maintain broad provider networks to ensure member choice while implementing programs designed to improve the quality of care received by our members.

Depending on the consolidation and integration of physician groups and hospitals, reimbursement strategies vary across markets. Fee-for-service is our predominant reimbursement methodology for physicians. We generally use a resource-based relative value system, or RBRVS, fee schedule to determine fee for service reimbursement. However, we also use proprietary fee schedules in certain markets. The RBRVS structure was developed and is maintained by the Centers for Medicare & Medicaid Services, or CMS, and is used by the Medicare program and other major payers. The RBRVS and proprietary systems are independent of submitted fees and therefore are not as vulnerable to inflation. In addition, we have implemented and continue to expand physician incentive contracting which recognizes clinical quality and performance as a basis for reimbursement.

Like our physician contracts, our hospital contracts provide for a variety of reimbursement arrangements depending on the network. Our hospital contracts recognize unique hospital attributes, such as academic medical centers or community hospitals, and the volume of care performed for our members. Many hospitals are reimbursed on a fixed amount per day for covered services (per diem) or a case rate basis similar to Medicare (Diagnosis Related Groups). Other hospitals are reimbursed on a discount from approved charge basis for covered services. Hospital outpatient services are reimbursed based on fixed case rates, fee schedules or percent of charges. To improve predictability of expected cost, we frequently use a multi-year contracting approach and have been transitioning to case rate payment methodologies. Many of our hospital contracts have reimbursement linked to improved clinical performance, patient safety and medical error reduction.

Medical Management Programs

Our medical management programs include a broad array of activities that facilitate improvements in the quality of care provided to our members and promote cost effective medical care. These medical management activities and programs are administered and directed by physicians and trained nurses employed by us. One of the goals of our medical management strategies is to assure that the care delivered to our members is supported by appropriate medical and scientific evidence.

Precertification. A traditional medical management program involves assessment of the appropriateness of certain hospitalizations and other medical services prior to the service being rendered. For example, precertification is used to determine whether a set of hospital and medical services is being appropriately applied to the member's clinical condition, in accordance with criteria for medical necessity as that term is defined in the member's benefits contract. Many of our health plans have implemented precertification programs for certain high cost radiology studies, addressing an area of historically significant cost trends.

Concurrent review. Another traditional medical management strategy we use is concurrent review, which is based on nationally recognized criteria developed by third-party medical specialists. With concurrent review, the requirements and intensity of services during a patient's hospital stay are reviewed, often by an onsite skilled nurse professional in collaboration with the hospital's medical and nursing staff, in order to coordinate care and determine the most effective transition of care from the hospital setting.

Disease management. We use sophisticated care models built around disease management and advanced care management. These programs focus on those members who have chronic and/or complex illness and require the greatest amount of medical services and allow us to provide important information to our physician providers and members to help them optimally manage the care of their specific conditions. For example, certain therapies and interventions for patients with diabetes help prevent some of the serious, long-term medical consequences of diabetes and reduce the risks of kidney, eye and heart disease. Our information systems can provide feedback to our physicians to enable them to improve the quality of care. For other prevalent medical conditions such as heart disease and asthma, our ability to correlate pharmacy data and medical management data allows us to provide important information to our members, physicians and other providers, which enable them to more effectively manage these conditions.

Advanced care management. A significant amount of health care expenditures are for services consumed by a small percent of our members who suffer from complex or chronic illnesses. We have developed a series of programs aimed at helping our network physicians better manage and improve the health of these members. Often, these programs provide benefits for home care services and other support to reduce the need for repeated, expensive hospitalizations.

Formulary management. We have developed formularies, which are selections of drugs based on clinical quality and effectiveness. A pharmacy and therapeutics committee of physicians uses scientific and clinical evidence to ensure that our members have access to the appropriate drug therapies.

Medical policy. A medical policy group comprised of physician leaders from all of our geographic regions, working in cooperation with academic medical centers, practicing community physicians and medical specialty organizations such as the American College of Radiology and national organizations such as the Centers for Disease Control and the American Cancer Society, determines our national policy for the application of new technologies.

Quality programs. We are actively engaged with our hospital networks to enable them to improve medical and surgical care and achieve better outcomes for our members. We endorse, encourage and incent hospitals to support national initiatives to improve clinical care, patient outcomes and reduce medication errors and hospital infections. We have been recognized as a national leader in developing hospital quality programs.

External review procedures. In light of public concerns about health plans denying coverage of medical services, we work with outside experts through a process of external review to provide our members scientifically and clinically, evidenced-based medical care. When we receive member concerns, we have formal appeals procedures that ultimately allow coverage disputes related to medical necessity decisions under the benefits contract to be settled by independent expert physicians.

Service management. In HMO and POS networks, primary care physicians serve as the overall coordinators of members' health care needs by providing an array of preventive health services and overseeing referrals to specialists for appropriate medical care. In PPO networks, patients have access to network physicians without a primary care physician serving as the coordinator of care.

Health Care Quality Initiatives

Increasingly, the health care industry is able to define quality health care based on preventive health measurements, outcomes of care and optimal care management for chronic disease. A key to our success has been our ability to work with our network physicians and hospitals to improve the quality and outcomes of the health care services provided to our members. Our ability to promote quality medical care has been recognized by the NCQA, the largest and most respected national accreditation program for managed care health plans.

A range of quality health care measures, including the Health Plan Employer Data and Information Set, or HEDIS, has been incorporated into the oversight certification by NCQA. HEDIS measures range from preventive services, such as screening mammography and pediatric immunization, to elements of care, including decreasing the complications of diabetes and improving treatment for patients with heart disease. For the HMO and POS plans, NCQA's highest accreditation is granted only to those plans that demonstrate levels of service and clinical quality that meet or exceed NCQA's rigorous requirements for consumer protection and quality improvement. Plans earning this accreditation level must also achieve HEDIS results that are in the highest range of national or regional performance. For the PPO plans, NCQA's highest accreditation is granted to those plans that have excellent programs for quality improvement and consumer protection and that meet or exceed NCQA's standards. Overall, our managed care plans have been rated "Excellent" by the NCQA, with certain plans scheduled to receive accreditation in the near future.

In addition, we have initiated a broad array of quality programs, including those built around smoking cessation and transplant management, and increasingly effective hospital and physician quality initiatives centered on women's health care, diabetes and patient safety. During 2005, we created a strategic partnership with WebMD Health, which provides members access to online health information products and provides members the ability to search for medically sound information and innovative ways to proactively manage their health. Our online tool set offered through WebMD encourages members to adopt healthy behaviors and lifestyles that lead to better health outcomes and lower care costs associated with manageable and preventable chronic illnesses.

Pricing and Underwriting of Our Products

We price our products based on our assessment of current health care claim costs and emerging health care cost trends, combined with charges for administrative expenses, risk and profit. We continually review our product designs and pricing guidelines on a national and regional basis so that our products remain competitive and consistent with our profitability goals and strategies.

In applying our pricing to each employer group and customer, we maintain consistent, competitive, strict underwriting standards. We employ our proprietary accumulated actuarial data in determining underwriting and pricing parameters. Where allowed by law and regulation, we underwrite individual policies based upon the medical history of the individual applying for coverage, small groups based upon case specific underwriting procedures and large groups based on each group's aggregate claim experience. Also, we employ credit underwriting procedures with respect to our self-funded products.

In most circumstances, our pricing and underwriting decisions follow a prospective rating process in which a fixed premium is determined at the beginning of the contract period. Any deviation, favorable or unfavorable, from the medical costs assumed in determining the premium is our responsibility. Some of our larger groups employ retrospective rating reviews, where positive experience is partially refunded to the group, and negative experience is charged against a rate stabilization fund established from the group's favorable experience, or charged against future favorable experience.

BCBSA License

We have filed for registration of and maintain several service marks, trademarks and trade names at the federal level and in various states in which we operate. We have the exclusive right to use the BCBS names and marks for our health benefits products in California (Blue Cross only), Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.), and Wisconsin. In addition, following our December 28, 2005 acquisition of WellChoice, we have the exclusive right to use the Blue Cross and Blue Shield names and marks in ten counties in the New York City metropolitan area and in six counties in upstate New York, and the non-exclusive right to use these names and marks in one upstate New York county. Further, we have an exclusive right to use only the Blue Cross names and marks in seven counties in our upstate New York service area and a nonexclusive right to use only Blue Cross names and marks in an additional four upstate New York counties.

Each license requires an annual fee to be paid to the BCBSA. The fee is based upon enrollment and premium. BCBSA is a national trade association of Blue Cross and Blue Shield licensees, the primary function of which is to promote and preserve the integrity of the BCBS names and marks, as well as provide certain coordination among the member companies. Each BCBSA licensee is an independent legal organization and is not responsible for obligations of other BCBSA member organizations. We have no right to market products and services using the BCBS names and marks outside of the states in which we are licensed to sell BCBS products.

We believe that the BCBS names and marks are valuable identifiers of our products and services in the marketplace. The license agreements, which have a perpetual term, contain certain requirements and restrictions regarding our operations and our use of the BCBS names and marks. Upon termination of the license agreements, we would cease to have the right to use the BCBS names and marks in one or more of the states that we are authorized to use the marks and the BCBSA could thereafter issue a license to use the BCBS names and marks in these states to another entity. Events that could cause the termination of a license agreement with the BCBSA include failure to comply with minimum capital requirements, a change of control or violation of the BCBSA ownership limits on our capital stock, impending financial insolvency, the appointment of a trustee or receiver or the commencement of any action against a licensee seeking its dissolution.

The license agreements with the BCBSA contain certain requirements and restrictions regarding our operations and our use of the BCBS names and marks, including:

- minimum capital and liquidity requirements;
- enrollment and customer service performance requirements;
- participation in programs that provide portability of membership between plans;
- disclosure to the BCBSA relating to enrollment and financial conditions;
- disclosures as to the structure of the BCBS system in contracts with third parties and in public statements;
- plan governance requirements;
- a requirement that at least 80% (or, in the case of Blue Cross of California, substantially all) of a licensee's annual combined net revenue attributable to health benefit plans within its service area must be sold, marketed, administered or underwritten under the BCBS names and marks;
- a requirement that at least 66 $^{2}/_{3}$% of a licensee's annual combined national revenue attributable to health benefits plans must be sold, marketed, administered or underwritten under the BCBS names and marks;
- a requirement that neither a plan nor any of its licensed affiliates may permit an entity other than a plan or a licensed affiliate to obtain control of the plan or the licensed affiliate or to acquire a substantial portion of its assets related to licensable services;
- a requirement that limits beneficial ownership of our capital stock to less than 10% for institutional investors and less than 5% for non-institutional investors;
- a requirement that we guarantee certain contractual and financial obligations of our licensed affiliates; and
- a requirement that we indemnify the BCBSA against any claims asserted against us resulting from the contractual and financial obligations of any subsidiary that serves as a fiscal intermediary providing administrative services for Medicare Parts A and B.

We believe that we and our licensed affiliates are currently in compliance with these standards. The standards under the license agreements may be modified in certain instances by the BCBSA.

Regulation

General

Our operations are subject to comprehensive and detailed state and federal regulation throughout the United States in the jurisdictions in which we do business. Supervisory agencies, including state health, insurance and corporation departments, have broad authority to:

- grant, suspend and revoke licenses to transact business;
- regulate many aspects of our products and services;
- monitor our solvency and reserve adequacy; and
- scrutinize our investment activities on the basis of quality, diversification and other quantitative criteria.

To carry out these tasks, these regulators periodically examine our operations and accounts.

Regulation of Insurance Company and HMO Business Activity

The federal government, as well as the governments of the states in which we conduct our operations, have adopted laws and regulations that govern our business activities in various ways. These laws and regulations, which vary significantly by state, may restrict how we conduct our businesses and may result in additional burdens and costs to us. Areas of governmental regulation include but are not limited to:

- licensure;
- premium rates;
- benefits;
- service areas;
- market conduct;
- utilization review activities;
- prompt payment of claims;
- universal health care regulation based on the availability to individuals and small groups of a government sponsored health plan administered by a private contractor and funded by increased premium taxes;
- assessments for state run immunization programs;
- requirements that pharmacy benefit managers pass manufacturers' rebates to customers;
- member rights and responsibilities;
- sales and marketing activities;
- quality assurance procedures;
- plan design and disclosures, including mandated benefits;
- collection, access or use of protected health information;
- eligibility requirements;
- provider rates of payment;
- surcharges on provider payments;
- provider contract forms;
- provider access standards;
- premium taxes and assessments for the uninsured and or underinsured;
- underwriting, marketing and rating restrictions for small group products;
- member and provider complaints and appeals;
- underwriting and pricing;
- financial arrangements;
- financial condition (including reserves and minimum capital or risk based capital requirements);
- reimbursement or payment levels for government funded business; and
- corporate governance.

These laws and regulations are subject to amendments and changing interpretations in each jurisdiction.

States generally require health insurers and HMOs to obtain a certificate of authority prior to commencing operations. If we were to establish a health insurance company or an HMO in any state where we do not presently operate, we generally would have to obtain such a certificate. The time necessary to obtain such a certificate varies from state to state. Each health insurer and HMO must file periodic financial and operating reports with the states in which it does business. In addition, health insurers and HMOs are subject to state examination and periodic license renewal. The health benefits business also may be adversely impacted by court and regulatory decisions that expand the interpretations of existing statutes and regulations. It is uncertain whether we can recoup, through higher premiums or other measures, the increased costs of mandated benefits or other increased costs caused by potential legislation, regulation or court rulings.

Medicare Changes

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, or MMA, became law in December 2003. The MMA significantly changed and expanded Medicare. In a pertinent part, the MMA added prescription drug benefits to Medicare for all Medicare eligible individuals starting January 1, 2006. Effective January 1, 2006, we began offering Medicare approved prescription drug plans to Medicare eligible individuals in all regions of the country. In addition, we are also providing various administrative services for other entities offering prescription drug plans to their employees and retirees through our pharmacy benefit management companies and other affiliated companies.

HIPAA and Gramm-Leach-Bliley Act

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA imposes obligations for issuers of health insurance coverage and health benefit plan sponsors. This law requires guaranteed health care coverage for small employers having 2 to 50 employees and for individuals who meet certain eligibility requirements. It also requires guaranteed renewability of health care coverage for most employers and individuals. The law limits exclusions based on preexisting conditions for individuals covered under group policies to the extent the individuals had prior creditable coverage.

The Administrative Simplification provisions of HIPAA imposed a number of requirements on covered entities (including insurers, HMOs, group health plans, providers and clearinghouses). These requirements include uniform standards of common electronic health care transactions; privacy and security regulations; and unique identifier rules for employers, health plans and providers. We complied timely with requirements that have gone into effect, and intend to comply with future requirements on or before the compliance dates.

Other federal legislation includes the Gramm-Leach-Bliley Act, which generally placed restrictions on the disclosure of non-public information to non-affiliated third parties, and required financial institutions including insurers, to provide customers with notice regarding how their non-public personal information is used, including an opportunity to “opt out” of certain disclosures. The federal law required state departments of insurance, and certain federal agencies, to adopt implementing regulations, and as such, there has been a great deal of activity at the state and federal level. The Gramm-Leach-Bliley Act also gives banks and other financial institutions the ability to affiliate with insurance companies, which may lead to new competitors in the insurance and health benefits fields.

Employee Retirement Income Security Act of 1974

The provision of services to certain employee welfare benefit plans is subject to the Employee Retirement Income Security Act of 1974, as amended, or ERISA, a complex set of laws and regulations subject to interpretation and enforcement by the Internal Revenue Service and the Department of Labor, or DOL. ERISA regulates certain aspects of the relationships between us, the employers who maintain employee welfare benefit plans subject to ERISA and participants in such plans. Some of our administrative services and other activities may also be subject to regulation under ERISA. In addition, certain states require licensure or registration of companies providing third party claims administration services for benefit plans. We provide a variety of products and services to employee welfare benefit plans that are covered by ERISA. Plans subject to ERISA can

also be subject to state laws and the question of whether ERISA preempts a state law has been, and will continue to be, interpreted by many courts.

HMO and Insurance Holding Company Laws

We are regulated as an insurance holding company and are subject to the insurance holding company acts of the states in which our subsidiaries are domiciled. These acts contain certain reporting requirements as well as restrictions on transactions between an insurer or HMO and its affiliates. These holding company laws and regulations generally require insurance companies and HMOs within an insurance holding company system to register with the insurance department of each state where they are domiciled and to file with those states' insurance departments certain reports describing capital structure, ownership, financial condition, certain intercompany transactions and general business operations. In addition, various notice and reporting requirements generally apply to transactions between insurance companies and HMOs and their affiliates within an insurance holding company system, depending on the size and nature of the transactions. Some insurance holding company laws and regulations require prior regulatory approval or, in certain circumstances, prior notice of certain material intercompany transfers of assets as well as certain transactions between insurance companies, HMOs, their parent holding companies and affiliates. Among other restrictions, state insurance and HMO laws may restrict the ability of our regulated subsidiaries to pay dividends.

Additionally, the holding company acts of the states in which our subsidiaries are domiciled restrict the ability of any person to obtain control of an insurance company or HMO without prior regulatory approval. Under those statutes, without such approval (or an exemption), no person may acquire any voting security of an insurance holding company, which controls an insurance company or HMO, or merge with such a holding company, if as a result of such transaction such person would "control" the insurance holding company. "Control" is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a person and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of another person.

Guaranty Fund Assessments

Under insolvency or guaranty association laws in most states, insurance companies can be assessed for amounts paid by guaranty funds for policyholder losses incurred when an insurance company becomes insolvent. Most state insolvency or guaranty association laws currently provide for assessments based upon the amount of premiums received on insurance underwritten within such state (with a minimum amount payable even if no premium is received). Under many of these guaranty association laws, assessments against insurance companies that issue policies of accident or sickness insurance are made retrospectively. The amount and timing of any future assessments, however, cannot be reasonably estimated and are beyond our control.

While the amount of any assessments applicable to life and health guaranty funds cannot be predicted with certainty, we believe that future guaranty association assessments for insurer insolvencies will not have a material adverse effect on our liquidity and capital resources.

Risk-Based Capital Requirements

The states of domicile of our regulated subsidiaries have statutory risk-based capital, or RBC, requirements for health and other insurance companies based on the RBC Model Act. These RBC requirements are intended to assess the capital adequacy of life and health insurers, taking into account the risk characteristics of an insurer's investments and products. The RBC Model Act 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 these laws, an insurance company must submit a report of its RBC level to the insurance department or insurance commissioner of its state of domicile for each calendar year.

The law requires increasing degrees of regulatory oversight and intervention as an insurance company's RBC declines. The RBC Model Act provides for four different levels of regulatory attention depending on the

ratio of a company's total adjusted capital (defined as the total of its statutory capital, surplus and asset valuation reserve) to its risk-based capital. The level of regulatory oversight ranges from requiring the insurance company to inform and obtain approval from the domiciling insurance commissioner of a comprehensive financial plan for increasing its RBC, to mandatory regulatory intervention requiring an insurance company to be placed under regulatory control in a rehabilitation or liquidation proceeding. As of December 31, 2005, the RBC levels of our insurance subsidiaries exceeded all RBC thresholds.

Employees

At December 31, 2005, we had approximately 42,000 persons employed on a full-time basis. As of December 31, 2005, a small portion of employees were covered by collective bargaining agreements: 156 employees in the Sacramento, California area with the Office and Professional Employees International Union, Local 29; 141 employees in the greater Detroit, Michigan area with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Local No. 614; 20 employees in New York city metropolitan area with the Office and Professional Employees International Union, Local 153; and 183 employees in Milwaukee, Wisconsin with the Office and Professional Employees International Union, Local 9. Our employees are an important asset, and we seek to develop them to their full potential. We believe that our relationship with our employees is good.

ITEM 1A. RISK FACTORS.

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time to time. Such factors, among others, may have a material adverse effect on our business, financial condition, and results of operations and you should carefully consider them. It is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete statement of all our potential risks or uncertainties. Because of these and other factors, past performance should not be considered an indication of future performance.

Changes in state and federal regulations, or the application thereof, may adversely affect our business, financial condition and results of operations.

Our insurance, managed health care and health maintenance organization, or HMO, subsidiaries are subject to extensive regulation and supervision by the insurance, managed health care or HMO regulatory authorities of each state in which they are licensed or authorized to do business, as well as to regulation by federal and local agencies. We cannot assure you that future regulatory action by state insurance or HMO authorities will not have a material adverse effect on the profitability or marketability of our health benefits or managed care products or on our business, financial condition and results of operations. In addition, because of our participation in government-sponsored programs such as Medicare and Medicaid, changes in government regulations or policy with respect to, among other things, reimbursement levels, could also adversely affect our business, financial condition and results of operations. In addition, we cannot assure you that application of the federal and/or state tax regulatory regime that currently applies to us will not, or future tax regulation by either federal and/or state governmental authorities concerning us could not, have a material adverse effect on our business, operations or financial condition.

State legislatures and Congress continue to focus on health care issues. From time to time, Congress has considered various forms of managed care reform legislation which, if adopted, could fundamentally alter the treatment of coverage decisions under ERISA. Additionally, there have been legislative attempts to limit ERISA's preemptive effect on state laws. If adopted, such limitations could increase our liability exposure and could permit greater state regulation of our operations. Other proposed bills and regulations, including those related to consumer-driven health plans and health savings accounts and insurance market reforms, at state and federal levels may impact certain aspects of our business, including premium receipts, provider contracting, claims payments and processing and confidentiality of health information. While we cannot predict if any of

these initiatives will ultimately become effective or, if enacted, what their terms will be, their enactment could increase our costs, expose us to expanded liability or require us to revise the ways in which we conduct business. Further, as we continue to implement our e-business initiatives, uncertainty surrounding the regulatory authority and requirements in this area may make it difficult to ensure compliance.

As a holding company, we are dependent on dividends from our subsidiaries. Our regulated subsidiaries are subject to state regulations, including restrictions on the payment of dividends and maintenance of minimum levels of capital.

We are a holding company whose assets include all of the outstanding shares of common stock of our subsidiaries including our intermediate holding companies and regulated insurance and HMO subsidiaries. As a holding company, we depend on dividends from our subsidiaries. Among other restrictions, state insurance and HMO laws may restrict the ability of our regulated subsidiaries to pay dividends. Our ability to pay dividends in the future to our shareholders and meet our obligations, including paying operating expenses and debt service on our outstanding and future indebtedness, will depend upon the receipt of dividends from our subsidiaries. An inability of our subsidiaries to pay dividends in the future in an amount sufficient for us to meet our financial obligations may materially adversely affect our business, financial condition and results of operations.

Most of our regulated subsidiaries are subject to risk-based capital, known as RBC, standards, imposed by their states of domicile. These laws are based on the RBC Model Act adopted by the National Association of Insurance Commissioners, or NAIC, and require our regulated subsidiaries to report their results of risk-based capital calculations to the departments of insurance and the NAIC. Failure to maintain the minimum RBC standards could subject our regulated subsidiaries to corrective action, including state supervision or liquidation. Our regulated subsidiaries are currently in compliance with the risk-based capital or other similar requirements imposed by their respective states of domicile. As discussed in more detail below, we are a party to license agreements with the Blue Cross Blue Shield Association, which contain certain requirements and restrictions regarding our operations, including minimum capital and liquidity requirements, which could restrict the ability of our regulated subsidiaries to pay dividends.

We face risks related to litigation.

We are, or may be in the future, a party to a variety of legal actions that affect any business, such as employment and employment discrimination-related suits, employee benefit claims, breach of contract actions, tort claims and intellectual property-related litigation. In addition, because of the nature of our business, we are subject to a variety of legal actions relating to our business operations, including the design, management and offering of our products and services. These could include: claims relating to the denial of health care benefits; medical malpractice actions; allegations of anti-competitive and unfair business activities; provider disputes over compensation and termination of provider contracts; disputes related to self-funded business; disputes over co-payment calculations; claims related to the failure to disclose certain business practices; and claims relating to customer audits and contract performance.

A number of class action lawsuits have been filed against us and certain of our competitors in the managed care business. The suits are purported class actions on behalf of certain of our managed care members and network providers for alleged breaches of various state and federal laws. While we intend to defend these suits vigorously, we will incur expenses in the defense of these suits and cannot predict their outcome.

Recent court decisions and legislative activity may increase our exposure for any of these types of claims. In some cases, substantial non-economic, treble or punitive damages may be sought. We currently have insurance coverage for some of these potential liabilities. Other potential liabilities may not be covered by insurance, insurers may dispute coverage or the amount of insurance may not be enough to cover the damages awarded. In addition, certain types of damages, such as punitive damages, may not be covered by insurance, and insurance coverage for all or certain forms of liability may become unavailable or prohibitively expensive in the future. Any adverse judgment against us resulting in such damage awards could have an adverse effect on our cash flows, results of operations and financial condition.

In addition, we are also involved in pending and threatened litigation of the character incidental to the business transacted, arising out of our operations, and are from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits and reviews include routine and special investigations by various state insurance departments, state attorneys general and the U.S. Attorney General. Such investigations could result in the imposition of civil or criminal fines, penalties and other sanctions. We believe that any liability that may result from any one of these actions, or in the aggregate, is unlikely to have a material adverse effect on our consolidated results of operations or financial position.

Our inability to contain health care costs, implement increases in premium rates on a timely basis, maintain adequate reserves for policy benefits, maintain our current provider agreements or avoid a downgrade in our ratings may adversely affect our business and profitability.

Our profitability depends in large part on accurately predicting health care costs and on our ability to manage future health care costs through underwriting criteria, medical management, product design and negotiation of favorable provider contracts. The aging of the population and other demographic characteristics and advances in medical technology continue to contribute to rising health care costs. Government-imposed limitations on Medicare and Medicaid reimbursement have also caused the private sector to bear a greater share of increasing health care costs. Changes in health care practices, inflation, new technologies, the cost of prescription drugs, clusters of high cost cases, changes in the regulatory environment and numerous other factors affecting the cost of health care may adversely affect our ability to predict and manage health care costs, as well as our business, financial condition and results of operations.

In addition to the challenge of managing health care costs, we face pressure to contain premium rates. Our customer contracts may be subject to renegotiation as customers seek to contain their costs. Alternatively, our customers may move to a competitor to obtain more favorable premiums. Fiscal concerns regarding the continued viability of programs such as Medicare and Medicaid may cause decreasing reimbursement rates for government-sponsored programs in which we participate. A limitation on our ability to increase or maintain our premium levels could adversely affect our business, financial condition and results of operations.

The reserves that we establish for health insurance policy benefits and other contractual rights and benefits are based upon assumptions concerning a number of factors, including trends in health care costs, expenses, general economic conditions and other factors. Actual experience will likely differ from assumed experience, and to the extent the actual claims experience is less favorable than estimated based on our underlying assumptions, our incurred losses would increase and future earnings could be adversely affected.

In addition, our profitability is dependent upon our ability to contract on favorable terms with hospitals, physicians and other health care providers. The failure to maintain or to secure new cost-effective health care provider contracts may result in a loss in membership or higher medical costs. In addition, our inability to contract with providers, or the inability of providers to provide adequate care, could adversely affect our business.

Claims-paying ability and financial strength ratings by recognized rating organizations have become an increasingly important factor in establishing the competitive position of insurance companies and health benefits companies. Rating organizations continue to review the financial performance and condition of insurers. Each of the rating agencies reviews its ratings periodically and there can be no assurance that our current ratings will be maintained in the future. We believe our strong ratings are an important factor in marketing our products to customers, since ratings information is broadly disseminated and generally used throughout the industry. If our ratings are downgraded or placed under surveillance or review, with possible negative implications, the downgrade, surveillance or review could adversely affect our business, financial condition and results of operations. These ratings reflect each rating agency’s opinion of our financial strength, operating performance and ability to meet our obligations to policyholders and creditors, and are not evaluations directed toward the protection of investors in our common stock.

A reduction in the enrollment in our health benefits programs could have an adverse effect on our business and profitability.

A reduction in the number of enrollees in our health benefits programs could adversely affect our business, financial condition and results of operations. Factors that could contribute to a reduction in enrollment include: failure to obtain new customers or retain existing customers; premium increases and benefit changes; our exit from a specific market; reductions in workforce by existing customers; negative publicity and news coverage; failure to attain or maintain nationally recognized accreditations; and general economic downturn that results in business failures.

The health benefits industry is subject to negative publicity, which can adversely affect our business and profitability.

The health benefits industry is subject to negative publicity. Negative publicity may result in increased regulation and legislative review of industry practices, which may further increase our costs of doing business and adversely affect profitability by: adversely affecting our ability to market our products and services; requiring us to change our products and services; or increasing the regulatory burdens under which we operate.

In addition, as long as we use the Blue Cross and Blue Shield names and marks in marketing our health benefits products and services, any negative publicity concerning the Blue Cross Blue Shield Association or other Blue Cross Blue Shield Association licensees may adversely affect us and the sale of our health benefits products and services. Any such negative publicity could adversely affect our business, financial condition and results of operations.

We face competition in many of our markets and customers and brokers have flexibility in moving between competitors.

As a health benefits company, we operate in a highly competitive environment and in an industry that is currently subject to significant changes from business consolidations, new strategic alliances, legislative reform, aggressive marketing practices by other health benefits organizations and market pressures brought about by an informed and organized customer base, particularly among large employers. This environment has produced and will likely continue to produce significant pressures on the profitability of health benefits companies.

We are dependent on the services of independent agents and brokers in the marketing of our health care products, particularly with respect to individuals, seniors and small employer group members. Such independent agents and brokers are typically not exclusively dedicated to us and may frequently also market health care products of our competitors. We face intense competition for the services and allegiance of independent agents and brokers. We cannot assure you that we will be able to compete successfully against current and future competitors or that competitive pressures faced by us will not materially and adversely affect our business, financial condition and results of operations.

A change in our health care product mix may impact our profitability.

Our health care products that involve greater potential risk generally tend to be more profitable than administrative services products and those health care products where we are able to shift risk to employer groups. Individuals and small employer groups are more likely to purchase our higher-risk health care products because such purchasers are generally unable or unwilling to bear greater liability for health care expenditures. Typically, government-sponsored programs also involve our higher-risk health care products. From time to time, we have implemented price increases in certain of our health care businesses. While these price increases may improve profitability, there can be no assurance that this will occur. Subsequent unfavorable changes in the relative profitability between our various products could have a material adverse effect on our business, financial condition, and results of operations.

Our pharmacy benefit management companies operate in an industry faced with a number of risks and uncertainties in addition to those we face with our core health care business.

The following are some of the pharmacy benefit industry-related risks that could have a material adverse effect on our business, financial condition and results of operations:

- the application of federal and state anti-remuneration laws;
- compliance requirements for pharmacy benefit manager fiduciaries under ERISA, including compliance with fiduciary obligations under ERISA in connection with the development and implementation of items such as formularies, preferred drug listings and therapeutic intervention programs; and potential liability regarding the use of patient-identifiable medical information;
- a number of federal and state legislative proposals are being considered that could adversely affect a variety of pharmacy benefit industry practices, such as the receipt of rebates from pharmaceutical manufacturers;
- the application of state laws related to the operation of Internet and mail-service pharmacies.

We believe that our pharmacy benefit management business is currently being conducted in compliance in all material respects with applicable legal requirements. However, there can be no assurance that our business will not be subject to challenge under various laws and regulations, or that any such challenge will not have a material adverse effect on our business, financial condition and results of operations.

We are a party to license agreements with the Blue Cross Blue Shield Association that entitle us to the exclusive and in certain areas non-exclusive use of the Blue Cross and Blue Shield names and marks in our geographic territories. The termination of these license agreements or changes in the terms and conditions of these license agreements could adversely affect our business, financial condition and results of operations.

We use the Blue Cross and Blue Shield names and marks as identifiers for our products and services under licenses from the Blue Cross Blue Shield Association. Our license agreements with the Blue Cross Blue Shield Association contain certain requirements and restrictions regarding our operations and our use of the Blue Cross and Blue Shield names and marks, including: minimum capital and liquidity requirements; enrollment and customer service performance requirements; participation in programs that provide portability of membership between plans; disclosures to the Blue Cross Blue Shield Association relating to enrollment and financial conditions; disclosures as to the structure of the Blue Cross Blue Shield system in contracts with third parties and in public statements; plan governance requirements; a requirement that at least 80% (or, in the case of Blue Cross of California, substantially all) of a licensee's annual combined local net revenue attributable to health benefits plans within its service areas must be sold, marketed, administered or underwritten under the Blue Cross and Blue Shield names and marks; a requirement that at least 66 2/3% of a licensee's annual combined national net revenue attributable to health benefits plans must be sold, marketed, administered or underwritten under the Blue Cross and Blue Shield names and marks; a requirement that neither a plan nor any of its licensed affiliates may permit an entity other than a plan or a licensed affiliate to obtain control of the plan or the licensed affiliate or to acquire a substantial portion of its assets related to licensable services; a requirement that we guarantee certain contractual and financial obligations of our licensed affiliates; and a requirement that we indemnify the Blue Cross Blue Shield Association against any claims asserted against us resulting from the contractual and financial obligations of any subsidiary that serves as a fiscal intermediary providing administrative services for Medicare Parts A and B. Failure to comply with the foregoing requirements could result in a termination of the license agreements.

The standards under the license agreements may be modified in certain instances by the Blue Cross Blue Shield Association. For example, from time to time there have been proposals considered by the Blue Cross Blue Shield Association to modify the terms of the license agreements to restrict various potential business activities of licensees. These proposals have included, among other things, a limitation on the ability of a licensee to make

its provider networks available to insurance carriers or other entities not holding a Blue Cross or Blue Shield license. To the extent that such amendments to the license agreements are adopted in the future, they could have a material adverse effect on our future expansion plans or results of operations.

Upon the occurrence of an event causing termination of the license agreements, we would no longer have the right to use the Blue Cross and Blue Shield names and marks in one or more of our geographic territories. Furthermore, the Blue Cross Blue Shield Association would be free to issue a license to use the Blue Cross and Blue Shield names and marks in these states to another entity. Events that could cause the termination of a license agreement with the Blue Cross Blue Shield Association include failure to comply with minimum capital requirements imposed by the Blue Cross Blue Shield Association, a change of control or violation of the Blue Cross Blue Shield Association ownership limitations on our capital stock, impending financial insolvency and the appointment of a trustee or receiver or the commencement of any action against a licensee seeking its dissolution. We believe that the Blue Cross and Blue Shield names and marks are valuable identifiers of our products and services in the marketplace. Accordingly, termination of the license agreements could have a material adverse effect on our business, financial condition and results of operations.

Upon termination of a license agreement, the Blue Cross Blue Shield Association would impose a "Re-establishment Fee" upon us, which would allow the Blue Cross Blue Shield Association to "re-establish" a Blue Cross and or Blue Shield presence in the vacated service area. Through December 31, 2005 the fee was set at $80 per licensed enrollee. As of December 31, 2005, we reported 27.3 million Blue Cross and or Blue Shield enrollees. If the re-establishment fee was applied to our total Blue Cross and or Blue Shield enrollees, we would be assessed approximately $2.2 billion by the Blue Cross Blue Shield Association.

Our investment portfolios are subject to varying economic and market conditions, as well as regulation. If we fail to comply with these regulations, we may be required to sell certain investments.

The market values of our investments vary from time to time depending on economic and market conditions. For various reasons, we may sell certain of our investments at prices that are less than the carrying value of the investments. In addition, in periods of declining interest rates, bond calls and mortgage loan prepayments generally increase, resulting in the reinvestment of these funds at the then lower market rates. We cannot assure you that our investment portfolios will produce positive returns in future periods. Our regulated subsidiaries are subject to state laws and regulations that require diversification of our investment portfolios and limit the amount of investments in certain riskier investment categories, such as below-investment-grade fixed income securities, mortgage loans, real estate and equity investments, which could generate higher returns on our investments. Failure to comply with these laws and regulations might cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring statutory surplus and risk-based capital, and, in some instances, require the sale of those investments.

As a Medicare fiscal intermediary, we are subject to complex regulations. If we fail to comply with these regulations, we may be exposed to criminal sanctions and significant civil penalties.

Like a number of other Blue Cross and Blue Shield companies, we serve as a fiscal intermediary for the Medicare program, which generally provides coverage for persons who are 65 or older and for persons with end-stage renal disease. Part A of the Medicare program provides coverage for services provided by hospitals, skilled nursing facilities and other health care facilities. Part B of the Medicare program provides coverage for services provided by physicians, physical and occupational therapists and other professional providers. Part B also includes coverage for durable medical equipment such as diabetic supplies and wheelchairs. As a fiscal intermediary, we receive reimbursement for certain costs and expenditures, which is subject to adjustment upon audit by CMS (formerly the Health Care Financing Administration, or HCFA). The laws and regulations governing fiscal intermediaries for the Medicare programs are complex, subject to interpretation and can expose a fiscal intermediary to penalties for non-compliance. If we fail to comply with these laws and regulations, we could be subject to criminal fines, civil penalties or other sanctions.

Regional concentrations of our business may subject us to economic downturns in those regions.

Our business operations include or consist of strategic business units located in the Midwest, East and West with most of our revenues generated in the states of California, Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, New York, Ohio, Virginia and Wisconsin. Due to this concentration of business in these states, we are exposed to potential losses resulting from the risk of an economic downturn in these states. If economic conditions in these states deteriorate, we may experience a reduction in existing and new business, which could have a material adverse effect on our business, financial condition and results of operations.

Large-scale medical emergencies may have a material adverse effect on our business, financial condition and results of operations.

Large-scale medical emergencies can take many forms and can cause widespread illness and death. For example, there have been various incidents of suspected bioterrorist activity in the United States. To date, these incidents have resulted in related isolated incidents of illness and death. However, federal and state law enforcement officials have issued warnings about additional potential terrorist activity involving biological and other weapons. In addition, natural disasters such as the hurricanes experienced in the southeastern part of the United States in 2005 and the potential for a wide-spread pandemic of influenza coupled with the lack of availability of appropriate preventative medicines can have a significant impact on the health of the population of wide-spread areas. If the United States were to experience more widespread bioterrorist or other attacks, large-scale natural disasters in our concentrated coverage areas or a large-scale pandemic, our covered medical expenses could rise and we could experience a material adverse effect on our business, financial condition and results of operations.

We have built a significant portion of our current business through mergers and acquisitions and we expect to pursue acquisitions in the future.

The following are some of the risks associated with acquisitions that could have a material adverse effect on our business, financial condition and results of operations:

- some of the acquired businesses may not achieve anticipated revenues, earnings or cash flow;
- we may assume liabilities that were not disclosed to us or which we under-estimated;
- we may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems;
- acquisitions could disrupt our ongoing business, distract management, divert resources and make it difficult to maintain our current business standards, controls and procedures;
- we may finance future acquisitions by issuing common stock for some or all of the purchase price, which could dilute the ownership interests of our shareholders;
- we may also incur additional debt related to future acquisitions; and
- we would be competing with other firms, some of which may have greater financial and other resources, to acquire attractive companies.

We have substantial indebtedness outstanding and may incur additional indebtedness in the future. As a holding company, we are not able to repay our indebtedness except through dividends from subsidiaries, some of which are restricted in their ability to pay such dividends under applicable insurance law and undertakings. Such indebtedness could also adversely affect our ability to pursue desirable business opportunities.

As of December 31, 2005, we had indebtedness outstanding of approximately $6.8 billion and had available borrowing capacity under our amended and restated revolving credit facility of approximately $898.6 million,

which credit facility expires on November 29, 2010. In January 2006, we incurred additional debt of $2.7 billion which was used to repay our bridge loan and a portion of our commercial paper borrowings that were outstanding at December 31, 2005, and we may also incur additional indebtedness in the future. Our debt service obligations require us to use a portion of our cash flow to pay interest and principal on debt instead of for other corporate purposes, including funding future expansion. If our cash flow and capital resources are insufficient to service our debt obligations, we may be forced to seek extraordinary dividends from our subsidiaries, sell assets, seek additional equity or debt capital or restructure our debt. However, these measures might be unsuccessful or inadequate in permitting us to meet scheduled debt service obligations.

As a holding company, we have no operations and are dependent on dividends from our subsidiaries for cash to fund our debt service and other corporate needs. Our subsidiaries are separate legal entities. Furthermore, our subsidiaries are not obligated to make funds available to us, and creditors of our subsidiaries will have a superior claim to certain of our subsidiaries' assets. State insurance laws restrict the ability of our regulated subsidiaries to pay dividends, and in some states we have made special undertakings that may limit the ability of our regulated subsidiaries to pay dividends. In addition, our subsidiaries' ability to make any payments to us will also depend on their earnings, the terms of their indebtedness, business and tax considerations and other legal restrictions. We cannot assure you that our subsidiaries will be able to pay dividends or otherwise contribute or distribute funds to us in an amount sufficient to pay the principal of or interest on the indebtedness owed by us.

We may also incur future debt obligations that might subject us to restrictive covenants that could affect our financial and operational flexibility. Our breach or failure to comply with any of these covenants could result in a default under our credit agreements. If we default under our credit agreements, the lenders could cease to make further extensions of credit or cause all of our outstanding debt obligations under our credit agreements to become immediately due and payable, together with accrued and unpaid interest. If the indebtedness under our notes or our credit agreements is accelerated, we may be unable to repay or finance the amounts due. Indebtedness could also limit our ability to pursue desirable business opportunities, and may affect our ability to maintain an investment grade rating for our indebtedness.

We face intense competition to attract and retain employees.

We are dependent on retaining existing employees, attracting and retaining additional qualified employees to meet current and future needs and achieving productivity gains from our investments in technology. We face intense competition for qualified employees, especially information technology personnel and other skilled professionals, and there can be no assurance that we will be able to attract and retain such employees or that such competition among potential employers will not result in increasing salaries. There also can be no assurance that an inability to retain existing employees or attract additional employees will not have a material adverse effect on our business, financial condition and results of operations.

The failure to effectively maintain and modernize our operations in an Internet environment could adversely affect our business.

Our business depends significantly on effective information systems, and we have many different information systems for our various businesses. Our information systems require an ongoing commitment of significant resources to maintain and enhance existing systems and develop new systems in order to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards, and changing customer preferences. In addition, we may from time to time obtain significant portions of our systems-related or other services or facilities from independent third parties, which may make our operations vulnerable to such third parties' failure to perform adequately. As a result of our merger and acquisition activities, we have acquired additional systems. Our failure to maintain effective and efficient information systems, or our failure to efficiently and effectively consolidate our information systems to eliminate redundant or obsolete applications, could have a material adverse effect on our business, financial condition and results of operations.

Also, like many of our competitors in the health benefits industry, our vision for the future includes becoming a premier e-business organization by modernizing interactions with customers, brokers, agents, providers, employees and other stakeholders through web-enabling technology and redesigning internal operations. We are developing our e-business strategy with the goal of becoming widely regarded as an e-business leader in the health benefits industry. The strategy includes not only sales and distribution of health benefits products on the Internet, but also implementation of advanced self-service capabilities benefiting customers, agents, brokers, partners and employees. There can be no assurance that we will be able to realize successfully our e-business vision or integrate e-business operations with our current method of operations. The failure to develop successful e-business capabilities could result in competitive and cost disadvantages to us as compared to our competitors.

We are dependent on the success of our relationship with a large vendor for a significant portion of our information system resources and certain other vendors for various other services.

We have an agreement with International Business Machines Corporation, or IBM, pursuant to which we outsourced a portion of our core applications development as well as a component of our data center operations and help desk to IBM. We are dependent upon IBM for these support functions. If our relationship with IBM is terminated for any reason, we may not be able to find an alternative partner in a timely manner or on acceptable financial terms. As a result, we may not be able to meet the demands of our customers and, in turn, our business, financial condition and results of operations may be harmed. The contract with IBM includes several service level agreements, or SLAs, related to issues such as performance and job disruption with significant financial penalties if these SLAs are not met. We also outsource a component of our data center to another vendor, which could assume much of the IBM work and mitigate business disruption should a termination with IBM occur. We may not be adequately indemnified against all possible losses through the terms and conditions of the agreement. In addition, some of our termination rights are contingent upon payment of a fee, which may be significant.

We have also entered into agreements with large vendors pursuant to which we have outsourced certain functions such as data entry related to claims and billing processes and call center operations for member and provider queries as well as certain Medicare Part D sales. If these vendor relationships were terminated for any reason, we may not be able to find alternative partners in a timely manner or on acceptable financial terms. As a result, we may not be able to meet the full demands of our customers and, in turn, our business, financial condition and results of operations may be harmed.

The anticipated potential benefits of the merger between Anthem, Inc. and WellPoint Health Networks Inc. may not be realized.

We acquired WellPoint Health Networks Inc. in November 2004 because we believed the merger would be beneficial to our companies. Continuing to achieve the anticipated benefits of the merger will depend in part upon whether anticipated synergies are achieved as a result of this merger. Because of the complex nature of the integration process, we cannot provide any assurances regarding the ultimate achievement of anticipated synergies. Any inability of our management to successfully achieve anticipated synergies could have a material adverse effect on our business, results of operations and financial condition.

We may experience difficulties integrating the business of WellChoice with our business and may incur substantial costs in connection with the integration, which could cause us to lose many of the anticipated potential benefits of the acquisition.

Integrating WellChoice's operations into our operating platform will be a complex, time-consuming and expensive process. Before the acquisition, we and WellChoice operated independently, each with our own business, products, customers, employees, culture and systems. We may experience unanticipated and material difficulties or expenses in connection with the integration of WellChoice, especially given the relatively large size and complexity of WellChoice's operations. The time and expense associated with this integration may

exceed management's expectations and limit or delay the intended benefits of the transaction. Similarly, the process of combining sales and marketing and network management forces, consolidating administrative functions, and coordinating product and service offerings can take longer, cost more, and provide fewer benefits than initially projected. To the extent any of these events occurs, the benefits of the transaction may be reduced.

We may face substantial difficulties, costs and delays in integrating WellChoice. These factors may include:

- retaining and integrating management and other key employees;
- costs and delays in implementing common systems and procedures, where applicable;
- perceived adverse changes in product offerings available to customers or customer service standards, whether or not these changes do, in fact, occur;
- difficulty comparing financial reports due to differing management systems;
- diversion of management resources from our business;
- retention of WellChoice's provider networks;
- difficulty in retaining existing customers of each company; and
- reduction or loss of customer sales due to the potential for market confusion, hesitation and delay.

We may seek to combine certain operations and functions using common information and communication systems, operating procedures, financial controls and human resource practices, including training, professional development and benefit programs. We may be unsuccessful in implementing the integration of these systems and processes. Any one of these factors may cause increased operating costs, worse than anticipated financial performance or the loss of customers and employees.

We acquired WellChoice with the expectation that the acquisition will result in various benefits, including, among others, benefits relating to a stronger and more diverse network of doctors and other health care providers, expanded and enhanced affordable health care services, enhanced revenues, a strengthened market position for us across the United States, cross-selling opportunities, technology, cost savings and operating efficiencies. Achieving the anticipated benefits of the acquisition is subject to a number of uncertainties, including whether we integrate WellChoice in an efficient and effective manner, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could materially impact our business, financial condition and operating results.

Indiana law, and other applicable laws, and our articles of incorporation and bylaws, may prevent or discourage takeovers and business combinations that our shareholders might consider in their best interest.

Indiana law and our articles of incorporation and bylaws may delay, defer, prevent or render more difficult a takeover attempt that our shareholders might consider in their best interests. For instance, they may prevent our shareholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

We are regulated as an insurance holding company and subject to the insurance holding company acts of the states in which our insurance company subsidiaries are domiciled, as well as similar provisions included in the health statutes and regulations of certain states where these subsidiaries are regulated as managed care companies or HMOs. The insurance holding company acts and regulations and these similar health provisions restrict the ability of any person to obtain control of an insurance company or HMO without prior regulatory approval.

Under those statutes and regulations, without such approval (or an exemption), no person may acquire any voting security of a domestic insurance company or HMO, or an insurance holding company which controls an insurance company or HMO, or merge with such a holding company, if as a result of such transaction such person would "control" the insurance holding company, insurance company or HMO. "Control" is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a person and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of another person.

In addition to the restrictions described above, under the Indiana demutualization law, for a period of five years following November 2, 2001, the effective date of our demutualization, no person may acquire beneficial ownership of 5% or more of the outstanding shares of our common stock without the prior approval of the Indiana Insurance Commissioner and our Board of Directors. Any of our shares acquired in violation of this restriction, without the prior approval of the Indiana Insurance Commissioner and our Board of Directors, may not be voted at any shareholders' meeting. This restriction does not apply to acquisitions made by us or made pursuant to an employee benefit plan or employee benefit trust sponsored by us. The Indiana Insurance Commissioner has adopted rules under which passive institutional investors could purchase 5% or more but less than 10% of our outstanding common stock with the prior approval of our Board of Directors and prior notice to the Indiana Insurance Commissioner.

Further, the Indiana corporation law contains business combination provisions that, in general, prohibit for five years any business combination with a beneficial owner of 10% or more of our common stock unless the holder's acquisition of the stock was approved in advance by our Board of Directors. The Indiana corporation law also contains control share acquisition provisions that limit the ability of certain shareholders to vote their shares unless their control share acquisition is approved in advance.

Our articles of incorporation restrict the beneficial ownership of our capital stock in excess of specific ownership limits. The ownership limits restrict beneficial ownership of our voting capital stock to less than 10% for institutional investors and less than 5% for non-institutional investors, both as defined in our articles of incorporation. Additionally, no person may beneficially own shares of our common stock representing a 20% or more ownership interest in us. These restrictions are intended to ensure our compliance with the terms of our licenses with the Blue Cross Blue Shield Association. By agreement between us and the Blue Cross Blue Shield Association, these ownership limits may be increased. Our articles of incorporation prohibit ownership of our capital stock beyond these ownership limits without prior approval of a majority of our continuing directors (as defined in our articles of incorporation). In addition, as discussed above in the risk factor describing our license agreements with the Blue Cross Blue Shield Association, such license agreements are subject to termination upon a change of control and re-establishment fees would be imposed upon termination of the license agreements.

Certain other provisions included in our articles of incorporation and bylaws may also have anti-takeover effects and may delay, defer or prevent a takeover attempt that our shareholders might consider in their best interests. In particular, our articles of incorporation and bylaws: permit our Board of Directors to issue one or more series of preferred stock; divide our Board of Directors into three classes serving staggered three-year terms; restrict the maximum number of directors; limit the ability of shareholders to remove directors; impose restrictions on shareholders' ability to fill vacancies on our Board of Directors; prohibit shareholders from calling special meetings of shareholders; impose advance notice requirements for shareholder proposals and nominations of directors to be considered at meetings of shareholders; and impose restrictions on shareholders' ability to amend our articles of incorporation and bylaws.

ITEM 1B. UNRESOLVED SEC STAFF COMMENTS.

None.

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ITEM 2. PROPERTIES

We have set forth below a summary of our principal office space (locations greater than 100,000 square feet). We believe that our facilities will be sufficient to meet our needs for the foreseeable future.

Location	Amount (Square Feet) of Building Owned or Leased and Occupied by WellPoint	Principal Usage
370 Basset Rd., North Haven, CT	566,000	Operations
220 Virginia Ave., Indianapolis, IN	557,000	Operations
21555 Oxnard St., Woodland Hills, CA	448,000	Operations
11 Corporate Woods, Albany, NY	375,000	Operations
1831 Chestnut St., St. Louis, MO	312,000	Operations
DCS, 2015 Staples Mill Rd., Richmond, VA	295,000	Operations
700 Broadway, Denver, CO	285,000	Operations
3350 Peachtree Rd., Atlanta, GA	272,000	Operations
9901 Linn Station Rd., Louisville, KY	255,000	Operations
DCN, 2015 Staples Mill Rd., Richmond, VA	249,000	Operations
13550 Triton Office Park Blvd., Louisville, KY	234,000	Operations
4241 Irwin Simpson Rd., Mason, OH	224,000	Operations
2000 & 2100 Corporate Center Drive, Newbury Park, CA	218,000	Operations
401 Michigan St., Milwaukee, WI	216,000	Operations
15 MetroTech Center, Brooklyn, NY	217,000	Operations
4361 Irwin Simpson Rd., Mason, OH	213,000	Operations
2 Gannett Dr., South Portland, ME	208,000	Operations
400 S. Salina St., Syracuse, NY	203,000	Operations
120 Monument Circle, Indianapolis, IN	202,000	Principal executive offices
3000 Goff Falls Rd., Manchester, NH	201,000	Operations
2221 Edward Holland Drive, Richmond, VA	193,000	Operations
8115-8125 Knue Road, Indianapolis, IN	184,000	Operations
6740 N. High St., Worthington, OH	182,000	Operations
85 Crystal Run, Middletown, NY	173,000	Operations
1351 Wm. Howard Taft, Cincinnati, OH	167,000	Operations
5151-5155 Camino Ruiz, Camarillo, CA	149,000	Operations
2357 Warm Springs Rd., Columbus, GA	147,000	Operations
233 S. Wacker Drive, Chicago, IL	146,000	Operations
6737 West Washington St., West Allis, WI	144,000	Operations
602 S. Jefferson St., Roanoke, VA	144,000	Operations
4553 La Tienda Drive, Thousand Oaks, CA	120,000	Operations
3 Huntington Quadrangle, Melville, NY	110,000	Operations
11 West 42 nd St., New York, NY	107,000	Operations
12433 Olive Blvd., St. Louis, MO	102,000	Operations

Our facilities support our various business segments. We believe that our properties are adequate and suitable for our business as presently conducted.

ITEM 3. LEGAL PROCEEDINGS.

Litigation

Multi-District Litigation Settlement Agreement

In May 2000, a case titled *California Medical Association vs. Blue Cross of California, et. al.,* was filed in U.S. district court in San Francisco against Blue Cross of California ("BCC"), one of WHN's subsidiaries at the time and now a Company subsidiary. The lawsuit alleges that BCC violated the Racketeer Influenced and Corrupt Organizations Act ("RICO") (the "CMA Litigation").

In August 2000, WHN was added as a defendant to *Shane v. Humana, et al.* , a class-action lawsuit brought on behalf of health care providers nationwide alleging RICO violations (the "Shane Litigation"). Effective upon the November 30, 2004 merger with WHN, WHN became a wholly owned subsidiary of the Company. On September 26, 2002, Anthem was added as a defendant to the Shane Litigation.

In May 2003, in a case titled *Kenneth Thomas, M.D., et al., v. Blue Cross Blue Shield Association, et al.* , (the "Thomas Litigation") several medical providers filed suit in federal district court in Miami, Florida against the Blue Cross Blue Shield Association ("BCBSA") and Blue Cross and Blue Shield plans across the country, including the Company and WellChoice. The suit alleges that the BCBSA and the Blue Cross and Blue Shield plans violated RICO and challenges many of the same practices as the CMA Litigation and the Shane Litigation.

In October 2000, the federal Judicial Panel on Multidistrict Litigation ("MDL") issued an order consolidating the CMA Litigation, the Shane Litigation and various other pending managed care class-action lawsuits against the Company and other companies before District Court Judge Federico Moreno in the Southern District of Florida for purposes of pretrial proceedings. A mediator was appointed by Judge Moreno and the parties have been conducting court-ordered mediation. On December 9, 2004, Judge Moreno issued a new scheduling order extending the expert discovery deadline to February 7, 2005 and setting trial for September 6, 2005.

On July 11, 2005, the Company entered into a settlement agreement (the "Agreement") with representatives of more than 700,000 physicians nationwide to resolve the CMA Litigation, the Shane Litigation, the Thomas Litigation and certain other similar cases brought by physicians. Under the Agreement, the Company has agreed to make cash payments totaling up to $198.0 million, of which $135.0 million will be paid to physicians and $5.0 million will be contributed to a not-for-profit foundation whose mission is to promote higher quality health care and to enhance the delivery of care to the disadvantaged members of the public. In addition, up to $58.0 million will be paid in legal fees to be determined by the court. The Company also has agreed to implement and maintain a number of operational changes such as standardizing the definition of medical necessity in physician contracts, creating a formalized Physician Advisory Committee and modifying some of the Company's claims payment and physician contracting provisions. The Agreement is subject to, and conditioned upon, review and approval by the U.S. District Court for the Southern District of Florida. The court preliminarily approved the settlement in an order filed July 15, 2005. The hearing for final approval was held on December 2, 2005 in Miami, Florida. The Court issued a final order approving the settlement on December 22, 2005, and issued an amended final order approving the settlement on January 4, 2006. Appeals have been filed by certain physicians. As a result of the Agreement, the Company incurred a pre-tax expense of $103.0 million, or $0.10 per diluted share after tax, for the year ended December 31, 2005, which represents the final settlement amount of the Agreement that was not previously accrued.

The WellChoice transaction was closed on December 28, 2005, after the settlement was reached with the plaintiffs in the CMA Litigation, the Shane Litigation and the Thomas Litigation. The former WellChoice company, now one of our wholly-owned subsidiaries, continues to be a defendant in the Thomas Litigation, and will not be affected by the settlement between the Company and plaintiffs. The Company intends to vigorously defend this proceeding; however, its ultimate outcome cannot be presently determined.

Other Litigation

On June 27, 2002, in a case titled *Academy of Medicine of Cincinnati and Luis Pagani, M.D. v. Aetna Health, Inc., Humana Health Plan of Ohio, Inc., Anthem Blue Cross and Blue Shield, and United Health Care of Ohio, Inc., No. A02004947* filed in the Court of Common Pleas, Hamilton County, Ohio and a case titled *Academy of Medicine of Cincinnati and A. Lee Greiner, M.D., Victor Schmelzer, M.D., and Karl S. Ulicny, Jr., M.D. v. Aetna Health, Inc., Humana, Inc., Anthem Blue Cross and Blue Shield, and United Health Care, Inc., No. 02-CI-903* filed in the Boone County, Kentucky Circuit Court, the Academy and certain physicians allege that the defendants acted in combination and collusion with one another to reduce the reimbursement rates paid to physicians in the area. On September 30, 2005, the Company entered into a settlement agreement to resolve

the litigation. The settlement agreement has three components. First, the Company will increase the total annual reimbursement to physicians in the twelve county area (six counties each in Ohio and Kentucky) by $35.0 million in 2005, an additional $20.0 million in 2006 and an additional $15.0 million in 2007. The increases will be measured against the total reimbursement amount for the same area in 2004. Second, the Company will pay $2.8 million to plaintiffs, with approximately $0.6 million for payments to retired doctors and incentive awards to the named plaintiffs and the remainder going to a charitable foundation to improve health care in the affected area. Third, the Company will pay $9.6 million in attorneys' fees to the plaintiffs' class counsel. Both the Ohio court and the Kentucky court preliminarily approved the settlement on September 30, 2005. A final fairness hearing was held on November 21, 2005. Both courts issued orders giving final approval of the settlement on November 21, 2005. The attorneys' fees, incentive awards to plaintiffs, payments to retired doctors and charitable donation were paid out December 27, 2005. The final terms of the settlement agreement did not have a significant impact on the financial results of the Company for the year ended December 31, 2005.

Prior to WHN's acquisition of the group benefit operations ("GBO") of John Hancock Mutual Life Insurance Company ("John Hancock"), John Hancock entered into a number of reinsurance arrangements, including with respect to personal accident insurance and the occupational accident component of workers' compensation insurance, a portion of which was originated through a pool managed by Unicover Managers, Inc. Under these arrangements, John Hancock assumed risks as a reinsurer and transferred certain of such risks to other companies. Similar reinsurance arrangements were entered into by John Hancock following WHN's acquisition of the GBO of John Hancock. These various arrangements have become the subject of disputes, including a number of legal proceedings to which John Hancock is a party. The Company is currently in arbitration with John Hancock regarding these arrangements. The Company believes that it has a number of defenses to avoid any ultimate liability with respect to these matters and believes that such liabilities were not transferred to the Company as part of the GBO acquisition. However, if the Company were to become subject to such liabilities, the Company could suffer losses that might have a material adverse effect on its financial condition, results of operations or cash flows.

Other Contingencies

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

In addition to the lawsuits described above, the Company is also involved in other pending and threatened litigation of the character incidental to the business transacted, arising out of its operations and its 2001 demutualization, and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits and reviews include routine and special investigations by state insurance departments, state attorneys general and the U.S. Attorney General. Such investigations could result in the imposition of civil or criminal fines, penalties and other sanctions. The Company believes that any liability that may result from any one of these actions, or in the aggregate, is unlikely to have a material adverse effect on its consolidated financial position or results of operations.

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

The Company did not submit any matters to a vote of security holders during the fourth quarter of 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Prices

The Company's Common Stock, par value $0.01 per share, is listed on the NYSE under the symbol "WLP". On February 15, 2006, the closing price on the NYSE was $78.82. As of February 15, 2006, there were 154,599 shareholders of record of the Common Stock. The following table presents high and low sales prices for the Common Stock on the NYSE for the periods indicated.

	High	Low
2005		
First Quarter [1]	$63.98	$54.58
Second Quarter [1]	71.23	58.20
Third Quarter	77.40	65.06
Fourth Quarter	80.40	70.25
2004 [1]		
First Quarter	$46.07	$36.25
Second Quarter	47.80	41.93
Third Quarter	46.95	38.88
Fourth Quarter	58.85	36.10

1 The market prices for the Company's stock reflect the two-for-one stock split, which was approved by the Board of Directors on April 25, 2005.

Dividends

No cash dividends have been paid on our common stock. The declaration and payment of future dividends will be at the discretion of our Board of Directors and must comply with applicable law. Future dividend payments will depend upon our financial condition, results of operations, future liquidity needs, potential acquisitions, regulatory and capital requirements and other factors deemed relevant by our Board of Directors. In addition, we are a holding company whose primary assets are 100% of the capital stock of Anthem Insurance Companies, Inc., Anthem Southeast, Inc., Anthem Holding Corp. and WellPoint Holding Corp. Our ability to pay dividends to our shareholders, if authorized by our Board of Directors, is significantly dependent upon the receipt of dividends from our insurance subsidiaries. The payment of dividends by our insurance subsidiaries without prior approval of the insurance department of each subsidiary's domiciliary jurisdiction is limited by formula. Dividends in excess of these amounts are subject to prior approval by the respective insurance departments.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this Item concerning securities authorized for issuance under the Company's equity compensation plans is set forth in or incorporated by reference into Part III Item 12 of this Form 10-K.

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Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs [2]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
		(In millions, except share and per share data)		
October 1, 2005 to October 31, 2005	433	$ 74.96	—	$ 1,000.0
November 1, 2005 to November 30, 2005	1,655	76.45	—	1,000.0
December 1, 2005 to December 31, 2005	87,655	78.81	—	2,000.0
	89,743	78.75	—	

1 Total number of shares purchased includes 89,743 shares delivered to or withheld by the Company in connection with employee payroll tax withholding upon exercise of stock awards. Stock grants to employees and directors and stock issued for stock option plans and stock purchase plans in the consolidated statements of shareholders' equity are shown net of these shares purchased.

2 Represents the number of shares repurchased through our repurchase program authorized by our Board of Directors. During the year ended December 31, 2005, the Company repurchased approximately 5.1 million shares at a cost of $333.4 million under the program. Remaining authorization under the program is $2.0 billion as of December 31, 2005.

ITEM 6. SELECTED FINANCIAL DATA.

The table below provides selected consolidated financial data of WellPoint. The information has been derived from our consolidated financial statements for each of the years in the five year period ended December 31, 2005. You should read this selected consolidated financial data in conjunction with the audited consolidated financial statements and notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Form 10-K.

	As of and for the Years Ended December 31				
	2005 [1]	2004 [1]	2003	2002 [1]	2001
	(In millions, except where indicated and except per share data)				
Income Statement Data					
Total operating revenue [2,3]	$44,513.1	$20,460.9	$16,487.1	$13,000.4	$10,131.3
Total revenue [3]	45,136.0	20,815.1	16,781.4	13,292.2	10,455.7
Net income [4]	2,463.8	960.1	774.3	549.1	342.2
Per Share Data [4,5]					
Basic net income per share	$ 4.03	$ 3.15	$ 2.80	$ 2.31	$ 1.66
Diluted net income per share	3.94	3.05	2.73	2.26	1.65
Other Data (unaudited)					
Benefit expense ratio [6]	80.6%	82.0%	80.8%	82.3%	84.4%
Selling, general and administrative expense ratio [6]	16.3%	17.0%	18.8%	19.3%	19.6%
Income before income taxes as a percentage of total revenue	8.6%	6.9%	7.2%	6.0%	5.0%
Net income as a percentage of total revenue	5.5%	4.6%	4.6%	4.1%	3.3%
Medical membership *(In thousands)*	33,856	27,728	11,927	11,053	7,883

	As of and for the Years Ended December 31				
	2005 [1]	2004 [1]	2003	2002 [1]	2001
	(In millions, except where indicated and except per share data)				
Balance Sheet Data					
Cash and investments [3]	$20,336.0	$15,792.2	$ 7,478.2	$ 6,726.4	$4,559.8
Total assets [3]	51,405.2	39,738.4	13,414.6	12,416.3	6,325.0
Long-term debt [3]	6,324.7	4,289.5	1,662.8	1,659.4	818.0
Total liabilities [3]	26,412.1	20,279.4	7,414.7	7,054.0	4,265.0
Total shareholders' equity	24,993.1	19,459.0	5,999.9	5,362.3	2,060.0

1 The net assets for WellChoice, Inc. and the net assets of and results of operations for Lumenos, Inc., WellPoint Health Networks Inc., and Trigon Healthcare, Inc. are included from their respective acquisition dates of December 28, 2005 (effective December 31, 2005 for accounting purposes), June 9, 2005, November 30, 2004, and July 31, 2002.

2 Operating revenue is obtained by adding premiums, administrative fees and other revenue.

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

4 We adopted FAS 142, *Goodwill and Other Intangible Assets*, on January 1, 2002. With the adoption of FAS 142, we ceased amortization of goodwill. The intangible assets established for Blue Cross and Blue Shield trademarks are deemed to have indefinite lives, and beginning January 1, 2002, are no longer amortized.

Net income and net income per share for the year ended December 31, 2001 on a pro forma basis as if FAS 142 had been adopted January 1, 2001, is as follows:

(In millions, except per share data)	
Net income adjusted for FAS 142	$357.3
Basic net income per share adjusted for FAS 142	1.73
Diluted net income per share adjusted for FAS 142	1.72

5 There were no shares or dilutive securities outstanding prior to November 2, 2001 (date of Anthem's, whose name changed to WellPoint, demutualization and initial public offering). Accordingly, amounts prior to 2002 represent pro forma earnings per share. For comparative pro forma earnings per share presentation, the weighted average shares outstanding and the effect of dilutive securities for the period from November 2, 2001 to December 31, 2001, was used to calculate pro forma earnings per share for 2001.

6 The benefit expense ratio represents benefit expenses as a percentage of premium revenue. The selling, general and administrative expense ratio represents selling, general and administrative expenses as a percentage of total operating revenue.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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 WellPoint, Inc. (name changed from Anthem, Inc. effective November 30, 2004), an Indiana holding company, and unless the context otherwise requires, its direct and indirect subsidiaries.

The structure of our Management's Discussion and Analysis of Financial Condition and Results of Operations is as follows:

I. Executive Summary

II. Overview

III. Significant Transactions

IV. Membership—December 31, 2005 Compared to December 31, 2004

V. Cost of Care

VI. Results of Operations—Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

VII. Membership—December 31, 2004 Compared to December 31, 2003

VIII. Results of Operations—Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003

IX. Critical Accounting Policies and Estimates

X. Liquidity and Capital Resources

XI. Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

I. Executive Summary

We are the largest health benefits company in terms of membership in the United States, serving approximately 34 million medical members as of December 31, 2005. We are an independent licensee of the Blue Cross Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee in California and as the Blue Cross and Blue Shield 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 counties, and as Blue Cross or BCBS in selected upstate counties only), Ohio, Virginia (excluding the immediate suburbs of Washington, D.C.), and Wisconsin. We also serve customers throughout various parts of the country as UniCare. We are licensed to conduct insurance operations in all 50 states through our subsidiaries and in Puerto Rico through an affiliate.

No other health benefits company has leading local market presence in so many geographic areas. This market position offers advantages in attracting physicians and hospitals to our networks at attractive rates and in helping to keep our products affordable. While we hold the leading position in these markets, all have additional room for expansion.

Operating revenue reached an all-time high of $44.5 billion in 2005, a 118% increase over 2004. Operating revenue increases were driven by the merger with WellPoint Health Networks Inc., which represented approximately 111% of this increase, supplemented by organic revenue growth, particularly in the individual and small group business, known as ISG, Large Group and National Account businesses.

We have successfully executed our strategy to deliver on our long-term goal of achieving at least 15% growth in fully diluted earnings per share, or EPS, which was exceeded in 2005 as our EPS increased by 29%. We have accomplished this by focusing on profitable enrollment growth with innovative product offerings, pricing with discipline, implementing initiatives to optimize the cost of care, continuing to leverage administrative costs over a larger membership base, further penetrating our specialty businesses and by using our cash flow effectively.

We intend to continue expanding through a combination of organic growth and strategic acquisitions in both existing and new markets. Our growth strategy is designed to enable us to take advantage of the additional economies of scale provided by increased overall membership as well as providing us access to new and evolving technologies and products. In addition, we believe geographic diversity reduces our exposure to local or regional regulatory, economic and competitive pressures and provides us with increased opportunities for growth. While we have achieved strong growth as a result of strategic mergers and acquisitions, we have also achieved organic growth in our existing markets by providing excellent service, offering competitively priced products and effectively capitalizing on the brand strength of the Blue Cross and Blue Shield names and marks.

II. Overview

We manage our operations through three reportable segments: Health Care, Specialty and Other.

Our Health Care segment includes strategic business units delineated primarily by geographic areas within which we offer similar products and services, including commercial accounts, individual, senior and government programs such as the Federal Employee Program, or FEP, and Medicaid. We offer a diversified mix of managed care products, including preferred provider organizations or PPOs, health maintenance organizations or HMOs, traditional indemnity benefits, consumer-driven health plans or CDHPs and point of service or POS plans. We also offer a variety of hybrid benefit plans, including consumer directed, hospital only and limited benefit products. Additionally, we provide a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management and other administrative services.

Our Specialty segment is comprised of businesses providing pharmacy benefit management, group life and disability insurance benefits, behavioral health benefits, dental, vision, workers' compensation and long-term care insurance.

Our Other segment is comprised of our Medicare processing business, including AdminaStar Federal and United Government Services; Arcus Enterprises, which works to develop innovative means to promote quality care, well being and education; intersegment revenue and expense eliminations; and corporate expenses not allocated to our Health Care or Specialty segments. Effective December 31, 2005, Empire Medical Services, the Medicare processing company of the former WellChoice, was also included in our Other segment.

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

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

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

Our cost of drugs consists of the amounts we pay to pharmaceutical companies for the drugs we sell via mail order through our pharmacy benefit management companies, or PBM. This amount excludes the cost of drugs

related to customers of affiliated health plans, which are recorded in benefit expense. Our cost of drugs can be influenced by the volume of prescriptions at our PBM, as well as cost changes, driven by prices set by pharmaceutical companies and mix of drugs sold.

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

This MD&A should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2005 included in this Form 10-K.

III. Significant Transactions

Merger with WellChoice, Inc.

On December 28, 2005 (December 31, 2005 for accounting purposes), WellPoint and WellChoice, Inc., or WellChoice, completed their previously announced merger. The acquisition of WellChoice strengthened our leadership in providing health benefits to National Accounts and provided us with a strategic presence in New York City, the headquarters of more Fortune 500 companies than any other U.S. city. Under the terms of the merger agreement, the stockholders of WellChoice (other than subsidiaries of WellPoint) received consideration of $38.25 in cash and 0.5191 of a share of WellPoint common stock for each share of WellChoice common stock outstanding. In addition, WellChoice stock options and other awards were converted to WellPoint awards in accordance with the merger agreement. The purchase price including cash, fair value of stock and stock awards and estimated transaction costs was approximately $6.5 billion.

Multi-District Litigation Settlement Agreement

On July 11, 2005, we announced that an agreement was reached with representatives of more than 700,000 physicians nationwide involved in two multi-district class-action lawsuits against us and other health benefits companies. As part of the agreement, we have agreed to pay $135.0 million to physicians and to contribute $5.0 million to a not-for-profit foundation whose mission is to promote higher quality health care and to enhance the delivery of care to the disadvantaged and underserved. In addition, up to $58.0 million will be paid in legal fees. As a result of the agreement, we incurred a pre-tax expense of $103.0 million during the year ended December 31, 2005, or $0.10 EPS, which represents the final settlement amount of the agreement that was not previously accrued.

Acquisition of Lumenos, Inc.

On June 9, 2005, we announced the completion of our acquisition of Lumenos, Inc., or Lumenos, for approximately $185.0 million in cash paid to the stockholders of Lumenos. The acquisition of Lumenos provided us with market leading consumer-driven health programs as well as the service experience with such programs and the customer tools that drive consumerism in health care today. Lumenos is recognized as a pioneer and market leader in consumer-driven health programs. Lumenos served approximately 177,000 members as of the date of acquisition.

Two-For-One Stock Split

On April 25, 2005, WellPoint's Board of Directors approved a two-for-one split of shares of common stock, which was effected in the form of a 100 percent common stock dividend. All shareholders of record on May 13,

2005 received one additional share of WellPoint common stock for each share of common stock held on that date. The additional shares of common stock were distributed to shareholders of record in the form of a stock dividend on May 31, 2005. All historical weighted average share and per share amounts and all references to stock compensation data and market prices of our common stock for all periods presented in this MD&A have been adjusted to reflect this two-for-one stock split.

Merger with WellPoint Health Networks Inc.

On November 30, 2004, Anthem, Inc. and WellPoint Health Networks Inc., or WHN, completed their merger. The merger with WHN helped us to create the nation's leading health benefits company and the largest holder of Blue Cross and/or Blue Shield licenses in the country. Additionally, our merger with WHN increased our presence in several new strategic markets, most notably California. Under the terms of the merger agreement, the stockholders of WHN (other than subsidiaries of WHN) received consideration of $23.80 in cash and one share of Anthem, Inc. common stock for each WHN share outstanding. In addition, WHN stock options and other awards were converted to WellPoint, Inc. awards in accordance with the merger agreement. The purchase price including cash, fair value of stock and stock awards and estimated transaction costs was approximately $15.8 billion. Anthem, Inc., the surviving corporate parent, was renamed WellPoint, Inc. concurrent with the merger.

IV. Membership—December 31, 2005 Compared to December 31, 2004

Our medical membership includes six different customer types: Large Group, Individual and Small Group, National Accounts, BlueCard Host, Senior and State Sponsored.

- Large Group consists of those employer customers with 51 to 4,999 employees eligible to participate as a member in one of our health plans. In addition, Large Group includes customers with 5,000 or more eligible employees with less than 5% of eligible employees located outside the headquarter's state. Large Group also includes members in the FEP, which provides health insurance coverage to United States government employees and their dependents within our geographic markets through our participation in the national contract between the BCBSA and the U.S. Office of Personnel Management.
- Individual and Small Group, or ISG, consists of individual customers under age 65 as well as those employer customers with one to 50 eligible employees.
- National Accounts customers are multi-state employer groups primarily headquartered in a WellPoint service area with 5,000 or more eligible employees, with at least 5% of eligible employees located outside of the headquarter's state. Service area is defined as the geographic area in which we are licensed to sell BCBS products.
- BlueCard host members represent enrollees of non-owned Blue Cross and/or Blue Shield plans who receive health care services in our Blue Cross and Blue Shield licensed markets. BlueCard membership consists of estimated host members using the national BlueCard program. Host members are generally members who reside in or travel to a state in which a WellPoint subsidiary is the Blue Cross and/or Blue Shield licensee and who are covered under an employer sponsored health plan issued by a non-WellPoint controlled Blue Cross Blue Shield licensee (i.e., the "home" plan). We perform certain administrative functions for BlueCard members, for which we receive administrative fees from the BlueCard members' home plans. Other administrative functions, including maintenance of enrollment information and customer service, are performed by the home plan. Host members are computed using, among other things, the average number of BlueCard claims received per member per month.
- Senior members are Medicare-eligible individual members age 65 and over who have enrolled in Medicare Advantage, a managed care alternative for the Medicare program, or who have purchased Medicare Supplement benefit coverage.
- State Sponsored membership represents eligible members with state sponsored managed care alternatives in Medicaid and State Children's Health Insurance programs.

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

The following table presents our medical membership by customer type, funding arrangement and geographical region as of December 31, 2005 and 2004. Also included below are key metrics from our Specialty segment, including prescription volume for our PBM and membership by product. The membership data presented is unaudited and in certain instances includes estimates of the number of members represented by each contract at the end of the period.

	WellPoint, Inc. as Reported December 31, 2005 [1]	WellChoice December 31, 2005 [2]	WellPoint Without WellChoice December 31, 2005 [3]	WellPoint, Inc. as Reported December 31, 2004	WellPoint Without WellChoice as Compared to WellPoint at December 31, 2004	
					Change	% Change
	(In thousands)					
Medical Membership						
Customer Type						
Large Group	16,362	3,085	13,277	13,073	204	2%
Individual and Small Group (ISG)	5,645	349	5,296	5,199	97	2
National Accounts	4,776	1,235	3,541	3,212	329	10
BlueCard	3,915	(93)	4,008	3,463	545	16
Total National	8,691	1,142	7,549	6,675	874	13
Senior	1,224	147	1,077	1,059	18	2
State Sponsored	1,934	64	1,870	1,722	148	9
Total medical membership by customer type	33,856	4,787	29,069	27,728	1,341	5%
Funding Arrangement						
Self-Funded	16,234	1,798	14,436	13,039	1,397	11%
Fully-Insured	17,622	2,989	14,633	14,689	(56)	0
Total medical membership by funding arrangement	33,856	4,787	29,069	27,728	1,341	5%
Regional Membership						
East	13,800	5,030	8,770	8,508	262	3%
Central	10,970	(125)	11,095	10,565	530	5
West	9,086	(118)	9,204	8,655	549	6
Total medical membership by Region	33,856	4,787	29,069	27,728	1,341	5%
Specialty Metrics						
PBM prescription volume [4]	344,621	—	344,621	336,541	8,080	2%
Behavioral health membership	15,669	—	15,669	11,753	NM [5]	NM [5]
Life and disability membership	5,826	—	5,826	5,306	NM [5]	NM [5]
Dental membership	5,195	265	4,930	5,048	NM [5]	NM [5]
Vision membership	816	—	816	773	43	6%

1 Amounts reported at December 31, 2005, include membership from the WellChoice acquisition that closed on December 28, 2005 and from the Lumenos acquisition that closed on June 9, 2005.

2 Represents membership at December 31, 2005, resulting from the WellChoice acquisition. Medical membership is shown net of overlapping BlueCard host membership.

3 WellPoint without WellChoice membership was calculated by subtracting membership resulting from the WellChoice acquisition from WellPoint, Inc.'s reported membership at December 31, 2005.

4 Represents annual PBM prescription volume for mail order and retail prescriptions for the full years ended December 31, 2005 and 2004.

5 Changes from prior period information are not meaningful due to different counting methodologies used by the former Anthem, Inc. and the former WellPoint Health Networks Inc.

During the twelve months ended December 31, 2005, total medical membership increased approximately 6,128,000, or 22%, primarily due to our acquisition of WellChoice and organic growth in all customer types. Excluding the impact of the WellChoice acquisition: BlueCard membership increased 545,000, or 16%, representing membership growth in other Blue Cross and Blue Shield licensees with members who reside in or travel to our licensed areas; National Accounts membership increased 329,000, or 10%, primarily due to new sales, as well as, in-group increases in membership and members acquired from the acquisition of Lumenos; Large Group membership increased 204,000, or 2% primarily due to our acquisition of Lumenos as well as new sales throughout the year; State Sponsored membership increased 148,000, or 9% due to new sales, primarily in the West region; and ISG membership increased 97,000, or 2%, primarily due to the introduction of new, more affordable product designs and an overall increase in consumer awareness of our wide variety of quality products and services as well as efforts to market products to the uninsured.

Self-funded medical membership increased 3,195,000 or 25%, primarily due to our merger with WellChoice and increases in our BlueCard, National Accounts and Large Group businesses. Fully-insured membership increased by 2,933,000 or 20%, due to our merger with WellChoice. However, on a comparable basis, fully-insured membership decreased by 56,000 primarily due to a Large Group fully-insured account in the East region, which represented approximately 140,000 medical members, converting to self-funded during the third quarter of 2005. This was partially offset by growth in our ISG and State Sponsored businesses, as well as new sales and positive in-group change in Large Group.

Our specialty metrics are derived from membership and activity from our specialty products. These products are often ancillary to our health business, and can therefore be impacted by growth in our medical membership. The membership of these products can also be impacted by our efforts to increase the use of Specialty products by our medical members. Prescription volume at our PBM increased 8,080,000 prescriptions, or 2%, in 2005 primarily due to growth in both our mail order and retail operations. Behavioral Health membership increased 3,916,000, or 33%, in 2005. This growth was primarily due to the transition of 1,900,000 members from an external vendor to our in-house operation, as well as growth within our existing health lines of business, our increased offerings of specialty products to our medical members and a change in counting methodologies contributed to increased Behavioral Health's membership growth.

V. Cost of Care

The following discussion summarizes our aggregate cost of care trends for the full year 2005 for our Large Group and ISG fully-insured businesses only. In order to provide a more meaningful comparison to the current period due to the merger with WHN, cost of care information as discussed below is presented as if pre-merger Anthem, Inc. and WHN were combined for all of 2004 and 2003. Accordingly, cost of care reported previously for pre-merger Anthem, Inc. is not comparable to the information presented below.

Our cost of care trends are calculated by comparing the year-over-year change in average per member per month claim costs for which we are responsible, which excludes member co-payments and deductibles. While our cost of care trend varies by geographic location, our aggregate cost of care was less than 8.5% for the full year 2005.

Costs for outpatient and inpatient services are the primary drivers of overall cost trends, with outpatient trends moderating from 2004 levels. Cost trend increases for outpatient services were primarily driven by higher per visit costs as more procedures are being performed during each visit to outpatient providers, particularly emergency room visits, as well as the impact of price increases included within certain provider contracts. However, we are seeing the positive impact of our radiology management programs on our outpatient trends. These programs were implemented over most of our East and Central regions in late 2004 and early 2005 and are designed to ensure appropriate use of radiology services by our members. We are currently expanding these programs to our other regions. Inpatient trends have been driven primarily by unit cost, a reflection of negotiated contract increases with hospitals. Utilization (admissions per 1,000 members) remains flat, while average length of hospital stay and hospital days per 1,000 members have both decreased slightly.

Pharmacy benefit cost trend, which previously had been a primary driver of overall trend increases, continues to decline as a result of an increase in generic usage rates, benefit plan design changes, improved pharmaceutical contracting resulting from the merger with WHN, the non-renewal of pharmacy only business from a large state customer with historically high utilization and cost trends effective July 1, 2005 and the impact of lower utilization for the COX 2 Inhibitor therapeutic class of drugs. Late in the third quarter of 2004, the arthritis drug VIOXX ® was removed from the market due to concerns about the risk of heart attacks in persons taking this drug for longer than 18 months. We have provided our network physicians with information regarding alternatives to VIOXX and our PBM companies have implemented a process to ensure appropriate usage of the COX 2 Inhibitor therapeutic class of drugs.

In response to cost trends, we continue to pursue contracting and plan design changes, promote and implement performance-based contracts that reward clinical outcomes and quality, and expand our radiology management, disease management and advanced care management programs. In addition, we are expanding our specialty pharmacy programs and continuously evaluate our drug formulary to ensure the most effective pharmaceutical therapies are available for our members.

VI. Results of Operations—Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

We discuss our operations using "comparable basis" information, which is presented in order to provide a more meaningful prior-year comparison to the current year, due to the merger with WHN. Comparable basis information is not calculated in accordance with U.S. generally accepted accounting principles, or GAAP, and is not intended to represent or be indicative of the results of WellPoint, Inc. had the merger been completed as of January 1, 2004. Comparable basis information for the year ended December 31, 2004 was calculated by adding the reclassified historical statements of income for the former WHN for the 11 months ended November 30, 2004 to the reported results of WellPoint, Inc. for the year ended December 31, 2004, which includes one month of the former WHN. Comparable basis information contains no intercompany eliminations or pro forma adjustments resulting from the November 30, 2004 merger.

	WellPoint, Inc. as Reported Year Ended December 31, 2004	WellPoint Health Networks Inc. Eleven Months Ended November 30, 2004	Reclassification Adjustments [1]	WellPoint, Inc. Comparable Basis Year Ended December 31, 2004
	(In millions, except per share data)			
Premiums	$ 18,771.6	$ 19,804.7	$ (9.5)	$ 38,566.8
Administrative fees	1,436.9	1,108.9	(53.1)	2,492.7
Other revenue	252.4	54.1	216.7	523.2
Total operating revenue	20,460.9	20,967.7	154.1	41,582.7
Net investment income	311.7	276.3	(24.9)	563.1
Net realized gains on investments	42.5	8.4	25.0	75.9
Total revenue	20,815.1	21,252.4	154.2	42,221.7
Benefit expense	15,387.8	15,925.5	(32.1)	31,281.2
Selling, general and administrative expense:				
Selling expense	537.2	820.8	—	1,358.0
General and administrative expense	2,940.5	2,493.4	45.4	5,479.3
Total selling, general and administrative expense	3,477.7	3,314.2	45.4	6,837.3
Cost of drugs	95.0	32.6	142.2	269.8
Interest expense	142.3	48.1	—	190.4
Amortization of other intangible assets	61.4	7.8	35.3	104.5
Other expenses	—	36.6	(36.6)	—
Merger-related undertakings	61.5	—	—	61.5
Loss on repurchase of debt	146.1	—	—	146.1
Total expense	19,371.8	19,364.8	154.2	38,890.8
Income before income taxes	1,443.3	1,887.6	—	3,330.9
Income taxes	483.2	755.1	—	1,238.3
Net income	$ 960.1	$ 1,132.5	$ —	$ 2,092.6
Benefit expense ratio [2]	82.0%			81.1%
Selling, general and administrative expense ratio [3]	17.0%			16.4%

1 Represents the reclassification of certain WHN historical amounts to conform to a consistent presentation with WellPoint.

2 Benefit expense ratio = Benefit expense ÷ Premiums.

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

Our consolidated results of operations for the years ended December 31, 2005 and 2004 are discussed in the following section.

	Years Ended December 31			Comparable Basis [2,3] Year Ended December 31,		
	2005	2004 [1]	% Change	2004	$ Change	% Change
	(In millions, except per share data)					
Premiums	$41,216.7	$18,771.6	120%	$ 38,566.8	$2,649.9	7%
Administrative fees	2,729.9	1,436.9	90	2,492.7	237.2	10
Other revenue	566.5	252.4	124	523.2	43.3	8
Total operating revenue	44,513.1	20,460.9	118	41,582.7	2,930.4	7
Net investment income	633.1	311.7	103	NM [4]	NM [4]	NM [4]
Net realized (losses) gains on investments	(10.2)	42.5	(124)	75.9	(86.1)	(113)
Total revenue	45,136.0	20,815.1	117	NM [4]	NM [4]	NM [4]
Benefit expense	33,219.9	15,387.8	116	31,281.2	1,938.7	6
Selling, general and administrative expense:						
Selling expense	1,474.2	537.2	174	1,358.0	116.2	9
General and administrative expense	5,798.5	2,940.5	97	5,479.3	319.2	6
Total selling, general and administrative expense	7,272.7	3,477.7	109	6,837.3	435.4	6
Cost of drugs	288.0	95.0	203	269.8	18.2	7
Interest expense	226.2	142.3	59	NM [4]	NM [4]	NM [4]
Amortization of other intangible assets	238.9	61.4	289	NM [4]	NM [4]	NM [4]
Merger-related undertakings	—	61.5	(100)	NM [4]	NM [4]	NM [4]
Loss on repurchase of debt securities	—	146.1	(100)	NM [4]	NM [4]	NM [4]
Total expense	41,245.7	19,371.8	113	NM [4]	NM [4]	NM [4]
Income before income taxes	3,890.3	1,443.3	170	NM [4]	NM [4]	NM [4]
Income taxes	1,426.5	483.2	195	NM [4]	NM [4]	
Net income	$ 2,463.8	$ 960.1	157%	NM [4]	NM [4]	NM [4]
Average diluted shares outstanding	625.8	314.6	99%	NM [4]	NM [4]	NM [4]
Diluted net income per share	$ 3.94	$ 3.05	29%	NM [4]	NM [4]	NM [4]
Benefit expense ratio [5]	80.6%	82.0%	(140)bp [6]	81.1%		(50)bp [6]
Selling, general and administrative expense ratio [7]	16.3%	17.0%	(70)bp [6]	16.4%		(10)bp [6]
Income before income taxes as a percentage of total revenue	8.6%	6.9%	170bp [6]	NM [4]		NM [4]
Net income as a percentage of total revenue	5.5%	4.6%	90bp [6]	NM [4]		NM [4]

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

1 Financial results for 2004 include operations of the former WellPoint Health Networks Inc. for the one month period ended December 31, 2004 and the former Anthem, Inc. for the year ended December 31, 2004.

2 See “Comparable Basis Information” above for additional information.

3 For certain line items impacted by the merger of Anthem and WHN, comparable basis is not meaningful due to related capitalization and purchase accounting.

4 NM = Not meaningful.

5 Benefit expense ratio = Benefit expense ÷ Premiums.

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

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

Premiums increased $22,445.1 million, or 120%, to $41,216.7 million in 2005. On a comparable basis, premium increased $2,649.9 million, or 7%, primarily due to premium rate increases in our Large Group, ISG and Senior businesses and membership gains in our ISG, State Sponsored and Senior membership types. Partially offsetting the impact of premium rate increases was the conversion of some Large Group customers from fully-insured contracts to self-funded arrangements and the non-renewal of certain fully-insured accounts.

Administrative fees increased $1,293.0 million, or 90%, to $2,729.9 million in 2005. On a comparable basis, administrative fees increased $237.2 million, or 10%, primarily due to increased self-funded membership in our National and Large Group businesses. These membership gains are driven by the popularity of the BlueCard program, as well as successful efforts to attract large self-funded accounts and the continuing trend towards self-funded arrangements over fully-insured contracts among our Large Group customers.

Other revenue is comprised principally of co-payments and deductibles associated with the sale of mail-order drugs by our PBM companies, which provides services to members of our Health Care segment and third party clients. Other revenue increased $314.1 million, or 124%, to $566.5 million in 2005. On a comparable basis, other revenue increased $43.3 million, or 8%, primarily due to additional mail-order prescription revenue and increased prices of prescription drugs sold by our PBM companies. Increased mail-order prescription volume resulted from both membership increases and additional utilization of our PBM's mail-order pharmacy option.

Net investment income increased $321.4 million, or 103%, to $633.1 million in 2005 primarily resulting from invested assets acquired with the WHN merger (net of cash used in the merger) and from growth in invested assets from reinvestment of cash generated from operations.

A summary of our net realized (losses) gains on investments for the years ended December 31, 2005 and 2004 is as follows:

	Years Ended December 31		
	2005	2004 [1]	$ Change
	(In millions)		
Net realized (losses) gains from the sale of fixed maturity securities	$(25.3)	$40.6	$ (65.9)
Net realized gains from the sale of equity securities	22.0	3.3	18.7
Other-than-temporary impairments	(14.8)	(0.8)	(14.0)
Other realized gains (losses)	7.9	(0.6)	8.5
Net realized (losses) gains	$(10.2)	$42.5	$ (52.7)

1 Includes operations of the former WellPoint Health Networks Inc. for the one month period ended December 31, 2004 and the former Anthem, Inc. for the year ended December 31, 2004.

In 2005, net realized gains and losses from the sale of fixed maturity and equity securities was primarily due to restructuring of our portfolio as a result of integration activities related to our merger with WHN. Net gains or losses on investments are influenced by market conditions when an investment is sold, and will vary from year to year.

During 2004, we reallocated securities in our fixed maturity portfolio, primarily to optimize future after-tax income by investing in a higher mix of tax-exempt fixed maturity securities. The sale of fixed maturity securities associated with this reallocation resulted in the majority of the net realized gains reported during the year ended December 31, 2004.

Other-than-temporary impairments in 2005 were approximately equal between equity securities and fixed maturity securities, while in 2004, other-than-temporary impairments were substantially related to equity securities. Other-than-temporary impairments in both 2005 and 2004 are primarily due to the length of time that such securities' fair value had been less than cost.

Benefit expense increased $17,832.1 million, or 116%, to $33,219.9 million in 2005. On a comparable basis, benefit expense increased $1,938.7 million, or 6%, primarily due to increased cost of care, which was driven primarily by higher costs in outpatient and inpatient services. In addition, our benefit expense included $35.0 million in 2005 related to the multi-district litigation settlement agreement discussed in "Significant Transactions" above. On a comparable basis, our benefit expense ratio decreased 50 basis points from 81.1% in 2004 to 80.6% in 2005. The decrease in our benefit expense ratio is driven by moderating cost of care trends coupled with disciplined underwriting practices.

Selling, general and administrative expense increased $3,795.0 million, or 109%, to $7,272.7 million in 2005. On a comparable basis, selling, general and administrative expense increased $435.4 million, or 6%, primarily due to increases in volume-sensitive costs such as higher commissions, premium taxes and other expenses associated with growth in our business; increased incentive compensation, including merger-related stay bonuses; and costs associated with the transition of information technology infrastructure services to IBM. In addition, we incurred expenses related to the multi-district litigation settlement agreement discussed in "Significant Transactions" above; and start-up costs related to Medicare Part D. On a comparable basis, our selling, general and administrative expense ratio decreased 10 basis points to 16.3% in 2005, primarily due to growth in operating revenue and the leveraging of costs over a larger membership base, partially offset by the factors noted above.

Cost of drugs increased $193.0 million, or 203%, to $288.0 million in 2005. On a comparable basis cost of drugs increased $18.2 million, or 7%, primarily due to higher retail and mail-order prescription volume at our PBM companies.

Interest expense increased $83.9 million, or 59%, to $226.2 million in 2005, primarily due to additional interest expense on the debt incurred in conjunction with the WHN merger, partially offset by reduced interest expense from the repurchase of debt securities in December of 2004.

Amortization of other intangible assets increased $177.5 million, or 289%, to $238.9 million in 2005, primarily due to a full year of additional amortization expense related to identifiable intangible assets with finite lives resulting from the WHN merger.

Income tax expense increased $943.3 million, or 195%, to $1,426.5 million in 2005. Included in 2005 was $28.4 million in tax benefits associated with a refund claim, recognizing the deductibility of capital losses on the sale of certain subsidiaries that occurred in prior years. Included in 2004 was $44.8 million in tax benefits associated with a change in Indiana laws governing the state's high-risk health insurance pool.

Our net income as a percentage of total revenue increased 90 basis points, from 4.6% in 2004 to 5.5% in 2005. The increase in this metric reflects a combination of all factors discussed above.

Reportable Segments

We manage our operations through three reportable segments: Health Care, Specialty and Other.

We use operating gain to evaluate the performance of our reportable segments, as described in FAS 131, *Disclosure About Segments of an Enterprise and Related Information* . Operating gain is calculated as total

operating revenue less benefit expense, selling, general and administrative expense and cost of drugs. It does not include net investment income, net realized gains (losses) on investments, interest expense, amortization of other intangible assets, merger-related undertakings, loss on repurchase 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. For additional information, see Note 19 to our audited consolidated financial statements included in this Form 10-K. The discussions of segment results for the years ended December 31, 2005 and 2004 presented below are based on operating gain, as described above, and operating margin, which is calculated as operating gain divided by operating revenue. Our definitions of operating gain and operating margin may not be comparable to similarly titled measures reported by other companies.

Our segments' operating revenue and operating gain for the year ended December 31, 2004 on a comparable basis are as follows. Comparable basis information was calculated as discussed above and is presented in order to provide investors with a more meaningful prior-year comparison to the current year, due to the merger with WHN. Comparable basis information is not calculated in accordance with GAAP and is not intended to represent or be indicative of the results of WellPoint, Inc. had the merger been completed as of January 1, 2004.

	WellPoint, Inc. as Reported Year Ended December 31, 2004	WellPoint Health Networks Inc. Eleven Months Ended November 30, 2004	Reclassification Adjustments	WellPoint, Inc. Comparable Basis Year Ended December 31, 2004
	(In millions)			
Operating Revenue:				
Health Care	$ 19,754.5	$ 20,014.8	$ (118.2)	$ 39,651.1
Specialty	1,235.2	976.0	423.0	2,634.2
Other:				
External customers	212.8	37.4	117.4	367.6
Elimination of intersegment revenue	(741.6)	(60.5)	(268.1)	(1,070.2)
Total Other	(528.8)	(23.1)	(150.7)	(702.6)
Total operating revenue	$ 20,460.9	$ 20,967.7	$ 154.1	$ 41,582.7
Operating Gain (Loss)				
Health Care	$ 1,505.3	$ 1,507.7	$ (9.9)	$ 3,003.1
Specialty	100.9	226.0	6.0	332.9
Other	(105.8)	(38.3)	2.5	(141.6)

Health Care

Our Health Care segment's summarized results of operations for the year ended December 31, 2005 and 2004 are as follows:

	Years Ended December 31		% Change	Comparable Basis Year Ended December 31, 2004	$ Change	% Change
	2005	2004				
	(In millions)					
Operating revenue	$42,597.5	$19,754.5	116%	$ 39,651.1	$2,946.4	7%
Operating gain	$ 3,459.0	$ 1,505.3	130%	$ 3,003.1	$ 455.9	15%
Operating margin	8.1%	7.6%	50bp	7.6%		50bp

Operating revenue increased $22,843.0 million, or 116%, to $42,597.5 million. On a comparable basis, operating revenue increased $2,946.4 million, or 7%, primarily due to growth in premium income as a result of premium rate increases in our Large Group and ISG businesses resulting from underwriting discipline. Also

contributing to premium revenue growth was higher membership, primarily in our ISG and State Sponsored businesses. Administrative fees also increased primarily due to additional self-funded membership in National Accounts and Large Group businesses.

Operating gain increased $1,953.7 million, or 130%, to $3,459.0 million. On a comparable basis, operating gain increased $455.9, or 15%, primarily due to premium rate increases mentioned above along with membership growth and lower than expected cost of care within our ISG, Senior and Large Group businesses. Partially offsetting this increase was the impact of the $103.0 million pre-tax expense recognized in connection with the multi-district litigation settlement agreement in 2005.

Specialty

Our Specialty segment's summarized results of operations for the years ended December 31, 2005 and 2004 are as follows:

	Years Ended December 31		% Change	Comparable Basis Year Ended December 31,	$ Change	% Change
	2005	2004		2004		
	(In millions)					
Operating revenue	$2,863.1	$1,235.2	132%	$ 2,634.2	$ 228.9	9%
Operating gain	$ 388.1	$ 100.9	285%	$ 332.9	$ 55.2	17%
Operating margin	13.6%	8.2%	540bp	12.6%		100bp

Operating revenue increased $1,627.9 million, or 132%, to $2,863.1 million. On a comparable basis operating revenue increased $228.9 million or 9%, primarily due to increases in PBM operating revenue driven by improved pharmaceutical contracting and increased script volume, particularly due to mail-order script volume. This increase was partially offset by decreases in behavioral health revenue due to the standardization in funding arrangements between Health Care and Specialty segments.

Operating gain increased $287.2 million, or 285%, to $388.1 million. On a comparable basis operating gain increased $55.2 million or 17%, primarily due to an increase in PBM, behavioral health and dental businesses. On a comparable basis, PBM operating gain increased due to higher script volume and improved pharmaceutical contracting. In addition, operating gain from behavioral health increased as we standardized funding arrangements between the Health Care and Specialty segments. Finally, membership growth, driven primarily by the transition of 1.9 million behavioral health members from an outside vendor, also contributed to the improved results in Specialty segment. These gains are partially offset by decreased rates on workers' compensation insurance in California driven by unfavorable legislation.

Other

Our summarized results of operations for our Other segment for the years ended December 31, 2005 and 2004 are as follows:

	Years Ended December 31		% Change	Comparable Basis Year Ended December 31,	$ Change	% Change
	2005	2004		2004		
	(In millions)					
Operating revenue from external customers	$ 350.4	$ 212.8	65%	$ 372.8	$ (22.4)	(6)%
Elimination of intersegment revenue	$(1,297.9)	$(741.6)	75%	$ (1,075.4)	$(222.5)	21%
Total operating revenue	$ (947.5)	$(528.8)	79%	$ (702.6)	$(244.9)	35%
Operating loss	$ (114.6)	$(105.8)	8%	$ (141.6)	$ 27.0	19%

Operating revenue from external customers increased $137.6 million, or 65%, to $350.4 million. On a comparable basis, operating revenue from external customers decreased $22.4 million, or 6% primarily due to the movement of certain businesses from the Other segment to the Health Care segment. The elimination of intersegment revenue increased $556.3 million, or 75%. On a comparable basis, the elimination of intersegment revenue increased $222.5 million or 21%, reflecting additional sales by our PBM companies to our Health Care segment.

Operating loss increased $8.8 million, or 8%, to $114.6 million. On a comparable basis, operating loss decreased $27.0 million or 19%, primarily due to expenses not allocated to the Health Care or Specialty segments.

VII. Membership—December 31, 2004 Compared to December 31, 2003

The following table presents our medical membership by customer type, funding arrangement and geographical region as of December 31, 2004 and 2003. Also included below are key metrics from our Specialty segment, including prescription volume for our PBM and membership by product. The membership data presented is unaudited and in certain instances includes estimates of the number of members represented by each contract at the end of the period, rounded to the nearest thousand.

	December 31		Comparable Basis [2]		
	2004	2003 [1]	December 31, 2003	Change	%
	(In thousands)				
Medical Membership					
Customer Type					
Large Group	13,073	4,708	12,740	333	3%
Individual and Small Group (ISG)	5,199	1,954	4,867	332	7
National Accounts	3,212	1,640	2,668	544	20
BlueCard	3,463	2,816	2,931	532	18
Total National	6,675	4,456	5,599	1,076	19
Senior	1,059	599	1,063	(4)	—
State Sponsored	1,722	210	1,781	(59)	(3)
Total medical membership by customer type	27,728	11,927	26,050	1,678	6%
Funding Arrangement					
Self-Funded	13,039	6,412	11,750	1,289	11%
Fully-Insured	14,689	5,515	14,300	389	3
Total medical membership by funding arrangement	27,728	11,927	26,050	1,678	6%
Regional Membership					
East	8,508	5,300	7,839	669	9%
Central	10,565	5,688	10,032	533	5
West	8,655	939	8,179	476	6
Total medical membership by region	27,728	11,927	26,050	1,678	6%
Specialty Metrics					
PBM prescription volume [3]	336,541	76,871	299,630	36,911	12%
Behavioral health membership	11,753	3,171	10,384	NM [4]	NM [4]
Life and disability membership	5,306	2,230	5,240	NM [4]	NM [4]
Dental membership	5,048	2,529	5,291	NM [4]	NM [4]
Vision membership	773	423	431	342	79

1 Represents the former Anthem, Inc. only.

2 "Comparable Basis" data were calculated by adding historical data for the former WellPoint Health Networks Inc. to historical data for the former Anthem, Inc., and adjusting the combined totals to ensure a consistent approach for calculating membership and volume statistics and to eliminate overlapping BlueCard membership.

3 Represents prescription volume for mail order and retail prescriptions for the full years ended 2004 and 2003, respectively. Prescription volume for 2004 and 2003 is shown on a "comparable" basis.

4 Changes from prior period information are not meaningful due to different counting methodologies used by the former Anthem, Inc. and the former WellPoint Health Networks Inc.

During the twelve months ended December 31, 2004, total comparable medical membership increased approximately 1,678,000, or 6%, primarily in our National Accounts, BlueCard, and ISG businesses. Our National Accounts comparable membership increased 544,000, or 20%, primarily due to recognition of the value of Blue Cross and Blue Shield networks and the discounts we can secure, the breadth of our product offerings, and our distinctive customer service. BlueCard comparable membership increased 532,000, or 18%, representing increased sales by other Blue Cross and Blue Shield licensees to accounts with members who reside in or travel to our licensed areas. ISG comparable membership increased 332,000, or 7%, primarily due to the introduction of new, more affordable product designs and an overall increase in consumer awareness of our wide variety of quality products and services as well as efforts to market products to the uninsured.

Self-funded comparable medical membership increased 1,289,000, or 11%, primarily due to increases in our National Accounts and BlueCard businesses. Fully-insured comparable membership increased by 389,000 members, or 3%, primarily in our ISG business.

Prescription volume at our PBM increased 36,911,000 prescriptions, or 12%, on a comparable basis in 2004 primarily due to the integration of our Virginia health membership to our internal PBM, as well as increased mail-order utilization and growth within our other existing health lines of business.

Vision comparable membership increased 342,000, or 79%, due to the integration of internal health members, as well as increased sales.

VIII. Results of Operations—Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003

Our consolidated results of operations for the years ended December 31, 2004 and 2003 are as follows:

	Years Ended December 31			
	2004 [1]	2003 [1]	$ Change	% Change
	(In millions, except per share data)			
Premiums	$18,771.6	$15,167.7	$3,603.9	24%
Administrative fees	1,436.9	1,160.2	276.7	24
Other revenue	252.4	159.2	93.2	59
Total operating revenue	20,460.9	16,487.1	3,973.8	24
Net investment income	311.7	278.1	33.6	12
Net realized gains on investments	42.5	16.2	26.3	NM [2]
Total revenue	20,815.1	16,781.4	4,033.7	24
Benefit expense	15,387.8	12,254.5	3,133.3	26
Selling, general and administrative expense:				
Selling expense	537.2	411.2	126.0	31
General and administrative expense	2,940.5	2,686.3	254.2	9
Total selling, general and administrative expense	3,477.7	3,097.5	380.2	12
Cost of drugs	95.0	38.7	56.3	NM [2]
Interest expense	142.3	131.2	11.1	8
Amortization of other intangible assets	61.4	47.6	13.8	29
Merger-related undertakings	61.5	—	61.5	NM [2]
Loss on repurchase of debt securities	146.1	—	146.1	NM [2]
Total expense	19,371.8	15,569.5	3,802.3	24
Income before income taxes	1,443.3	1,211.9	231.4	19
Income taxes	483.2	437.6	45.6	10
Net income	$ 960.1	$ 774.3	$ 185.8	24%
Average diluted shares outstanding	314.6	284.0	30.6	11%
Diluted net income per share	$ 3.05	$ 2.73	$ 0.32	12%
Benefit expense ratio [3]	82.0%	80.8%		120 bp [4]
Selling, general and administrative expense ratio [5]	17.0%	18.8%		(180) bp [4]
Income before income tax as a percentage of total revenue	6.9%	7.2%		(30) bp [4]
Net income as a percentage of total revenue	4.6%	4.6%		- bp [4]

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

1 Financial results for 2004 include operations of the former WellPoint Health Networks Inc. for the one month period ended December 31, 2004 and the former Anthem, Inc. for the year ended December 31, 2004. Financial results for 2003 represent the results of the former Anthem, Inc. only and have been reclassified to conform to current presentation.

2 NM = Not meaningful

3 Benefit expense ratio = Benefit expense ÷ Premiums.

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

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

Premiums increased $3,603.9 million, or 24%, to $18,771.6 million in 2004, due to the impact of the merger with WHN, and premium rate increases in our Large Group and ISG businesses. Also contributing to premium

growth was higher fully-insured membership, primarily in our ISG business. Partially offsetting the growth were shifts by certain customers to self-funding arrangements, resulting in lower revenues. Included in 2003 were premium refunds of $40.4 million issued to policyholders from our Health Care segment, as claims costs in certain lines of business were much lower than expected. Our premium yields, net of buy-downs, for our fully-insured Large Group and ISG businesses were just less than 10% on a rolling 12-month basis as of December 31, 2004, including the business of pre-merger WHN for all periods.

Administrative fees increased $276.7 million, or 24%, to $1,436.9 million in 2004, primarily due to increased revenues from self-funded membership, principally in National businesses, and also due to the impact of the merger with WHN. These increases were partially offset by decreased administrative fees from AdminaStar Federal's 1-800 Medicare Help Line contract with Centers for Medicare & Medicaid Services, or CMS, which was substantially completed by June 30, 2003.

Other revenue is comprised principally of co-payments and deductibles associated with the sale of mail-order drugs by our PBM, which provides its services to members of our Health Care segment and third party clients. Other revenue increased $93.2 million, or 59%, to $252.4 million in 2004, primarily due to additional mail-order prescription volume and increased prices of prescription drugs sold by our PBM, and also due to the impact of the merger with WHN. Increased mail-order prescription volume resulted from both membership increases and additional utilization of our PBM's mail-order pharmacy option. Effective January 1, 2004, our PBM began to provide pharmacy benefit management services to Virginia customers of our Health Care segment.

Net investment income increased $33.6 million, or 12%, to $311.7 million in 2004 primarily due to the merger with WHN. Our investment income also increased in 2004 due to the growth in invested assets from reinvestment of cash generated from operations, partially offset by a decrease in yields from new investments. Yields were lower in 2004 due in part to the impact of a portion of our fixed maturity portfolio being invested in shorter duration investments in anticipation of the WHN merger and the use of cash upon completion of the WHN merger on November 30, 2004. Yields were also lower in part due to an increased allocation of tax exempt securities in 2004, which is expected to enhance after tax income.

A summary of our net realized gains on investments for the years ended December 31, 2004 and 2003 is as follows:

	Years Ended December 31		$ Change
	2004	2003	
	(In millions)		
Net realized gains from the sale of fixed maturity securities	$40.6	$ 41.7	$ (1.1)
Net realized gains from the sale of equity securities	3.3	0.5	2.8
Other-than-temporary impairments	(0.8)	(24.4)	23.6
Other realized losses	(0.6)	(1.6)	1.0
Net realized gains	$42.5	$ 16.2	$ 26.3

Other-than-temporary impairments recognized in 2003 were substantially related to our equity security investments, primarily due to the length of time that the securities' fair value had been less than cost.

Benefit expense increased $3,133.3 million, or 26%, to $15,387.8 million in 2004. Benefit expense increased due to the impact of the merger with WHN, and also due to increased cost of care, which was driven primarily by higher costs in outpatient services and drug costs. Included in the 2003 results was a $31.7 million net favorable prior year reserve development recorded during the second quarter of 2003 and a $24.5 million favorable adjustment for resolution of a litigation matter in our Health Care segment in the first quarter of 2003. Our benefit expense ratio increased 120 basis points from 80.8% in 2003 to 82.0% in 2004, increasing from lower than anticipated cost of care trends in 2003 and returning to more sustainable levels.

Selling, general and administrative expense increased $380.2 million, or 12%, to $3,477.7 million in 2004, primarily due to the impact of the merger with WHN, and also due to increases in volume-sensitive costs such as higher commissions, premium taxes and other expenses associated with growth in our business and higher salary and benefits costs. These increases were partially offset by a decrease in incentive compensation in 2004, and $20.0 million of contributions to our charitable foundation made by our Health Care segment in 2003 which did not recur in 2004. Our selling, general and administrative expense ratio decreased 180 basis points to 17.0% in 2004, primarily due to our growth in operating revenue and the leveraging of costs over these higher revenues.

Cost of drugs increased $56.3 million, or 145%, to $95.0 million in 2004, primarily due to higher mail-order prescription volume at our PBM.

Interest expense increased $11.1 million, or 8%, to $142.3 million in 2004, primarily due to additional interest expense on the $2.8 billion of debt initially incurred in conjunction with the WHN merger. Debt of $2.8 billion initially incurred in conjunction with the WHN merger was reduced to approximately $1.9 billion at December 31, 2004. Interest expense for this merger-related debt was incurred in December 2004.

Amortization of other intangible assets increased $13.8 million, or 29%, to $61.4 million in 2004, primarily due to additional amortization expense on identifiable intangible assets resulting from the WHN merger.

Merger-related undertakings were expenses recorded in 2004 related to certain obligations under our agreements with the California Department of Insurance, the California Department of Managed Health Care and the Georgia Department of Insurance. These agreements were related to the merger with WHN.

The loss on repurchase of debt incurred in 2004 related to our tender offer for our high coupon surplus notes. Due to the high coupon on this debt and time remaining until stated maturity, the debt was repurchased at a significant premium over book value, which was the driver of the loss.

Income tax expense increased $45.6 million, or 10%, to $483.2 million in 2004. Included in 2004 was $44.8 million in tax benefits associated with a change in Indiana laws governing the state's high-risk health insurance pool recorded during the first quarter of 2004.

Health Care

Our Health Care segment's summarized results of operations for the years ended December 31, 2004 and 2003 are as follows:

	Years Ended December 31			
	2004	2003	$ Change	% Change
	(In millions)			
Operating revenue	$19,754.5	$16,000.1	$3,754.4	23%
Operating gain	$ 1,505.3	$ 1,174.6	$ 330.7	28%
Operating margin	7.6%	7.3%		30 bp

Operating revenue increased $3,754.4 million, or 23%, to $19,754.5 million in 2004, due to the impact of the merger with WHN, as the results of the acquired health business is included effective November 30, 2004. Operating revenue also increased due to premium rate increases in our Large Group, ISG, and Senior businesses. Also contributing to this growth were membership increases in our ISG and National Accounts businesses.

Operating gain increased $330.7 million, or 28%, to $1,505.3 million, due to our merger with WHN, improved underwriting results in our Large Group business, and growth in our National Accounts businesses. Included in the 2003 results was a $31.7 million net favorable prior year reserve development recorded during the second quarter of 2003 and a $24.5 million favorable adjustment for resolution of a litigation matter in the

first quarter of 2003. Also included in 2003 were premium refunds of $40.4 million issued to policyholders as claims costs in certain lines of business were much lower than expected. Additionally, our Health Care segment made contributions of $20.0 million to our charitable foundation in 2003 that did not occur in 2004.

Specialty

Our Specialty segment's summarized results of operations for the years ended December 31, 2004 and 2003 are as follows:

	Years Ended December 31		$ Change	% Change
	2004	2003		
	(In millions)			
Operating revenue	$1,235.2	$732.0	$ 503.2	69%
Operating gain	$ 100.9	$ 69.1	$ 31.8	46%
Operating margin	8.2%	9.4%		(120) bp

Operating revenue increased $503.2 million, or 69%, to $1,235.2 million in 2004, due to the impact of the merger with WHN, as the results of the acquired specialty business is included effective November 30, 2004. Operating revenue also increased due to increased mail-order prescription volume, including more specialty pharmacy prescriptions and increased wholesale drug costs which are passed through to customers of our PBM. Specialty pharmacy prescriptions include higher cost transactions for biopharmaceutical and injectable medications, which are complex in design and administration, and are costly to ship and store. The increased mail-order prescription volume resulted from both membership increases and additional utilization of our PBM's mail-order pharmacy option. Effective January 1, 2004, our PBM began providing pharmacy benefit management services to our Virginia health members.

Operating gain increased $31.8 million, or 46%, to $100.9 million in 2004, due to the impact of the merger with WHN, and increased mail-order prescription volume at our PBM. This improvement was partially offset by operating results in our other specialty businesses.

Other

Our summarized results of operations for our Other segment for the years ended December 31, 2004 and 2003 are as follows:

	Years Ended December 31		$ Change	% Change
	2004	2003		
	(In millions)			
Operating revenue from external customers	$ 212.8	$ 197.8	$ 15.0	8%
Elimination of intersegment revenue	(741.6)	(442.8)	(298.8)	67%
Total operating revenue	$(528.8)	$(245.0)	$(283.8)	NM
Operating loss	$(105.8)	$(147.3)	$ 41.5	28%

Operating revenue from external customers increased $15.0 million, or 8%, to $212.8 million in 2004, due to the impact of the merger with WHN, as well as an increase in revenues from our Medicare customer service software development contract with CMS. These were partially offset by the loss of our 1-800 Medicare Help Line contract with CMS, which was substantially completed by June 30, 2003. Elimination of intersegment revenues increased $298.8 million, or 67%, reflecting additional sales by our pharmacy benefit management company to our Health Care segment.

Operating loss decreased $41.5 million, or 28%, to $105.8 million in 2004, primarily due to lower incentive compensation expenses.

IX. Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles, or GAAP. Application of GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes and within this Management's Discussion and Analysis. We consider some of our most important accounting policies that require estimates and management judgment to be those policies with respect to liabilities for medial claims payable, income taxes, goodwill and other intangible assets, investments and retirement benefits, which are discussed below. Our significant accounting policies are summarized in Note 2 to our audited consolidated financial statements for the year ended December 31, 2005 included in this Form 10-K.

Medical Claims Payable

The most judgmental accounting estimate in our consolidated financial statements is our liability for medical claims payable. At December 31, 2005, this liability was $4,923.4 million and represented 19% of our total consolidated liabilities. We record this liability and the corresponding benefit expense for pending claims and claims that are incurred but not reported, including the estimated costs of processing such claims. Pending claims are those received by us but not yet processed through our systems. Liabilities for both incurred but not reported and reported but not yet paid claims are determined employing actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. Actuarial Standards of Practice require that the claim liabilities be adequate under moderately adverse circumstances. We determine the amount of the liability for incurred but not reported claims by following a detailed actuarial process that entails using both historical claim payment patterns as well as emerging medical cost trends to project our best estimate of claim liabilities. Under this process, historical data of paid claims is formatted into "claim triangles," which compare claim incurred dates to the dates of claim payments. This information is analyzed to create "completion factors" that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Completion factors are applied to claims paid through the financial statement date to estimate the ultimate claim expense incurred for the current period. Actuarial estimates of claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims.

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

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

In addition to the pending claims and incurred but not reported claims, the liability for medical claims payable includes reserves for premium deficiencies, if appropriate. Premium deficiencies are recognized when it is probable that expected claims and administrative expenses will exceed future premiums on existing medical insurance contracts without consideration of investment income. Determination of premium deficiencies for

longer duration life and disability contracts includes consideration of investment income. For purposes of premium deficiencies, contracts are grouped in a manner consistent with our method of acquiring, servicing and measuring the profitability of such contracts.

We regularly review our assumptions regarding claim liabilities and make adjustments to benefit expense when necessary. If it is determined that our assumptions regarding cost trends and utilization are significantly different than actual results, our income statement and financial position could be impacted in future periods. Adjustments of prior year estimates may result in additional benefit expense or a reduction of benefit expense in the period an adjustment is made. Further, due to the considerable variability of health care costs, adjustments to claim liabilities occur each quarter and are sometimes significant as compared to the net income recorded in that quarter. Prior year development is recognized immediately upon the actuary's judgment that a portion of the prior year liability is no longer needed or that additional liability should have been accrued. That determination is made when sufficient information is available to ascertain that the re-estimate of the liability is accurate and will not fluctuate significantly with future development.

As described above, the completion factors and trend factors can have a significant impact on the claim liability. The following example provides the estimated impact to our December 31, 2005 unpaid claims liability assuming hypothetical changes in the completion and trend factors:

Completion Factor [1]		Claims Trend Factor [2]	
(Decrease) Increase in Completion Factor	Increase (Decrease) in Unpaid Claims Liabilities	(Decrease) Increase in Claims Trend Factor	(Decrease) Increase in Unpaid Claims Liabilities
	(In millions)		(In millions)
(3)%	$751.0	(3)%	$(195.0)
(2)%	489.0	(2)%	(130.0)
(1)%	239.0	(1)%	(65.0)
1%	(229.0)	1%	65.0
2%	(448.0)	2%	130.0
3 %	(659.0)	3 %	195.0

1 Assumes (decrease) increase in the completion factors for the most recent four months

2 Assumes (decrease) increase in the claims trend factors for the most recent two months

In addition, assuming a hypothetical 1% total difference between our December 31, 2005 estimated claims liability and the actual claims paid, net income for the year ended December 31, 2005 would increase or decrease by $32.0 million, while basic and diluted net income per share would increase or decrease by $0.05 per share.

As summarized below, Note 10 to our audited consolidated financial statements for the year ended December 31, 2005 included in this Form 10-K provides historical information regarding the accrual and payment of our medical claims liability. Components of the total incurred claims for each year include amounts accrued for current year estimated claims expense as well as adjustments to prior year estimated accruals. In Note 10 to our audited consolidated financial statements, the line labeled "incurred related to prior years" accounts for those adjustments made to prior year estimates. The impact of any reduction of "incurred related to prior years" claims may be offset as we establish the estimate of "incurred related to current year". Our reserving practice is to consistently recognize the actuarial best estimate of our ultimate liability for our claims. When we recognize a release of the redundancy, we disclose the amount that is not in the ordinary course of business, if material. We believe we have consistently applied our methodology in determining our best estimate for unpaid claims liability at each reporting date.

A reconciliation of the beginning and ending balance for medical claims payable for the years ended December 31, 2005, 2004 and 2003 is as follows:

	Years Ended December 31		
	2005	2004	2003
		(In millions)	
Gross medical claims payable, beginning of period	$ 4,202.0	$ 1,841.7	$ 1,800.0
Ceded medical claims payable, beginning of period	(31.9)	(8.7)	(2.8)
Net medical claims payable, beginning of period	4,170.1	1,833.0	1,797.2
Business combinations and purchase adjustments	784.5	2,394.4	(20.6)
Net incurred medical claims:			
Current year	33,471.0	15,452.6	12,374.2
Prior years (redundancies)	(655.6)	(172.4)	(226.2)
Total net incurred medical claims	32,815.4	15,280.2	12,148.0
Net payments attributable to:			
Current year medical claims	29,532.5	12,556.3	10,598.3
Prior years medical claims	3,341.8	2,781.2	1,493.3
Total net payments	32,874.3	15,337.5	12,091.6
Net medical claims payable, end of period	4,895.7	4,170.1	1,833.0
Ceded medical claims payable, end of period	27.7	31.9	8.7
Gross medical claims payable, end of period	$ 4,923.4	$ 4,202.0	$ 1,841.7
Current year medical claims paid as a percent of current year net incurred medical claims	88.2%	81.3%	85.6%
Prior year redundancies in the current period as a percent of prior year net incurred medical claims	4.2%	1.4%	2.3%

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claims payments, or runout, becomes known. This information is compared to the originally established year end liability. Negative amounts reported for incurred related to prior years result from claims being settled for amounts less than originally estimated. The prior year redundancy of $655.6 million shown in the table above and in Note 10 to our audited consolidated financial statements for the year ended December 31, 2005, represents an estimate based on paid claim activity from January 1, 2005 to December 31, 2005. Medical claim liabilities are usually described as having a “short tail”, which means that they are generally paid within several months of the member receiving service from the provider. Accordingly, the majority, or approximately 87%, of the $655.6 million redundancy relates to claims incurred in calendar year 2004, with the remaining 13% related to claims incurred in 2003 and prior.

The ratio of current year paid as a percent of current year incurred was 88.2% for 2005, 81.3% for 2004, and 85.6% for 2003. The 2004 ratio was impacted by having only one month of medical claims incurred and paid during 2004 for the former WHN. If the former WHN had not been included during 2004, current year medical claims paid would have been $12,170.8 million, current year net incurred medical claims would have been $13,942.8 million and the adjusted ratio would have been approximately 87.3% for 2004. Comparison of the 2005 ratio of 88.2%, the adjusted 2004 ratio of 87.3% and the 2003 ratio of 85.6% indicate that we are paying claims faster. The increase is primarily attributable to improved processes and electronic connectivity with our provider networks. The result of these changes is an enhanced ability to adjudicate and pay claims more quickly.

We calculate the percentage of prior year redundancies in the current period to net incurred medical claims recorded in each prior year in order to demonstrate the development of the prior year reserves. This metric was

4.2% for 2005, 1.4% for 2004 and 2.3% for 2003. This ratio is calculated using the redundancy of $655.6 million, shown above, which represents an estimate based on paid claim activity from January 1, 2005 to December 31, 2005. The 2005 ratio is impacted by having only one month of net incurred medical claims for WHN in 2004. If WHN had been included for the full year 2004 estimated prior year net incurred medical claims would have been $31,281.2 million, and the adjusted ratio would have been approximately 2.1% for the year ended December 31, 2005. The 2.3% ratio for 2003 was impacted by having only five months of net incurred medical claims in 2002 related to the former Trigon Healthcare, Inc. If the former Trigon Healthcare, Inc. had been included for the full year 2002, the ratio would have been approximately 2.0% for 2003.

The following table shows the variance between total net incurred medical claims as reported in the above table for each of 2004 and 2003 and the incurred claims for such years had it been determined retrospectively (computed as the difference between "net incurred medical claims—current year" for the year shown and "net incurred medical claims – prior years (redundancies)" for the immediately following year):

	Years Ended December 31	
	2004	2003
	(In millions)	
Total net incurred medical claims, as reported	$15,280.2	$12,148.0
Retrospective basis, as described above	14,797.0	12,201.8
Variance	$ 483.2	$ (53.8)
Variance to total net incurred medical claims, as reported	3.2%	(0.4)%

The 2004 variance of $483.2 million and variance to total incurred medical claims, as reported of 3.2% are impacted by having only one month of total incurred as reported for WHN during 2004. The adjusted variance would be approximately $146.7 million and the variance to total incurred would be approximately 1.0% if the impact of WHN is removed. We expect that substantially all of the development of the 2005 estimate of medical claims payable will be known during 2006. This table, adjusted for the impact of WHN, shows that our estimates of this liability have approximated the actual development.

Income Taxes

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* . This standard requires, among other things, the separate recognition of deferred tax assets and deferred tax liabilities. Such deferred tax assets and deferred tax liabilities represent the tax effect of temporary differences between financial reporting and tax reporting measured at tax rates enacted at the time the deferred tax asset or liability is recorded. A valuation allowance must be established for deferred tax assets if it is "more likely than not" that all or a portion may be unrealized. Our judgment is required in determining an appropriate valuation allowance.

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

- the types of temporary differences that created the deferred tax asset;
- the amount of taxes paid in prior periods and available for a carry-back claim;
- the forecasted future taxable income, and therefore, likely future deduction of the deferred tax item; and
- any significant other issues impacting the likely realization of the benefit of the temporary differences.

During 2004 and 2003, the valuation allowance decreased by $33.8 million and $81.9 million, respectively. The 2004 and 2003 reductions resulted from utilizing alternative minimum tax, or AMT, credits and net operating losses on our federal income tax return for which we had a deferred tax asset with a corresponding

valuation allowance. As deferred tax assets related to those deductions are available for use in the tax return, a valuation was no longer required and was reduced. The decrease in the valuation allowance in 2004 was partially offset by an additional $5.6 million related to Indiana state taxes, as discussed below.

During 2004 and 2003, we recorded additional tax liabilities of $44.1 million and $81.9 million, respectively, offsetting the reduction in valuation allowances discussed above. These additional liabilities were recorded for uncertainty on several tax issues, including the lack of clear guidance from the Internal Revenue Service, or IRS, on various tax issues relating to our conversion in 1986 from tax exempt to tax paying status.

During 2005, a refund claim we filed in 2003 was approved by the Congressional Joint Committee on Taxation. The claim relates to initially disallowed losses on the sale of certain subsidiaries in the late 1990s. A tax benefit of $28.4 million related to this claim was recorded in the first quarter of 2005. Net income related to this claim was $0.04 per basic and diluted share for the year ended December 31, 2005.

As a result of legislation enacted in Indiana on March 16, 2004, we recorded deferred tax assets and liabilities, with a corresponding net tax benefit in our income statement of $44.8 million, or $0.15 per basic share and $0.14 per diluted share, for the year ended December 31, 2004. The legislation eliminated the creation of tax credits resulting from the payment of future assessments to the Indiana Comprehensive Health Insurance Association, or ICHIA. ICHIA is Indiana's high-risk health insurance pool. Our historical ICHIA assessment payments far exceeded our Indiana income tax liability. Thus, the recognition of a state deferred tax asset was not warranted, as a future Indiana tax liability was unlikely. Under the new legislation, ICHIA tax credits are limited to any unused ICHIA assessment paid prior to December 31, 2004. FAS 109 requires that deferred assets or liabilities be established in the period a change in law is enacted. These deferred tax assets and liabilities reflect temporary differences, net operating loss carryforwards and tax credits relating to our Indiana income tax filings. Following guidance in FAS 109, a valuation allowance of $5.6 million was established for the portion of the deferred tax asset, which we believe will likely not be utilized. There is no carryforward limitation on the tax credits and the net operating loss carryforwards do not begin to expire until 2018. We believe we will have sufficient taxable income in future years to offset these carryforwards; therefore, no additional valuation allowance was recorded.

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

In the ordinary course of business, we are regularly audited by federal and state authorities, and from time to time, these audits result in proposed assessments. We believe our tax positions comply with applicable tax law and intend to defend our positions vigorously through the IRS appeals process. We believe we have adequately provided for any reasonable foreseeable outcome related to these matters. Accordingly, although their ultimate resolution may require additional tax payments, we do not anticipate any material impact to earnings from these matters. As of December 31, 2005, the IRS concluded its examination of our 2001 and 2002 tax years and has initiated its examination of our 2003 and 2004 tax years. Various tax examinations and proceedings also continue for pre-consolidation periods of subsidiaries.

For additional information, see Note 14 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included in this Form 10-K.

Goodwill and Other Intangible Assets

Our consolidated goodwill at December 31, 2005 was $13,469.1 million and other intangible assets were $9,686.4 million. The sum of goodwill and intangible assets represents 45% of our total consolidated assets and 93% of our consolidated shareholders' equity at December 31, 2005.

We follow Statement of Financial Accounting Standards No. 141, *Business Combinations* , and Statement of Accounting Standards No. 142, *Goodwill and Other Intangible Assets* . FAS 141 specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. Under FAS 142, goodwill and other intangible assets (with indefinite lives) are not amortized but are tested for impairment at least annually. We completed our annual impairment tests of existing goodwill and other intangible assets (with indefinite lives) for each of the years ended December 31, 2005, 2004 and 2003 and based upon these tests we have not incurred any impairment losses related to any goodwill and other intangible assets (with indefinite lives).

On December 28, 2005, we completed our merger with WellChoice and purchased 100% of the outstanding common stock of WellChoice. In accordance with FAS 141, we allocated the purchase price to the fair value of assets acquired, including intangible assets, and liabilities assumed. This allocation process included the review of relevant information about the assets and liabilities, independent appraisals and other valuations to determine the fair value of assets acquired and liabilities assumed. The preliminary allocation resulted in $3.4 billion of non-tax deductible goodwill and $1.7 billion of identifiable intangible assets. The purchase price allocation is preliminary and additional refinements may occur.

On November 30, 2004, we completed our merger with WHN and purchased 100% of the outstanding common stock of WHN. In accordance with FAS 141, we allocated the purchase price to the fair value of assets acquired, including intangible assets, and liabilities assumed. This allocation process included the review of relevant information about the assets and liabilities, independent appraisals and other valuations to determine the fair value of assets acquired and liabilities assumed. The allocation resulted in $7.6 billion of non-tax deductible goodwill and $7.0 billion of identifiable intangible assets.

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

For additional information, see Note 4 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included in this Form 10-K.

Investments

Current and long term available-for-sale investment securities were $17,388.0 million at December 31, 2005 and represented 34% of our total consolidated assets at December 31, 2005. In accordance with Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, our fixed maturity and equity securities are classified as "available-for-sale" securities and are reported at fair value. We have determined that all available-for-sale investments in our portfolio, with the exception of certain securities held for contractual or regulatory purposes, are available to support current operations, and accordingly, have classified such securities as current assets. Investment income is recorded when earned, and realized gains or losses, determined by specific identification of investments sold, are included in income when the securities are sold.

In addition to available-for-sale investment securities, we held other long-term investments of $207.8 million, or 0.4% of total consolidated assets, at December 31, 2005. These long-term investments consist primarily of real estate and certain other investments. Due to their less liquid nature, these investments are classified as long-term.

An impairment review of securities to determine if declines in fair value below cost are other-than-temporary is subjective and requires a high degree of judgment. We evaluate our investment securities on a quarterly basis, using both quantitative and qualitative factors, to determine whether a decline in value is other-than-temporary. Such factors considered include the length of time and the extent to which a security's market value has been less than its cost, financial condition and near term prospects of the issuer, recommendations of investment advisors, and forecasts of economic, market or industry trends. If any declines are determined to be other-than-temporary, we charge the losses to income when that determination is made. We have a committee made up of certain accounting and investment associates and management responsible for managing the impairment review process. The current economic environment and recent volatility of securities markets increase the difficulty of determining fair value and assessing investment impairment. The same influences tend to increase the risk of potential impairment of these assets. We recorded charges for other-than-temporary impairment of securities of $14.8 million, $0.8 million and $24.4 million, respectively, for the years ended December 31, 2005, 2004 and 2003. The $24.4 million impairment for the year ended December 31, 2003 included a $22.3 million charge for other-than-temporary impairment of our equity securities; primarily due to the length of time that such securities' fair value had been less than cost.

Management believes it has adequately reviewed the Company's investment securities for impairment and that its investment securities are carried at fair value. However, over time, the economic and market environment may provide additional insight regarding the fair value of certain securities, which could change management's judgment regarding impairment. This could result in realized losses relating to other-than-temporary declines being charged against future income.

A summary of available-for-sale investments with unrealized losses as of December 31, 2005 along with the related fair value, aggregated by the length of time that investments have been in a continuous unrealized loss position, is as follows:

	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In millions)					
Fixed maturity securities	$9,164.7	$ (134.2)	$1,115.1	$ (26.9)	$10,279.8	$ (161.1)
Equity securities	403.9	(27.6)	4.8	(0.4)	408.7	(28.0)
Total	$9,568.6	$ (161.8)	$1,119.9	$ (27.3)	$10,688.5	$ (189.1)

The Company's fixed maturity investment portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. Unrealized losses reported above were primarily caused by the effect of a rising interest rate environment on certain securities with stated interest rates currently below market rates. The Company currently has the ability and intent to hold these securities until their full cost can be recovered. Therefore, the Company does not believe the unrealized losses represent an other-than-temporary impairment as of December 31, 2005.

The Company participates in securities lending programs whereby marketable securities in its investment portfolio are transferred to independent brokers or dealers based on, among other things, their creditworthiness in exchange for collateral initially equal to at least 102% of the value of the securities on loan and is thereafter maintained at a minimum of 100% of the market value of the securities loaned. The market value of the securities on loan to each borrower is monitored daily and the borrower is required to deliver additional collateral if the

market value of the collateral falls below 100% of the market value of the securities on loan. The fair value of the collateral amounted to $1,389.9 million and $658.5 million, which represents 102% and 102% of the carrying value at December 31, 2005 and 2004, respectively. Under the guidance provided in FAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* , the Company recognizes the collateral as an asset, which is reported as "securities lending collateral" on its balance sheet and the Company records a corresponding liability for the obligation to return the collateral to the borrower, which is reported as "securities lending payable". The securities on loan are reported in the applicable investment category on the balance sheet.

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

We have evaluated the impact on the fixed maturity portfolio's fair value considering an immediate 100 basis point change in interest rates. A 100 basis point increase in interest rates would result in an approximate $573.0 million decrease in fair value, whereas a 100 basis point decrease in interest rates would result in an approximate $534.9 million increase in fair value. An immediate 10% decrease in each equity investment's value, arising from market movement, would result in a fair value decrease of $144.8 million. Alternatively, an immediate 10% increase in each equity investment's value, attributable to the same factor, would result in a fair value increase of $144.8 million.

For additional information, see Part II, Item 7A of this Form 10-K, "Quantitative and Qualitative Disclosures about Market Risk" and Note 5 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included in this Form 10-K.

Retirement Benefits

Pension Benefits

We sponsor defined benefit pension plans for our employees, including plans sponsored by WellChoice and WHN prior to the related mergers. These plans are accounted for in accordance with FAS 87, *Employers' Accounting for Pensions* , which requires that amounts recognized in financial statements be determined on an actuarial basis. As permitted by FAS 87, we calculate the value of plan assets described below. Further, the effects on our computation of pension expense from the performance of the pension plans' assets and changes in pension liabilities are amortized over future periods. Other than the former WellChoice plans, for each of our defined benefit pension plans, we use a September 30 measurement date for determining benefit obligations and fair value of plan assets. Plans sponsored by the former WellChoice use a December 31 measurement date. Prior to 2005 plans sponsored by pre-merger WHN used a December 31 measurement date. The effective rates discussed below are based on a weighted average of all the plans and include the effect of using two measurement dates.

An important factor in determining our pension expense is the assumption for expected long-term return on plan assets. As of our last measurement dates, we selected an expected weighted average rate of return on plan assets of 7.80% for all plans (compared to a weighted average 8.16% for 2005 expense recognition). We use a total portfolio return analysis in the development of our assumption. Factors such as past market performance, the long-term relationship between fixed maturity and equity securities, interest rates, inflation and asset allocations are considered in the assumption. The assumption includes an estimate of the additional return expected from active management of the investment portfolio. Peer data and historical returns are also reviewed for appropriateness of the selected assumption. The expected long-term rate of return is calculated by the geometric averaging method, which calculates an expected multi-period return, reflecting volatility drag on compound returns. We believe our assumption of future returns is reasonable. However, if we lower our expected long-term return on plan assets, future contributions to the pension plan and pension expense would likely increase.

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

The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year based on our measurement dates. The weighted average discount rate for all plans is 5.31%, which was developed using a yield curve approach with consideration of a benchmark rate of the Moody's Aa Corporate Bonds index. Using yields available on high-quality fixed maturity securities with various maturity dates, the yield curve approach provides a "customized" rate, which is meant to better match the expected cash flows of our specific benefit plans. Changes in the discount rates over the past three years have not materially affected pension expense, and the net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, have been deferred and amortized as a component of pension expense in accordance with FAS 87.

In managing the plan assets, our objective is to be a responsible fiduciary while minimizing financial risk. Plan assets include a diversified mix of investment grade fixed maturity securities and equity securities across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. In addition to producing a reasonable return, the investment strategy seeks to minimize the volatility in the Company's expense and cash flow.

As of our measurement dates, we had approximately 56% of plan assets invested in equity securities, 37% in fixed maturity securities and 7% in other assets. Approximately $13.1 million, or less than 1% of plan assets, were invested in WellPoint common stock as of the measurement date.

We funded our cash balance pension plans in the amount of $117.8 million during 2005 and $10.0 million during 2004. For the year ending December 31, 2006, the Company does not expect any required contributions under ERISA. The Company may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes.

For the years ended December 31, 2005, 2004 and 2003, we recognized consolidated pretax pension expense of $48.6 million, $40.8 million, and $21.3 million, respectively.

Effective January 1, 2006, we curtailed the benefits under the Anthem Cash Balance Pension Plan, or the Plan. Most participants will no longer have pay credits added to their accounts, but will continue to earn interest on existing account balances. Participants will continue to earn years of pension service for vesting. Employees hired on or after January 1, 2006, will not be eligible to participate in the Plan. Certain participants will be "grandfathered" into the Plan based on age and years of service in previously merged plans. Grandfathered participants will continue to receive pay credits under the Plan formula. Expected savings that should be generated by the curtailment of benefits under the Plan will be mostly offset by increased matching contributions to certain defined contribution plans.

Other Postretirement Benefits

We provide most employees certain life, medical, vision and dental benefits upon retirement. We use various actuarial assumptions including a discount rate and the expected trend in health care costs to estimate the costs and benefit obligations for our retiree benefits. We recognized a postretirement benefit liability of $472.3 million at December 31, 2005.

At our last measurement dates, the weighted average discount rate for all plans was 5.29%. We developed this rate using a yield curve approach with consideration of a benchmark rate of the Moody's Aa Corporate Bonds index.

The assumed health care cost trend rates used to measure the expected cost of other benefits at our last measurement dates was 9.00% for 2006 with a gradual decline to 4.9% by the year 2011. These estimated trend rates are subject to change in the future. The health care cost trend assumption has a significant effect on the amounts reported. For example, an increase in the assumed health care cost trend rate of one percentage point would increase the postretirement benefit obligation as of December 31, 2005 by $51.5 million and would increase service and interest costs by $3.5 million. Conversely, a decrease in the assumed health care cost trend rate of one percentage point would decrease the postretirement benefit obligation by $43.5 million as of December 31, 2005 and would decrease service and interest costs by $2.9 million.

For additional information regarding retirement benefits, see Note 17 to our audited consolidated financial statements as of and for the year ended December 31, 2005 included in this Form 10-K.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ("FAS 123R"). FAS 123R eliminates the alternative to use the intrinsic method of accounting under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. Subsequent to the issuance of FAS 123R, in April 2005, the U.S. Securities and Exchange Commission ("SEC") issued an amendment to Rule 4-01(a) of Regulation S-X regarding the compliance date for FAS 123R. Under this amendment, the effective date of FAS 123R was extended to January 1, 2006, for most public companies with calendar year ends. The impact of adoption, effective January 1, 2006, on our consolidated results of operations is expected to amount to approximately 3% to 5% of net earnings and is not expected to have a significant impact on our consolidated financial position. See Note 2 to our audited consolidated financial statements included in this Form 10-K for our current disclosures of pro forma stock compensation expense.

On March 29, 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107"), which expresses the SEC staff's view on FAS 123R. SAB 107 provides guidance regarding certain matters important to selecting and applying valuation models. We will consider SAB 107 in our implementation of FAS 123R.

In November 2005, the FASB issued FASB Staff Position ("FSP") FAS Nos. 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.* In 2004, the Emerging Issues Task Force ("EITF") issued EITF 03-1, *The Meaning of Other-than-Temporary Impairment and its Application to Certain Investments* to provide detailed guidance on when an investment is considered impaired, whether that impairment is other-than-temporary, how to measure the impairment loss and disclosures related to impaired securities. Because of concerns about the application of the guidance of EITF 03-1 that described whether an impairment is other-than-temporary, the FASB deferred the effective date of that portion of the guidance. This FSP nullifies EITF 03-1 guidance on determining whether an impairment is other-than-temporary, and effectively retains the previous guidance in this area, which requires a careful analysis of all pertinent facts and circumstances. (In addition, the FSP generally carries forward EITF 03-1 guidance for determining when an investment is impaired, how to measure the impairment loss and what disclosures should be made regarding impaired securities. The FSP is effective for reporting periods subsequent to December 15, 2005. Our current analysis of impaired investments is consistent with the provisions of this FSP (see "Critical Accounting Policies and Estimates—Investments"). Therefore, the adoption of this FSP is not expected to have a significant impact on our consolidated financial position and results of operations.

There were no other new accounting pronouncements issued during 2005 that had a material impact on our financial position, operating results or disclosures.

X. Liquidity and Capital Resources

Introduction

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

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

A substantial portion of the assets held by our regulated subsidiaries are in the form of cash and cash equivalents and investments. After considering expected cash flows from operating activities, we generally invest cash that exceeds our near term obligations in longer term marketable fixed maturity securities, to improve our overall investment income returns. Our investment strategy is to make investments consistent with insurance statutes and other regulatory requirements, while preserving our asset base. Our investments are available-for-sale to meet liquidity and other needs. Excess capital at our subsidiaries is paid annually by subsidiaries in the form of dividends to their respective parent companies for general corporate use, as permitted by applicable regulations.

The availability of financing in the form of debt or equity is influenced by many factors including our profitability, operating cash flows, debt levels, debt ratings, contractual restrictions, regulatory requirements and market conditions. We have access to a $2.0 billion commercial paper program supported by a $2.5 billion senior credit facility, which allows us to maintain further operating and financial flexibility.

Liquidity—Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

During 2005, net cash provided by operating activities was $3,256.7 million, as compared to $1,303.2 million in 2004, an increase of $1,953.5 million. The increase resulted from improved net income, including the impact of our merger with WHN. Net cash provided by operating activities for 2005 included a full year of WHN cash flow activity following the merger.

Net cash used in investing activities was $4,420.2 million in 2005, compared to cash used of $2,373.9 million in 2004, an increase in cash used of $2,046.3 million. The table below outlines the changes in investing cash flow between the two years:

	Change in Cash Used in Investing Activities
	(In millions)
Increase in net purchases of investments	$ 1,749.7
Increase in net purchases of subsidiaries	349.8
Increase in net sale of subsidiaries	(92.8)
Decrease in proceeds from settlement of a cash flow hedge	15.7
Increase in net purchases of property and equipment	23.9
Net increase in cash used in investing activities	$ 2,046.3

The purchase of investment securities in 2005 increased from 2004 resulting from increased cash flows from operations driven by improved net income, including the impact of our merger with WHN. The increase in 2005 subsidiary purchases resulted primarily from the use of cash for the WellChoice merger and Lumenos acquisition, as compared to cash used for the WHN merger in 2004. The increase in 2005 sale of subsidiaries resulted primarily from the receipt of cash for the sale of certain subsidiaries, as compared to no activity in 2004.

Net cash flow provided by financing activities was $2,446.5 million in 2005 compared to cash provided by financing activities of $2,063.4 million in 2004. The table below outlines the increase in cash flow provided by financing activities of $383.1 million between the two years:

	Change in Cash Provided by Financing Activities
	(In millions)
Increase in proceeds from exercise of employee stock options and employee stock purchase plan	$ 270.3
Increase in repurchases of common stock	(251.1)
Net increase in proceeds from commercial paper borrowings	15.0
Decrease in repayment of long-term borrowings	643.4
Decrease in long-term borrowings	(70.2)
Decrease in proceeds from issuance of common stock under Equity Security Units stock purchase contracts	(230.0)
Other	5.7
Net increase in cash provided by financing activities	$ 383.1

The increase in proceeds from the exercise of employee stock options reflects the significant increase in employees with vested options due to our merger with WHN. The increase in repurchases of common stock reflects the activity in our Board-approved common stock repurchase program. The decrease in repayments of long-term debt resulted primarily from the significant amount of repayments in 2004 as new long-term debt was issued to partially pay off outstanding long-term debt and fund the WHN merger. The decrease in proceeds from the issuance of common stock under Equity Security Units stock purchase contracts reflects the maturity of these instruments in 2004.

On January 10, 2006, we issued $700.0 million of 5.000% notes due 2011; $1,100.0 million of 5.250% notes due 2016; and $900.0 million of 5.850% notes due 2036 under a registration statement filed on December 28, 2005. The proceeds from this debt issuance were used to repay a bridge loan of $1,700.0 million and approximately $1,000.0 million in commercial paper borrowed to partially fund the WellChoice merger.

Liquidity—Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

During 2004, net cash provided by operating activities was $1,303.2 million, as compared to $1,159.0 million in 2003, an increase of $144.2 million. The increase resulted from improved net income, including the impact of our merger with WHN, partially offset by a decline in cash from changes in operating assets and liabilities. Our decline in cash from changes in operating assets and liabilities included the impact of long-term compensation payments of approximately $113.0 million made during 2004 that had been accrued in prior years. Net cash provided by operating activities for 2004 included one month of WHN cash flow activity following the merger.

Net cash used in investing activities was $2,373.9 million in 2004, compared to cash used of $1,129.2 million in 2003, an increase in cash used of $1,244.7 million. The table below outlines the changes in investing cash flow between the two years:

	Change in Cash Used in Investing Activities
	(In millions)
Decrease in net purchases of investments	$ (999.3)
Increase in net purchases of subsidiaries	2,233.3
Decrease in proceeds from settlement of a cash flow hedge	(15.7)
Increase in net purchases of property and equipment	26.4
Net increase in cash used in investing activities	$ 1,244.7

The purchase of investment securities in 2004 decreased from 2003 as operating cash was retained for the WHN merger. The increase in 2004 subsidiary purchases resulted primarily from the use of cash for the WHN merger, as compared to minimal activity in 2003. The increase in net property and equipment purchases included one month of cash outflows for the pre-merger WHN companies.

Net cash provided by financing activities was $2,063.4 million in 2004 compared to cash used in financing activities of $260.2 million in 2003. Financing activity related to the merger with WHN, as described below, contributed to the increase in cash provided by financing activities.

Effective with the WHN merger, the Board of Directors authorized an increase in our commercial paper program from $1,000.0 million to $2,000.0 million. In December 2004, we initially borrowed $1,500.0 million under this commercial paper program, which was used to repay a portion of our senior credit facilities which were used at the date of the WHN merger to complete the transaction.

On December 9, 2004, we issued $300.0 million of 3.750% Notes due 2007, $300.0 million of 4.250% Notes due 2009, $500.0 million of 5.000% Notes due 2014 and $500.0 million of 5.950% Notes due 2034. Net proceeds from this offering were approximately $1,583.7 million after deducting the initial purchasers' discount and estimated offering expenses. Proceeds from these notes were used to repay borrowings outstanding under our bridge loan and five year credit facility, which were used at the date of the WHN merger to complete the transaction. In addition, a portion of the proceeds were used to fund the tender offer to purchase subsidiary surplus notes. The remainder of the proceeds was used to repay amounts outstanding under our commercial paper program described above.

During 2004, we received $159.0 million of proceeds from the issuance of common stock related to the exercise of stock options and our employee stock purchase program. These proceeds were offset by $82.2 million of cash used to repurchase our common stock.

During 2003, $217.2 million was used to repurchase our common stock. In addition, $100.0 million was used to fund the payment of senior guaranteed notes, which matured on July 15, 2003. These payments were offset by $57.0 million of proceeds from the issuance of common stock related to the exercise of stock options and our employee stock purchase program.

Financial Condition

We maintained a strong financial condition and liquidity position, with consolidated cash, cash equivalents and investments, including long-term investments, of $20.3 billion at December 31, 2005. Since December 31, 2004, total cash, cash equivalents and investments, including long-term investments, increased by $4.5 billion, primarily resulting from the merger with WellChoice, as well as, improved net income driven by the merger with WHN.

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. Also, in connection with the WHN merger, the Company and certain of our subsidiaries in California and Georgia executed undertakings with the California Department of Managed Health Care, the California Department of Insurance and the Georgia Department of Insurance which contained various commitments, including the commitment to provide $61.5 million of support for health benefit programs in those states. Additional undertakings include the requirement to maintain certain capital levels at those subsidiaries. During 2005, we received $3.0 billion of dividends from our subsidiaries. At December 31, 2005, we held at the parent company approximately $2.5 billion of our consolidated $20.3 billion of cash, cash equivalents and investments, which is available for general corporate use, including investment in our businesses, acquisitions, share and debt repurchases and interest payments.

Our consolidated debt-to-total capital ratio (calculated as the sum of debt divided by the sum of debt plus shareholders' equity) was 21.4% as of December 31, 2005 and 18.6% as of December 31, 2004.

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

Future Sources and Uses of Liquidity

On December 28, 2005, we filed a shelf registration with the Securities and Exchange Commission to register an unlimited amount of any combination of debt or equity securities in one or more offerings. Specific information regarding terms of an offering and the securities being offered will be provided at the time of that offering. Proceeds from future offerings are expected to be used for general corporate purposes, including the repayment of debt, capitalization of our subsidiaries or the financing of possible acquisitions or business expansion. On January 10, 2006, we issued $700.0 million of 5.000% notes due 2011; $1.1 billion of 5.250% notes due 2016; and $900.0 million of 5.850% notes due 2036 under this registration statement. The proceeds from this debt issuance were used to repay a bridge loan of $1,700.0 million and $1,000.0 million in commercial paper borrowed to partially fund the WellChoice merger.

On November 29, 2005, we entered into a senior revolving credit facility, or the facility, with certain lenders for general corporate purposes. The facility provides credit up to $2.5 billion (reduced for any commercial paper issuances) and matures on November 29, 2010. The interest rate on this facility is based on either (i) the LIBOR rate plus a predetermined percentage rate based on our credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement. Our ability to borrow under this facility is subject to compliance with certain covenants. Commitment fees for the facility amounted to $1.4 million in 2005. There were no amounts outstanding under this facility as of December 31, 2005. At December 31, 2005, we had $898.6 million available under this facility.

We have Board of Directors' approval to borrow up to $2.0 billion under our commercial paper program. Proceeds from any issuance of commercial paper may be used for general corporate purposes, including the repurchase of our debt and common stock. Commercial paper notes are short-term senior unsecured notes, with a maturity not to exceed 270 days from date of issuance. When issued, the notes bear interest at current market rates. There were $1.6 billion of borrowings outstanding under this commercial paper program as of December 31, 2005, The borrowings outstanding as of December 31, 2005 are classified as long-term debt as our intent is to replace short-term commercial paper for an uninterrupted period extending for more than one year or with borrowings under our senior credit facilities.

As discussed in "Financial Condition" above, many of our subsidiaries are subject to various government regulations that restrict the timing and amount of dividends and other distributions that may be paid. Based upon these requirements, we are currently estimating approximately $2.1 billion of dividends to be paid to the parent company during 2006.

During December 2004, we completed a tender offer to purchase subsidiary surplus notes from the holders, and purchased $258.0 million of 9.125% notes due 2010 and $174.9 million of 9.000% notes due 2027. Future interest payments on these portions of the notes will be paid by the subsidiary to the parent company, and are expected to be approximately $39.2 million annually.

Under our Board of Directors' authorization, we maintain a common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. As of December 31, 2005, we had Board of Directors' authorization to purchase up to an additional $2.0 billion of common stock. Our stock repurchase program is discretionary as we are under no obligation to repurchase shares. We repurchase shares because we believe it is a prudent use of surplus capital. As previously disclosed, we were restricted from repurchasing shares in connection with WellChoice acquisition. Subsequent to the closing of the acquisition on December 28, 2005, we resumed the repurchase of our common stock in January 2006. Given our liquidity and current market conditions, we have been able to execute repurchases under our program in accordance with our strategic plan.

Our current pension funding strategy is to fund an amount at least equal to the minimum required funding as determined under ERISA with consideration of factors such as the minimum pension liability requirement and maximum tax deductible amounts. During the year ended December 31, 2005, no contributions under ERISA were required, however, the Company made tax deductible discretionary contributions of $117.8 million.

Contractual Obligations and Commitments

Our estimated contractual obligations and commitments as of December 31, 2005 are as follows:

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(In millions)		
Long-term debt, including capital leases [1]	$ 8,606.6	$3,966.9	$ 825.6	$ 640.9	$3,173.2
Operating lease commitments	1,098.8	145.0	240.5	208.5	504.8
Projected other postretirement benefits	987.7	35.8	201.3	205.1	545.5
Purchase obligations:					
IBM outsourcing agreements [2]	1,022.8	185.2	326.3	302.3	209.0
Other purchase obligations [3]	74.0	57.0	16.1	0.9	—
Other long-term liabilities	899.9	19.3	356.4	345.2	179.0
Venture capital commitments	22.5	8.7	9.7	4.1	—
Total contractual obligations and commitments	$12,712.3	$4,417.9	$1,975.9	$1,707.0	$4,611.5

1 Includes estimated interest expense.

2 Relates to agreements with International Business Machines Corporation to provide information technology infrastructure services. See Note 18 to the audited consolidated financial statements for the year ended December 31, 2005 for further information.

3 Includes obligations related to IT service agreements and telecommunication contracts.

In addition to the contractual obligations and commitments discussed above, we have a variety of other contractual agreements related to acquiring materials and services used in our operations. However, we do not believe these other agreements contain material noncancelable commitments.

We believe that funds from future operating cash flows, cash and investments and funds available under our credit agreements 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 on our debt and lease commitments, see Notes 7 and 16, respectively, to our audited consolidated financial statements for the year ended December 31, 2005 included in this Form 10-K.

Off-Balance Sheet Arrangements

We have agreed to guarantee up to $37.0 million of debt incurred by an unaffiliated entity to partially finance the purchase of a hospital.

In connection with an investment in a joint venture to develop and operate a well-being center in California, we may be required, based on specific targets, to make an additional $18.0 million contribution following completion of the well-being center. We anticipate the well-being center will be completed during 2006.

In connection with the formation of a joint venture providing Medicaid services in Puerto Rico, we agreed under certain circumstances to provide additional funding to the joint-venture entity. As of December 31, 2005, our maximum potential liability pursuant to this guarantee was $30.3 million. We have not been required to make any payments under this guarantee and we do not currently expect any such payments will be made.

For additional information on these off-balance sheet arrangements, see Note 18 to our audited consolidated financial statements for the year ended December 31, 2005 included in this Form 10-K.

Risk-Based Capital

Our regulated subsidiaries' states of domicile have statutory risk-based capital, or RBC, requirements for health and other insurance companies largely based on the NAIC's RBC Model Act. These RBC requirements are intended to measure capital adequacy, taking into account the risk characteristics of an insurer's investments and products. The NAIC sets forth the formula for calculating the RBC requirements, which are designed to take into account asset risks, insurance risks, interest rate risks and other relevant risks with respect to an individual insurance company's business. In general, under this Act, an insurance company must submit a report of its RBC level to the state insurance department or insurance commissioner, as appropriate, at the end of each calendar year. Our risk-based capital as of December 31, 2005, which was the most recent date for which reporting was required, was in excess of all mandatory RBC thresholds. In addition to exceeding the RBC requirements, we are in compliance with the liquidity and capital requirements for a licensee of the Blue Cross Blue Shield Association and with the tangible net worth requirements applicable to certain of our California subsidiaries.

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

This document contains certain forward-looking information about WellPoint, Inc. ("WellPoint") that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of WellPoint, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include: those discussed and identified in public filings with the U.S. Securities and Exchange Commission ("SEC") made by WellPoint, WellPoint Health Networks Inc. ("WHN") and WellChoice, Inc. ("WC"); trends in health care costs and utilization rates; our ability to secure sufficient premium rate increases; competitor pricing below market trends of increasing costs; increased government regulation of health benefits and managed care; significant acquisitions or divestitures by major competitors; introduction and utilization of new prescription drugs and technology; a downgrade in our financial strength ratings; litigation and investigations targeted at health benefits companies; and our ability to resolve litigation and investigations within estimates; our ability to contract with providers consistent with past practice; our ability to achieve expected synergies and operating efficiencies in the WHN merger within the expected time-frames or at all and to successfully integrate our operations; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss

and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers, may be greater than expected following the transaction; our ability to achieve expected synergies and operating efficiencies in the WC merger within the expected time-frames or at all, to meet expectations regarding repurchases of shares of our common stock and to successfully integrate our operations; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers, may be greater than expected following the transaction; our ability to meet expectations regarding the accounting and tax treatments of the transaction and the value of the transaction consideration; future bio-terrorist activity or other potential public health epidemics; and general economic downturns. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. WellPoint does not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures in WellPoint's and WC's various SEC reports.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a result of our investing and borrowing activities, we are exposed to financial market risks, including those resulting from changes in interest rates and changes in equity market valuations. Potential impacts discussed below are based upon sensitivity analyses performed on WellPoint's financial position as of December 31, 2005. Actual results could vary from these estimates. Our primary objectives with our investment portfolio are to provide safety and preservation of capital, sufficient liquidity to meet cash flow requirements, the integration of investment strategy with the business operations and an attainment of a competitive after-tax total return.

Investments

Our investment portfolio is exposed to three primary sources of risk: credit quality risk, interest rate risk and market valuation risk.

The primary risks associated with our fixed maturity securities are credit quality risk and interest rate risk. Credit quality risk is defined as the risk of a credit downgrade to an individual fixed maturity security and the potential loss attributable to that downgrade. Credit quality risk is managed through our investment policy, which establishes credit quality limitations on the overall portfolio as well as diversification and percentage limits on securities of individual issuers. The result is a well-diversified portfolio of fixed maturity securities, with an average credit rating of approximately AA. Interest rate risk is defined as the potential for economic losses on fixed maturity securities, due to a change in market interest rates. Our fixed maturity portfolio is invested primarily in U.S. government securities, corporate bonds, asset-backed bonds, mortgage-related securities and municipal bonds, all of which represent an exposure to changes in the level of market interest rates. Interest rate risk is managed by maintaining asset duration within a band based upon our liabilities, operating performance and liquidity needs. Additionally, we have the capability of holding any security to maturity, which would allow us to realize full par value.

Our portfolio includes corporate securities (approximately 38% of the total fixed maturity portfolio at December 31, 2005), which are subject to credit/default risk. In a declining economic environment, corporate yields will usually increase prompted by concern over the ability of corporations to make interest payments, thus causing a decrease in the price of corporate securities, and the decline in value of the corporate fixed maturity portfolio. This risk is managed through fundamental credit analysis, diversification of issuers and industries and an average credit rating of the corporate fixed maturity portfolio of approximately A.

Our equity portfolio is comprised of large capitalization and small capitalization domestic equities, foreign equities and index mutual funds. Our equity portfolio is subject to the volatility inherent in the stock market,

driven by concerns over economic conditions, earnings and sales growth, inflation, and consumer confidence. These systematic risks cannot be managed through diversification alone. However, more routine risks, such as stock/industry specific risks, are managed by investing in a diversified equity portfolio.

As of December 31, 2005, approximately 90% of our available-for-sale investments were fixed maturity securities. Market risk is addressed by actively managing the duration, allocation and diversification of our investment portfolio. We have evaluated the impact on the fixed maturity portfolio's fair value considering an immediate 100 basis point change in interest rates. A 100 basis point increase in interest rates would result in an approximate $573.0 million decrease in fair value, whereas a 100 basis point decrease in interest rates would result in an approximate $534.9 million increase in fair value. While we classify our fixed maturity securities as "available-for-sale" for accounting purposes, we believe our cash flows and duration of our portfolio should allow us to hold securities to maturity, thereby avoiding the recognition of losses should interest rates rise significantly.

Our available-for-sale equity securities portfolio, as of December 31, 2005, was approximately 10% of our investments. An immediate 10% decrease in each equity investment's value, arising from market movement, would result in a fair value decrease of $144.8 million. Alternatively, an immediate 10% increase in each equity investment's value, attributable to the same factor, would result in a fair value increase of $144.8 million.

Long-Term Debt

Our total long-term debt at December 31, 2005 was $6.8 billion, and included $1.6 billion of commercial paper and $1.7 billion under a senior bridge facility. The carrying value of the commercial paper and bridge facility approximates fair value as the underlying instruments have variable interest rates at market value. The remainder of the debt is subject to interest rate risk as these instruments have fixed interest rates and the fair value is affected by changes in market interest rates.

At December 31, 2005, we had $3.4 billion of senior unsecured notes with fixed interest rates. These notes, at par value, included $450.0 million at 6.375% due 2006, $200.0 million at 3.50% due 2007, $300.0 million at 3.75% due 2007, $300.0 million at 4.25% due 2009, $350.0 million at 6.375% due 2012, $800.0 million at 6.80% due 2012, $500.0 million at 5.00% due 2014 and $500.0 million at 5.95% due 2034. These notes had combined carrying and estimated fair value of $3.4 billion and $3.5 billion, respectively, at December 31, 2005.

Our subordinated debt includes surplus notes issued by one of our insurance subsidiaries. Par value of amounts outstanding at December 31, 2005 included $42.0 million of 9.125% surplus notes due 2010 and $25.1 million of 9.000% surplus notes due 2027. Any payment of interest or principal on the surplus notes may be made only with the prior approval of the Indiana Department of Insurance. The combined carrying value of the surplus notes was $66.5 million and $66.4 million at December 31, 2005 and 2004, respectively. The estimated fair value of the surplus notes exceeded the carrying value by $16.7 million and $22.4 million at December 31, 2005 and 2004, respectively.

Should interest rates increase or decrease in the future, the estimated fair value of our fixed rate debt would decrease or increase accordingly.

Derivatives

We use derivative financial instruments, specifically interest rate swap agreements, to hedge exposure in interest rate risk on our borrowings. Our derivative use is generally limited to hedging purposes and we generally do not use derivative instruments for speculative purposes.

During the year ended December 31, 2005, we entered into two fair value hedges with a total notional value of $660.0 million. The first hedge is a $360.0 million notional amount interest rate swap agreement to exchange a fixed 6.8% rate for a LIBOR-based floating rate and expires on August 1, 2012. The second hedge is a $300.0 million notional amount interest rate swap agreement to exchange a fixed 5.00% rate for LIBOR-based floating

rate and expires December 15, 2014. During the year ended December 31, 2004, we entered into a $300.0 million notional amount interest rate swap agreement to exchange a fixed 3.75% rate for a LIBOR-based floating rate. This swap agreement expires on December 14, 2007.

During the year ended December 31, 2005, we entered into a floating to fixed rate cash flow hedge with a total notional value of $480.0 million. The purpose of this hedge is to offset the variability of the cash flows due to the rollover of our variable-rate one-month commercial paper issuance. This swap agreement expires in December 2007. During the year ended December 31, 2005, no gain or loss from hedged ineffectiveness was recorded in earnings and the commercial paper borrowings remain outstanding at December 31, 2005. The unamortized fair value included in accumulated comprehensive income at December 31, 2005 was $3.6 million.

During the year ended December 31, 2005, we entered into forward starting pay fixed swaps with an aggregate notional amount of $875.0 million. The objective of these hedges was to eliminate the variability of cash flows in the interest payments on the debt securities to be issued to partially fund the cash portion of the WellChoice merger. The unamortized fair value included in accumulated comprehensive income at December 31, 2005 was $12.5. As of December 31, 2005, the total amount of amortization over the next twelve months is expected to increase interest expense by approximately $0.6 million.

During the year ended December 31, 2004, we entered into forward starting pay fixed swaps and treasury lock swaps with an aggregate notional amount of $2.0 billion. The objective of these hedges was to eliminate the variability of cash flows in the interest payments on the debt securities to be issued to partially fund the cash portion of the WHN merger. Upon termination of these swaps in 2004, we received a net $15.7 million, the net fair value at the times of termination. In addition, we recorded an unrealized gain of $10.2 million, net of tax, as accumulated other comprehensive income. Prior to the WHN merger, we reclassified $0.7 million ($0.5 million, net of tax) to net realized gains on investment for the portion of the hedges that were deemed not probable of occurring. Following the completion of the WHN merger on November 30, 2004, we issued debt securities, and the unamortized fair value of the forward starting pay fixed swaps included in balances in accumulated other comprehensive income began amortizing into earnings, as a reduction of interest expense, over the life of the debt securities. The unamortized fair value included in accumulated comprehensive income at December 31, 2005 was $8.9 million. As of December 31, 2005, the total amount of amortization over the next twelve months will decrease interest expense by approximately $1.3 million.

Changes in interest rates will affect the estimated fair value of these swap agreements. As of December 31, 2005, we recorded an asset of $5.6 million and a liability of $44.9 million, the estimated fair value of the swaps at that date. We have evaluated the impact on the interest rate swap’s fair value considering an immediate 100 basis point change in interest rates. A 100 basis point increase in interest rates would result in an approximate $61.6 million increase in fair value, whereas a 100 basis point decrease in interest rates would result in an approximate $78.0 million decrease in fair value.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

WELLPOINT, INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2005, 2004 and 2003

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
WellPoint, Inc.

We have audited the accompanying consolidated balance sheets of WellPoint, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WellPoint, Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of WellPoint, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Indianapolis, Indiana
February 15, 2006

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WellPoint, Inc.
Consolidated Balance Sheets

(In millions, except share data)	December 31 2005	December 31 2004
Assets		
Current assets:		
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of $15,444.5 and $12,286.7)	$ 15,332.2	$ 12,413.7
Equity securities (cost of $1,388.4 and $1,089.3)	1,448.2	1,173.2
Cash and cash equivalents	2,740.2	1,457.2
Accrued investment income	156.8	144.6
Premium and self-funded receivables	2,295.2	1,574.6
Other receivables	831.4	731.8
Securities lending collateral	1,389.9	658.5
Deferred tax assets, net	728.2	434.0
Other current assets	1,022.7	769.9
Total current assets	25,944.8	19,357.5
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of $238.1 and $219.3)	234.7	220.8
Equity securities (cost of $346.1 and $359.4)	372.9	360.8
Other invested assets, long-term	207.8	166.5
Property and equipment, net	1,078.6	1,045.2
Goodwill	13,469.1	10,017.9
Other intangible assets	9,686.4	8,211.6
Other noncurrent assets	410.9	358.1
Total assets	$ 51,405.2	$ 39,738.4
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	$ 4,923.4	$ 4,202.0
Reserves for future policy benefits	82.1	145.0
Other policyholder liabilities	1,761.1	1,209.5
Total policy liabilities	6,766.6	5,556.5
Unearned income	1,057.1	1,046.6
Accounts payable and accrued expenses	2,860.4	2,222.1
Income taxes payable	833.4	418.8
Security trades pending payable	181.8	84.4
Securities lending payable	1,389.9	658.5
Current portion of long-term debt	481.2	160.9
Other current liabilities	1,286.8	1,433.4
Total current liabilities	14,857.2	11,581.2
Long-term debt, less current portion	6,324.7	4,289.5
Reserves for future policy benefits, noncurrent	679.9	727.2
Deferred tax liability, net	3,306.3	2,596.4
Other noncurrent liabilities	1,244.0	1,085.1
Total liabilities	26,412.1	20,279.4
Commitments and contingencies—Note 18		
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: 660,424,174 and 302,626,708	6.6	3.0
Additional paid-in capital	20,915.4	17,433.6
Retained earnings	4,173.5	1,960.1
Unearned stock compensation	(82.1)	(83.5)
Accumulated other comprehensive (loss) income	(20.3)	145.8
Total shareholders' equity	24,993.1	19,459.0
Total liabilities and shareholders' equity	$ 51,405.2	$ 39,738.4

See accompanying notes.

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WellPoint, Inc.
Consolidated Statements of Income

(In millions, except per share data)	Years ended December 31		
	2005	2004	2003
Revenues			
Premiums	$41,216.7	$18,771.6	$15,167.7
Administrative fees	2,729.9	1,436.9	1,160.2
Other revenue	566.5	252.4	159.2
Total operating revenue	44,513.1	20,460.9	16,487.1
Net investment income	633.1	311.7	278.1
Net realized (losses) gains on investments	(10.2)	42.5	16.2
Total revenues	45,136.0	20,815.1	16,781.4
Expenses			
Benefit expense	33,219.9	15,387.8	12,254.5
Selling, general and administrative expense:			
Selling expense	1,474.2	537.2	411.2
General and administrative expense	5,798.5	2,940.5	2,686.3
Total selling, general and administrative expense	7,272.7	3,477.7	3,097.5
Cost of drugs	288.0	95.0	38.7
Interest expense	226.2	142.3	131.2
Amortization of other intangible assets	238.9	61.4	47.6
Merger-related undertakings	—	61.5	—
Loss on repurchase of debt securities	—	146.1	—
Total expenses	41,245.7	19,371.8	15,569.5
Income before income tax expense	3,890.3	1,443.3	1,211.9
Income tax expense	1,426.5	483.2	437.6
Net income	$ 2,463.8	$ 960.1	$ 774.3
Net income per share [1]			
Basic	$ 4.03	$ 3.15	$ 2.80
Diluted	$ 3.94	$ 3.05	$ 2.73

[1] Per share data for each period presented reflects the two-for-one stock split, which was approved by the Board of Directors on April 25, 2005. All shareholders of record on May 13, 2005 received one additional share of WellPoint common stock for each share of common stock held on that date. The additional shares of common stock were distributed to shareholders of record in the form of a stock dividend on May 31, 2005.

See accompanying notes.

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WellPoint, Inc.
Consolidated Statements of Cash Flows

(In millions)	Years ended December 31		
	2005	2004	2003
Operating activities			
Net income	$ 2,463.8	$ 960.1	$ 774.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Net realized losses (gains) on investments	10.2	(42.5)	(16.2)
Loss on disposal of assets	2.7	0.8	0.4
Loss on repurchase of debt securities	—	146.1	—
Deferred income taxes	(102.6)	(103.4)	(26.7)
Amortization, net of accretion	531.1	197.4	167.7
Depreciation expense	102.7	81.7	77.3
Changes in operating assets and liabilities, net of effect of business combinations:			
Receivables, net	(234.1)	(1.3)	(201.8)
Other assets	(165.6)	(89.9)	(141.7)
Policy liabilities	50.0	25.6	104.7
Unearned income	(38.2)	34.0	84.6
Accounts payable and accrued expenses	309.8	191.6	61.0
Other liabilities	(132.7)	28.5	123.4
Income taxes	459.6	(125.5)	152.0
Net cash provided by operating activities	3,256.7	1,303.2	1,159.0
Investing activities			
Purchases of fixed maturity securities	(17,457.0)	(7,242.7)	(5,135.8)
Proceeds from fixed maturity securities:			
Sales	14,391.4	6,273.5	2,444.2
Maturities, calls and redemptions	1,344.5	952.5	1,670.8
Purchase of equity securities	(4,530.6)	(6.6)	(0.5)
Proceeds from sales of equity securities	4,480.0	1.3	—
Purchases of subsidiaries, net of cash acquired	(2,589.7)	(2,239.9)	(3.5)
Proceeds from sales of subsidiaries, net of cash sold	92.8	—	(3.1)
Proceeds from settlement of cash flow hedges	—	15.7	—
Purchases of property and equipment	(161.8)	(136.8)	(110.7)
Proceeds from sale of property and equipment	10.2	9.1	9.4
Net cash used in investing activities	(4,420.2)	(2,373.9)	(1,129.2)
Financing activities			
Net proceeds from commercial paper borrowings	808.2	793.2	—
Proceeds from long term borrowings	1,700.0	1,770.2	—
Repayment of long-term borrowings	(155.1)	(798.5)	(100.0)
Proceeds from issuance of common stock under Equity Security Unit stock purchase contracts	—	230.0	—
Repurchase and retirement of common stock	(333.4)	(83.3)	(217.2)
Proceeds from sale of put options	1.1	—	—
Proceeds from exercise of employee stock options and employee stock purchase plan	429.3	159.0	57.0
Costs related to issuance of common stock	(3.6)	(8.2)	—
Net cash provided by (used in) financing activities	2,446.5	2,063.4	(260.2)
Change in cash and cash equivalents	1,283.0	992.7	(230.4)
Cash and cash equivalents at beginning of year	1,457.2	464.5	694.9
Cash and cash equivalents at end of year	$ 2,740.2	$ 1,457.2	$ 464.5

See accompanying notes.

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WellPoint, Inc.
Consolidated Statements of Shareholders' Equity

(In millions)	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Unearned Stock Compensation	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
January 1, 2003	139.3	$ 1.4	$ 4,762.2	$ 481.3	$ (5.3)	$ 122.7	$ 5,362.3
Net income	—	—	—	774.3	—	—	774.3
Change in net unrealized gains on investments	—	—	—	—	—	6.8	6.8
Change in additional minimum pension liability	—	—	—	—	—	9.2	9.2
Comprehensive income							790.3
Repurchase and retirement of common stock	(3.4)	—	(115.9)	(101.3)	—	—	(217.2)
Issuance of common stock for stock incentive plan and employee stock purchase plan, net of restricted stock amortization	1.7	—	62.4	—	2.1	—	64.5
December 31, 2003	137.6	1.4	4,708.7	1,154.3	(3.2)	138.7	5,999.9
Net income	—	—	—	960.1	—	—	960.1
Change in net unrealized gains on investments	—	—	—	—	—	(2.5)	(2.5)
Change in net unrealized gain on cash flow hedges	—	—	—	—	—	9.7	9.7
Change in additional minimum pension liability	—	—	—	—	—	(0.1)	(0.1)
Comprehensive income							967.2
Issuance of common stock and conversion of stock options in connection with WellPoint Health Networks Inc. merger, net of issue costs and elimination of subsidiary held stock	154.2	1.6	12,029.2	—	(46.9)	—	11,983.9
Issuance of common stock under Equity Security Units stock purchase contracts	5.3	—	230.0	—	—	—	230.0
Repurchase and retirement of common stock	(1.0)	—	(34.6)	(47.7)	—	—	(82.3)
Issuance of common stock for stock incentive plan and employee stock purchase plan, net of repurchases under stock-for-stock option exercise and restricted stock amortization	6.5	—	500.3	(106.6)	(33.4)	—	360.3
December 31, 2004	302.6	3.0	17,433.6	1,960.1	(83.5)	145.8	19,459.0
Net income	—	—	—	2,463.8	—	—	2,463.8
Change in net unrealized gains on investments	—	—	—	—	—	(157.2)	(157.2)
Change in net unrealized gains on cash flow hedges	—	—	—	—	—	(9.7)	(9.7)
Change in additional minimum pension liability	—	—	—	—	—	0.8	0.8
Comprehensive income							2,297.7
Issuance of common stock and conversion of stock options in connection with WellChoice, Inc. net, of issue costs and elimination of subsidiary held stock and other purchase accounting adjustments	42.7	0.4	2,953.1	—	—	—	2,953.5
Repurchase and retirement of common stock	(3.9)	—	(146.6)	(186.8)	—	—	(333.4)
Issuance of common stock for stock incentive plan and employee stock purchase plan, net of repurchases under stock-for-stock option exercise and restricted stock amortization	12.0	0.1	675.3	(60.5)	1.4	—	616.3
Two-for-one stock split	307.0	3.1	—	(3.1)	—	—	—
December 31, 2005	660.4	$ 6.6	$ 20,915.4	$ 4,173.5	$ (82.1)	$ (20.3)	$ 24,993.1

See accompanying notes.

WellPoint, Inc.
Notes to Consolidated Financial Statements

December 31, 2005

(In Millions, Except Per Share Data)

1. Organization

WellPoint, Inc. ("WellPoint"), which name changed from Anthem, Inc. ("Anthem") effective November 30, 2004, is the largest publicly traded commercial health benefits company in terms of membership in the United States, serving approximately 34 million members as of December 31, 2005. WellPoint and its consolidated subsidiaries (the "Company") offer a broad spectrum of network-based managed care plans to large and small employers, individual, Medicaid and senior markets. The Company's managed care plans include preferred provider organizations ("PPOs"), health maintenance organizations ("HMOs"), point-of-service ("POS") plans, consumer-driven health plans ("CDHPs"), other hybrid plans and traditional indemnity plans. In addition, the Company provides a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management and other administrative services. The Company also provides an array of specialty and other products and services including pharmacy benefit management, group life and disability insurance benefits, dental, vision, behavioral health benefits, workers compensation and long-term care insurance. The Company has licenses in all 50 states.

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

On November 30, 2004, Anthem and WellPoint Health Networks Inc. ("WHN") completed their merger. WHN merged with and into Anthem Holding Corp., a direct and wholly-owned subsidiary of Anthem, with Anthem Holding Corp. as the surviving entity in the merger. In connection with the merger, Anthem amended its articles of incorporation to change its name to WellPoint, Inc. In addition, the ticker symbol for Anthem's common stock listed on the New York Stock Exchange was changed to "WLP". WHN's operating results are included in WellPoint's consolidated financial statements for the period following November 30, 2004.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation: The accompanying consolidated financial statements of the Company include the accounts of WellPoint and its subsidiaries and have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Two-for-One Stock Split: On April 25, 2005, WellPoint's Board of Directors approved a two-for-one split of shares of common stock, which was effected in the form of a 100 percent common stock dividend. All shareholders of record on May 13, 2005 received one additional share of WellPoint common stock for each share of common stock held on that date. The additional shares of common stock were distributed to shareholders of

2. Basis of Presentation and Significant Accounting Policies (continued)

record in the form of a stock dividend on May 31, 2005. All historical weighted average share and per share amounts and all references to stock compensation data and market prices of WellPoint's common stock for all periods presented have been adjusted to reflect this two-for-one stock split.

Investments: All fixed maturity and equity securities are classified as "available-for-sale" and are reported at fair value. The Company has determined that certain of these investment securities are available to support current operations and, accordingly, has classified such investment securities as current assets without regard for contractual maturities. Investments used to satisfy contractual, regulatory or other requirements are classified as long-term, without regard to contractual maturity. The unrealized gains or losses on both current and long-term fixed maturity and equity securities are included in accumulated other comprehensive income as a separate component of shareholders' equity, unless the decline in value is deemed to be other-than-temporary and the Company does not have the intent and ability to hold such securities until their full cost can be recovered, in which case the securities are written down to fair value and the loss is charged to income. The Company evaluates its investment securities for other-than-temporary declines based on quantitative and qualitative factors.

The Company uses the equity method of accounting for investments in companies in which its ownership interest of the voting shares of an investee company enables the Company to influence the operating or financial decisions of the investee company, but the Company is without a controlling financial interest. The Company's proportionate share of equity in net income of these unconsolidated affiliates is reported with net investment income.

For asset-backed securities included in fixed maturity securities, the Company recognizes income using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. The net investment in the securities is adjusted to the amount that would have existed had the new effective yield been applied since the acquisition of the securities. Such adjustments are reflected in net investment income.

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.

The Company participates in securities lending programs whereby marketable securities in its investment portfolio are transferred to independent brokers or dealers based on, among other things, their creditworthiness in exchange for collateral initially equal to at least 102% of the value of the securities on loan and is thereafter maintained at a minimum of 100% of the market value of the securities loaned. The market value of the securities on loan to each borrower is monitored daily and the borrower is required to deliver additional collateral if the market value of the collateral falls below 100% of the market value of the securities on loan. The fair value of the collateral amounted to $1,389.9 and $658.5, which represents 102% and 102% of the market value of the securities on loan at December 31, 2005 and 2004, respectively. Under the guidance provided in FAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* , the Company recognizes the collateral as an asset, which is reported as "securities lending collateral" on its balance sheet and the Company records a corresponding liability for the obligation to return the collateral to the borrower, which is reported as "securities lending payable." The securities on loan are reported in the applicable investment category on the balance sheet.

Cash Equivalents: All highly liquid investments with maturities of three months or less when purchased are classified as cash equivalents.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

2. Basis of Presentation and Significant Accounting Policies (continued)

Derivative Financial Instruments: All investments in derivatives are recorded at fair value. A derivative is typically defined as an instrument whose value is "derived" from an underlying instrument, index or rate, has a notional amount, requires little or no initial investment and can be net settled. WellPoint typically invests in the following types of derivative financial instruments: interest rate swaps, call options, embedded derivatives and warrants. Derivatives embedded within non-derivative instruments (such as options embedded in convertible fixed maturity securities) are bifurcated from the host instrument when the embedded derivative is not clearly and closely related to the host instrument.

The Company's derivatives are reported as other current assets or liabilities or other noncurrent assets or liabilities, as appropriate, with the exception of embedded derivative instruments not subject to bifurcation, which are reported together with their host instrument. If certain correlation, hedge effectiveness and risk reduction criteria are met, a derivative may be specifically designated as a hedge of exposure to changes in fair value or cash flow. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the nature of any hedge designation thereon.

Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss, are reported in results of operations immediately. If the derivative is not designated as a hedge, the gain or loss resulting from the change in the fair value of the derivative is recognized in results of operations in the period of change.

The Company's accounting for changes in the fair value of derivatives is as follows:

Nature of Hedge Designation	Derivative's Change in Fair Value Reflected In:
No hedge designation	Realized investment gains or losses
Fair value hedge	Realized investment gains or losses, along with the change in the fair value of the hedged asset or liability
Cash flow hedge	Other comprehensive income, with subsequent reclassification to earnings when the hedged transaction, asset or liability impacts earnings

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

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

2. Basis of Presentation and Significant Accounting Policies (continued)

The Company's use of derivatives is limited by statutes and regulations promulgated by the various regulatory bodies to which it is subject, and by its own derivative policy.

Credit exposure associated with non-performance by the counterparties to derivative instruments is generally limited to the uncollateralized fair value of the asset related to instruments recognized in the consolidated balance sheets. The Company attempts to mitigate the risk of non-performance by selecting counterparties with high credit ratings and monitoring their creditworthiness and by diversifying derivatives among multiple counterparties.

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

The contractual or notional amounts for derivatives are used to calculate the exchange of contractual payments under the agreements and are not representative of the potential for gain or loss on these instruments. Interest rates and equity prices affect the fair value of derivatives. The fair values generally represent the estimated amounts that WellPoint would expect to receive or pay upon termination of the contracts at the reporting date. Dealer quotes are available for substantially all of the Company's derivatives. For derivative instruments not actively traded, fair values are estimated using values obtained from independent pricing services, costs to settle or quoted market prices of comparable instruments.

Premium and Self-Funded Receivables: Premium and self-funded receivables include the uncollected amounts from insured and self-funded groups, and are reported net of an allowance for doubtful accounts of $96.0 and $78.1 at December 31, 2005 and 2004, respectively. The allowance for doubtful accounts is based on historical collection trends and management's judgment regarding the ability to collect specific accounts.

Other Receivables: Other receivables include proceeds due from brokers on investment trades, government programs, pharmacy sales, reinsurance, claim recoveries and other miscellaneous amounts due to the Company. These receivables have been reduced by an allowance for uncollectible amounts of $90.9 and $84.6 at December 31, 2005 and 2004, respectively, which is based on historical collection trends and management's judgment regarding the ability to collect specific accounts.

The Company's pharmacy benefit managers ("PBM") contract with pharmaceutical manufacturers, some of whom provide rebates based on use of the manufacturers' products by the PBM's affiliated and non-affiliated clients. The Company accrues rebates receivable on a monthly basis based on the terms of the applicable contracts, historical data and current estimates. The PBM bills these rebates to the manufacturers on a quarterly basis. The Company records rebates attributable to affiliated clients as a reduction to benefit expense. Rebates attributable to non-affiliated clients are accrued as rebates receivable and a corresponding payable for the amounts of the rebates to be remitted to non-affiliated clients in accordance with their contracts is also recorded. The Company generally receives rebates between two to five months after billing.

Property and Equipment: Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is computed principally by the straight-line method over estimated useful lives ranging from 15 to

2. Basis of Presentation and Significant Accounting Policies (continued)

39 years for buildings, two to eight years for furniture and equipment, and three to ten years for computer software. Leasehold improvements are depreciated over the term of the related lease. Certain costs related to the development or purchase of internal-use software are capitalized and amortized in accordance with AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* .

Goodwill and Other Intangible Assets: The Company follows FAS 141, *Business Combinations* , and FAS 142, *Goodwill and Other Intangible Assets* . FAS 141 requires business combinations to be accounted for using the purchase method of accounting and it also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. Under FAS 142, goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment at least annually. Goodwill represents the excess of cost of acquisition over the fair value of net assets acquired. Other intangible assets represent the values assigned to subscriber bases, provider and hospital networks, Blue Cross and Blue Shield trademarks, licenses, non-compete and other agreements. Goodwill and other intangible assets are allocated to reportable segments based on membership.

Retirement Benefits: Pension benefits are recorded in accordance with FAS 87, *Employers' Accounting for Pensions* . Prepaid pension benefits represent prepaid costs related to defined benefit pension plans and are reported with other noncurrent assets. Liabilities for pension benefits are reported with other noncurrent liabilities.

Postretirement benefits represent outstanding obligations for retiree medical, life, vision and dental benefits. These benefits are accrued in accordance with FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* . The Company accrues the estimated costs of retiree health and other postretirement benefits during the periods in which eligible employees render service to earn the benefits, and are reported with other noncurrent liabilities.

The "Medicare Prescription Drug, Improvement and Modernization Act of 2003" became law in December 2003 and expanded Medicare, primarily adding a prescription drug benefit for Medicare-eligible retirees starting January 1, 2006. The Company anticipates that the retiree medical benefits it pays in 2006 and beyond will be lower as a result of the new Medicare provisions. During 2004, the Company adopted accounting guidance under Financial Accounting Standards Board Staff Position ("FSP") 106-1 and 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.* The impact of adopting FSP 106-1 and 106-2, while accretive to earnings, is not material to the consolidated financial statements for the years ended December 31, 2005 and 2004.

Medical Claims Payable: Liabilities for medical claims payable include estimated provisions for both reported and unreported claims incurred on an undiscounted basis, as well as estimated provisions for expenses related to the processing of claims. The liabilities are developed using actuarial principles and assumptions that consider, among other things, contractual requirements, historical utilization trends, claim submission and payment patterns, benefit changes, medical inflation, product mix, seasonality, membership and other relevant factors. The liabilities are regularly reviewed and adjusted for known or suspected operational and environmental changes. Due to the considerable variability of health care costs, adjustments to claims liabilities occur each quarter. Although it is not possible to measure the degree of variability inherent in such estimates, management believes these liabilities are adequate and has consistently applied the methodology in determining the best estimate for medical claims payable at each reporting date.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

2. Basis of Presentation and Significant Accounting Policies (continued)

Premium deficiencies are recognized when it is probable that expected claims and administrative expenses will exceed future premiums on existing medical insurance contracts without consideration of investment income. Determination of premium deficiencies for longer duration life and disability contracts includes consideration of investment income. For purposes of premium deficiencies, contracts are deemed to be either short or long duration and are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. Once established, premium deficiencies are released commensurate with actual claims experience over the remaining life of the contract.

Reserves for Future Policy Benefits: Reserves for future policy benefits include liabilities for life and long-term disability insurance policy benefits based upon interest, mortality and morbidity assumptions from published actuarial tables, modified based upon the Company's experience. Future policy benefits also include liabilities for insurance policies for which some of the premiums received in earlier years are intended to pay anticipated benefits to be incurred in future years. Future policy benefits are continually monitored and reviewed, and when reserves are adjusted, differences are reflected in benefit expense. The current portion of reserves for future policy benefits relates to the portion of such reserves that the Company expects to pay within one year. The Company believes that its liabilities for future policy benefits, along with future premiums received, are adequate to satisfy its ultimate benefit liability; however, these estimates are inherently subject to a number of variable circumstances. Consequently, the actual results could differ materially from the amounts recorded in the consolidated financial statements of the Company.

Other Policyholder Liabilities: Other policyholder liabilities include certain case-specific reserves as well as rate stabilization reserves associated with retrospectively rated insurance contracts. Rate stabilization reserves represent accumulated premiums that exceed what customers owe based on actual claim experience and are paid based on contractual requirements.

Revenue Recognition: Gross premiums for fully-insured contracts are recognized as revenue over the period insurance coverage is provided. Premiums applicable to the unexpired contractual coverage periods are reflected in the accompanying consolidated balance sheets as unearned income. Premiums include revenue from retrospectively rated contracts where revenue is based on the estimated ultimate loss experience of the contract. Premium revenue includes an adjustment for retrospectively rated refunds based on an estimate of incurred claims. Premium rates for certain lines of business are subject to approval by the Department of Insurance of each respective state.

Administrative fees include revenue from certain group contracts that provide for the group to be at risk for all, or with supplemental insurance arrangements, a portion of their claims experience. The Company charges these self-funded groups an administrative fee, which is based on the number of members in a group or the group's claim experience. In addition, administrative fees include amounts received for the administration of Medicare or certain other government programs. Under the Company's self-funded arrangements, revenue is recognized as administrative services are performed. All benefit payments under these programs are excluded from benefit expense.

Other revenue principally includes amounts from mail-order prescription drug sales, which are recognized as revenue when the Company ships prescription drug orders.

Federal Income Taxes: The Company files a consolidated income tax return. Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement and tax return bases of assets and liabilities based on enacted tax rates and laws. The deferred tax benefits of the deferred tax assets are recognized to the extent realization of such benefits is more likely than not. Deferred income tax expense or

2. Basis of Presentation and Significant Accounting Policies (continued)

benefit generally represents the net change in deferred income tax assets and liabilities during the year. Current income tax expense represents the tax consequences of revenues and expenses currently taxable or deductible on various income tax returns for the year reported.

Stock-Based Compensation: The Company has a plan that provides for stock-based compensation, including stock options, restricted stock awards and an employee stock purchase plan. Stock options are granted for a fixed number of shares with an exercise price at least equal to the fair value of the shares at the date of the grant. Restricted stock awards are issued at the fair value of the stock on the grant date. The employee stock purchase plan allows for a purchase price per share which is 85% of the lower of the fair value of a share of common stock on (i) the first trading day of the plan quarter, or (ii) the last trading day of the plan quarter. The Company accounts for stock-based compensation using the intrinsic method under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and, accordingly, recognizes no compensation expense related to stock options and employee stock purchases. For grants of restricted stock, other than those awarded under long-term incentive agreements, unearned compensation equivalent to the fair value of the shares at the date of grant is recorded as a separate component of shareholders' equity and subsequently amortized to compensation expense over the award's vesting period. The Company has adopted the disclosure-only provisions of FAS 123, *Accounting for Stock-Based Compensation* ("FAS 123"), as amended by FAS 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* .

On December 16, 2004, FAS 123 (revised 2004), *Share-Based Payment* ("FAS 123R"), was issued. FAS 123R is a revision of FAS 123, supersedes APB 25 and amends FAS 95, *Statement of Cash Flows* . Generally, the approach in FAS 123R is similar to the approach described in FAS 123. However, FAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values and pro forma disclosure is no longer an alternative. Additionally, excess tax benefits, as defined in FAS 123R, will be recognized as an addition to additional paid-in-capital and will be reclassified from operating cash flows to financing cash flows in the consolidated statement of cash flows.

The Company adopted FAS 123R on January 1, 2006, using the modified prospective transition method. Under the modified prospective transition method, fair value accounting and recognition provisions of FAS 123R are applied to share-based awards granted or modified subsequent to the date of adoption and prior periods presented are not restated. In addition, for awards granted prior to the effective date, the unvested portion of the awards shall be recognized in periods subsequent to the adoption based on the grant date fair value determined for recognition or pro forma disclosure purposes under FAS 123. The overall impact of adopting FAS 123R will reduce 2006 earnings by approximately 3% to 5% given the Company's current stock-based compensation programs and will reduce operating cash flows for the excess tax benefits that must be shown as cash flows from financing activities. The Company does not expect that the adoption of FAS 123R will have a material impact on its financial position.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

2. Basis of Presentation and Significant Accounting Policies (continued)

The Company's stock-based employee compensation plans are described in Note 12. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FAS 123 to stock-based employee compensation:

	Years ended December 31		
	2005	2004	2003
Reported net income	$2,463.8	$960.1	$774.3
Add: Stock-based employee compensation expense for restricted stock and stock awards as reported (net of tax)	52.8	6.6	1.7
Less: Total stock-based employee compensation expense as determined under FAS 123 for all awards (net of tax)	(175.3)	(89.5)	(24.6)
Pro forma net income	$2,341.3	$877.2	$751.4
Basic earnings per share:			
As reported	$ 4.03	$ 3.15	$ 2.80
Pro forma	3.83	2.88	2.72
Diluted earnings per share:			
As reported	$ 3.94	$ 3.05	$ 2.73
Pro forma	3.72	2.80	2.65

Earnings Per Share: Earnings per share amounts, on a basic and diluted basis, have been calculated based upon the weighted-average common shares outstanding for the period.

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share includes the dilutive effect of stock options, restricted stock and purchase contracts included in Equity Security Units, using the treasury stock method. The treasury stock method assumes exercise of stock options, vesting of restricted stock and conversion of stock purchase rights under purchase contracts included in Equity Security Units, with the assumed proceeds used to purchase common stock at the average market price for the period. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares. The purchase contracts included in Equity Security Units were settled in November 2004, and the common stock issued is included in the basic earnings per share calculation at December 31, 2004 and thereafter. Under long-term incentive plans, when cumulative net income, as defined, met or exceeded threshold targets, contingently issuable shares were dilutive to earnings per share.

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

3. Business Combinations

Merger with WellChoice, Inc.

On December 28, 2005, the Company completed its merger with WellChoice, Inc. ("WellChoice"), which was announced on September 27, 2005. The merger was deemed effective December 31, 2005 for accounting purposes; accordingly, the operating results of WellChoice will be included in WellPoint's consolidated financial statements in periods following December 31, 2005.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

3. Business Combinations (continued)

Under the merger agreement, WellChoice stockholders received thirty-eight dollars and twenty-five cents ($38.25) in cash and 0.5191 of a share of WellPoint common stock for each share of WellChoice common stock outstanding. The value of the transaction is estimated to be approximately $6,452.0, including cash of $3,126.4, the issuance of 42.4 shares of common stock, valued at $3,180.8, 0.3 shares of WellChoice restricted stock and stock units converted to WellPoint stock, valued at $19.8, WellChoice stock options converted to WellPoint stock options, valued at $113.4, and $11.6 of estimated transaction costs. The fair value of common stock issued was based on $74.97 per share, which represents the average closing price of the Company's common stock for the five trading days ranging from two days before to two days after September 27, 2005, the date the merger was announced.

In accordance with FAS 141 the purchase price was allocated to the fair value of WellChoice assets acquired and liabilities assumed, including identifiable intangible assets. The excess of purchase price over the fair value of net assets acquired resulted in $3,445.2 of non-tax deductible goodwill which was allocated to the Health Care segment. The purchase price allocation is preliminary and is subject to change as fair value estimates and opening balance sheet liabilities, including those related to employee terminations and other merger-related exit activities, are refined.

The estimated fair values of WellChoice assets acquired and liabilities assumed at the date of the merger are summarized as follows:

Current assets	$	4,247.5
Goodwill		3,445.2
Other intangible assets		1,729.5
Other noncurrent assets		192.1
Total assets acquired		9,614.3
Current liabilities		2,458.3
Noncurrent liabilities		704.0
Total liabilities assumed		3,162.3
Net assets acquired	$	6,452.0

Of the $1,729.5 of acquired intangible assets, $1,152.8 was assigned to Blue Cross and Blue Shield trademarks, which are not subject to amortization due to their indefinite life. The remaining acquired intangible assets consist of $563.2 of subscriber base with an average life of 15 years and $13.5 of provider contracts with a 20 year life. The values assigned to goodwill and intangible assets with finite and indefinite lives were determined based on independent third-party valuations.

The pro forma effects of this acquisition were not material to the Company's consolidated results of operations.

Lumenos, Inc. Acquisition

On June 9, 2005, the Company completed its acquisition of Lumenos, Inc. ("Lumenos"), a market leader in consumer-driven health programs. The total consideration for the acquisition was approximately $185.0 in cash paid to the stockholders of Lumenos. The acquisition was accounted for using the purchase method of accounting, and was deemed effective June 1, 2005 for accounting purposes. Accordingly, the results of

3. Business Combinations (continued)

operations for Lumenos are included in the Company's consolidated financial statements for periods following June 1, 2005. In accordance with FAS 141, the purchase price was allocated to the fair value of Lumenos assets acquired and liabilities assumed, including identifiable intangible assets, and the excess of purchase price over the fair value of net assets acquired resulted in $119.5 of non-tax deductible goodwill, which was allocated to the Health Care segment. The purchase price allocation is preliminary and additional refinements may occur. The pro forma effects of this acquisition were not material to the Company's consolidated results of operations.

Merger with WellPoint Health Networks Inc.

As described in Note 1, on November 30, 2004, Anthem completed its merger with WHN and purchased 100% of the outstanding common stock of WHN. As a result of the merger, each WHN stockholder received twenty-three dollars and eighty cents ($23.80) in cash, without interest, and one share of WellPoint common stock for each share of WHN common stock held. The purchase price was $15,773.6 and included cash of $3,718.8, the issuance of approximately 310.6 shares of WellPoint common stock, valued at $11,293.8, WHN stock options converted to WellPoint stock options and other stock awards for approximately 43.7 shares, valued at $563.6, and $197.4 of estimated transaction costs. The fair value of common stock issued was based on $36.35 per share, which represents the average closing price of the Company's common stock for the five trading days ranging from two days before to two days after October 27, 2003, the date the merger was announced.

In accordance with FAS 141, the purchase price was allocated to the fair value of WHN assets acquired and liabilities assumed, including identifiable intangible assets. The excess of purchase price over the fair value of net assets acquired resulted in $7,626.4 of non-tax deductible goodwill, of which $7,397.6 was allocated to the Health Care segment and $228.8 to the Specialty segment.

The estimated fair values of WHN assets acquired and liabilities assumed at the date of the merger, adjusted for final purchase price allocations, are summarized as follows:

Current assets	$	11,381.6
Goodwill		7,626.4
Other intangible assets		7,031.7
Other noncurrent assets		1,100.5
Total assets acquired		27,140.2
Current liabilities		6,969.2
Noncurrent liabilities		4,397.4
Total liabilities assumed		11,366.6
Net assets acquired	$	15,773.6

Of the $7,031.7 of acquired intangible assets, $4,370.0 was assigned to Blue Cross and Blue Shield and other trademarks, $271.0 was assigned to provider networks, and $258.0 was assigned to a license for a state sponsored program, which are not subject to amortization due to their indefinite life. The remaining acquired intangible assets consist of $2,030.0 of subscriber base with an average life of 20 years and $102.7 of provider contracts with a 23 year life. The values assigned to goodwill and intangible assets with finite and indefinite lives were determined based on independent third-party valuations.

The results of operations for WHN are included in WellPoint's consolidated financial statements for the periods following November 30, 2004.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

3. Business Combinations (continued)

In connection with the WHN merger, the Company executed certain undertakings with the California Department of Managed Health Care, the California Department of Insurance ("California DOI"), and the Georgia Department of Insurance ("Georgia DOI"), which contained various commitments by the Company. Expenses for merger related undertakings of $61.5 were recorded in 2004 for certain obligations under these agreements with the California DOI and the Georgia DOI. Under these obligations, during 2005, WellPoint donated $35.0 to community clinics in California and $15.0 for a program to be conducted through California community colleges to support the training of new nurses in California. Further, Blue Cross and Blue Shield of Georgia, Inc. and Blue Cross and Blue Shield Healthcare Plan of Georgia, Inc., started to fund the establishment and administration of a telemedicine network to benefit health care in rural Georgia under the $11.5 commitment established in connection with the WHN merger.

The unaudited pro forma information includes the results of operations for WHN for the periods prior to the merger, adjusted for interest expense on long-term debt and reduced investment income related to the cash and investment securities used to fund the acquisition, additional amortization and depreciation associated with the purchase and the related income tax effects. The unaudited pro forma financial information is presented for informational purposes only and may not be indicative of the results of operations had WHN been owned by WellPoint for the full years ended December 31, 2004 and 2003, nor is it necessarily indicative of future results of operations.

The following summary of unaudited pro forma financial information presents revenues, net income and per share data of WellPoint as if the WHN merger had occurred on January 1, 2003.

	Years Ended December 31	
	2004	2003
Pro forma revenues	$ 42,124.0	$ 37,234.9
Pro forma net income	$ 1,910.3	$ 1,496.8
Pro forma earning per share:		
Basic	$ 3.10	$ 2.55
Diluted	$ 3.00	$ 2.49
Pro forma shares outstanding:		
Basic	615.9	587.2
Diluted	636.8	600.6

4. Goodwill and Other Intangible Assets

A summary of the change in the carrying amount of goodwill by reportable segment (see Note 19) for 2005 and 2004 is as follows:

	Health Care	Specialty	Total
Balance as of January 1, 2004	$ 2,440.5	$ 9.6	$ 2,450.1
Goodwill acquired	7,206.7	379.0	7,585.7
Adjustments	(17.9)	—	(17.9)
Balance as of December 31, 2004	9,629.3	388.6	10,017.9
Goodwill acquired	3,565.6	—	3,565.6
Adjustments	40.5	(154.9)	(114.4)
Balance as of December 31, 2005	$13,235.4	$ 233.7	$13,469.1

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

4. Goodwill and Other Intangible Assets (continued)

Goodwill acquired in 2005 included $3,445.2 related to the merger with WellChoice, $119.5 related to the acquisition of Lumenos and $0.9 related to other acquisitions. Goodwill adjustments of $72.1 in 2005 relate primarily to adjustments for costs associated with employee terminations and costs for exiting certain activities in connection with the WHN merger. The Company recorded an estimate of these liabilities at the merger date, which resulted in an increase to goodwill. For a period of time after the merger date, adjustments to these initial estimates are recorded as an adjustment to goodwill. Subsequent to this purchase price allocation period, any additional changes are recorded as a charge to current operations, except for adjustments to income taxes, which will continue to be adjusted to goodwill. Goodwill adjustments in 2005 also include reductions of $25.4 related to other purchase accounting adjustments related to the WHN merger and $161.1 related to the tax benefit on the exercise of stock options issued as part of the WHN and Trigon Healthcare, Inc. (“Trigon”) acquisitions.

Goodwill acquired in 2004 included $7,579.6 related to the merger with WHN and $6.1 of additional goodwill related to a contingent earnout for a subsidiary in the Company’s Health Care segment. Goodwill reductions of $17.9 in 2004 relate to the exercise of stock options issued as part of the WHN and Trigon acquisitions.

The following table represents a reconciliation of employee termination and other exit costs recorded in connection with the WHN merger:

	Employee Termination Costs	Other Exit Activities	Total
Initial accrual at November 30, 2004	$ 252.0	$ —	$ 252.0
Payments and costs charged against liability	(261.4)	(27.6)	(289.0)
Purchase accounting adjustments to initial estimate	44.5	27.6	72.1
Accrued costs December 31, 2005	$ 35.1	$ —	$ 35.1

The components of other intangible assets as of December 31 are as follows:

	2005			2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with finite lives:						
Subscriber base	$ 3,103.0	$ (381.1)	$2,721.9	$2,549.2	$ (151.2)	$2,398.0
Provider and hospital networks	153.6	(21.4)	132.2	133.8	(13.7)	120.1
Other	18.9	(12.3)	6.6	14.6	(11.0)	3.6
Total	3,275.5	(414.8)	2,860.7	2,697.6	(175.9)	2,521.7
Intangible assets with indefinite life:						
Blue Cross and Blue Shield trademarks	6,296.7	—	6,296.7	5,143.9	—	5,143.9
Provider relationships	271.0	—	271.0	295.0	—	295.0
License	258.0	—	258.0	251.0	—	251.0
Total	6,825.7	—	6,825.7	5,689.9	—	5,689.9
Other intangible assets	$10,101.2	$ (414.8)	$9,686.4	$8,387.5	$ (175.9)	$8,211.6

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

4. Goodwill and Other Intangible Assets (continued)

As required by FAS 142, the Company completed its annual impairment tests of existing goodwill and other intangible assets with indefinite lives during the fourth quarters of 2005, 2004 and 2003. These tests involved the use of estimates related to the fair value of the reporting unit to which the goodwill and other intangible assets with indefinite lives are allocated. There were no impairment losses recorded during 2005, 2004 and 2003.

As of December 31, 2005, estimated amortization expense for each of the five years ending December 31, is as follows: 2006, $296.2; 2007, $280.1; 2008, $263.3; 2009, $246.0; and 2010, $226.4.

5. Investments

A summary of current and long-term investments, available-for-sale, is as follows:

			Gross Unrealized Losses		
	Cost or Amortized Cost	Gross Unrealized Gains	Less than 12 Months	Greater than 12 Months	Estimated Fair Value
December 31, 2005:					
Fixed maturity securities:					
United States Government securities	$ 1,951.9	$ 4.4	$ (11.5)	$ (1.9)	$ 1,942.9
States, municipalities and political subdivisions—tax-exempt	2,902.4	7.2	(22.1)	(12.7)	2,874.8
Corporate securities	5,997.5	21.3	(54.9)	(7.2)	5,956.7
Redeemable preferred securities	14.7	0.8	—	—	15.5
Options embedded in convertible debt securities	19.0	—	—	—	19.0
Mortgage-backed securities	4,797.1	11.7	(45.7)	(5.1)	4,758.0
Total fixed maturity securities	15,682.6	45.4	(134.2)	(26.9)	15,566.9
Equity securities	1,734.5	114.6	(27.6)	(0.4)	1,821.1
Total investments, available-for-sale	$17,417.1	$ 160.0	$ (161.8)	$ (27.3)	$17,388.0
December 31, 2004:					
Fixed maturity securities:					
United States Government securities	$ 1,715.3	$ 10.5	$ (2.4)	$ —	$ 1,723.4
States, municipalities and political subdivisions—tax-exempt	2,438.5	14.2	(10.6)	(1.1)	2,441.0
Corporate securities	5,323.1	100.6	(8.4)	(0.7)	5,414.6
Redeemable preferred securities	7.0	1.0	—	—	8.0
Mortgage-backed securities	3,022.1	30.0	(3.6)	(1.0)	3,047.5
Total fixed maturity securities	12,506.0	156.3	(25.0)	(2.8)	12,634.5
Equity securities	1,448.7	88.6	(3.3)	—	1,534.0
Total investments, available-for-sale	$13,954.7	$ 244.9	$ (28.3)	$ (2.8)	$14,168.5

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

The following table summarizes for fixed maturity securities and equity securities in an unrealized loss position at December 31, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position.

	2005			2004		
(Securities are whole amounts)	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss
Fixed maturity securities:						
12 months or less	4,057	$ 9,164.7	$ (134.2)	1,895	$3,824.7	$ (25.0)
Greater than 12 months	934	1,115.1	(26.9)	143	136.2	(2.8)
Total fixed maturity securities	4,991	10,279.8	(161.1)	2,038	3,960.9	(27.8)
Equity securities:						
12 months or less	1,662	403.9	(27.6)	379	82.5	(3.3)
Greater than 12 months	29	4.8	(0.4)	—	—	—
Total equity securities	1,691	408.7	(28.0)	379	82.5	(3.3)
Total fixed maturity and equity securities	6,682	$10,688.5	$ (189.1)	2,417	$4,043.4	$ (31.1)

The Company's fixed maturity investment portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. Unrealized losses reported above were generally caused by the effect of a rising interest rate environment on certain securities with stated interest rates currently below market rates. The Company has the ability and intent to hold these securities until their full cost can be recovered. Therefore, the Company does not believe the unrealized losses represent an other-than-temporary impairment as of December 31, 2005.

The amortized cost and fair value of fixed maturity securities at December 31, 2005, by contractual maturity, are shown below. Expected maturities may be less than contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 781.0	$ 780.8
Due after one year through five years	5,247.9	5,196.4
Due after five years through ten years	2,627.5	2,602.9
Due after ten years	2,229.1	2,228.8
Mortgage-backed securities	4,797.1	4,758.0
Total available-for-sale debt securities	$15,682.6	$15,566.9

Actual maturities may differ from contractual maturities because certain securities may be called or prepaid with or without call or prepayment penalties.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

The major categories of net investment income for the years ended December 31 are as follows:

	2005	2004	2003
Fixed maturity securities	$570.9	$299.1	$274.5
Equity securities	33.9	8.1	3.7
Cash and cash equivalents	47.6	11.8	4.0
Other invested assets, long-term	3.4	0.8	2.6
Investment revenue	655.8	319.8	284.8
Investment expense	(22.7)	(8.1)	(6.7)
Net investment income	$633.1	$311.7	$278.1

Net realized investment (losses) gains and net change in unrealized (depreciation) appreciation in investments for the years ended December 31, were as follows:

	2005	2004	2003
Net realized investment (losses) gains:			
Fixed maturity securities:			
Gross realized gains from sales	$ 90.9	$ 92.0	$ 58.2
Gross realized losses from sales	(116.2)	(51.4)	(16.5)
Gross realized losses from other-than-temporary impairments	(7.3)	—	—
Net realized (losses) gains on fixed maturity securities	(32.6)	40.6	41.7
Equity securities			
Gross realized gains from sales	43.9	3.4	0.5
Gross realized losses from sales	(21.9)	(0.1)	—
Gross realized losses from other-than-temporary impairments	(7.5)	(0.8)	(24.4)
Net realized gains (losses) on equity securities	14.5	2.5	(23.9)
Other realized investment gains (losses)	7.9	(0.6)	(1.6)
Net realized investment (losses) gains	(10.2)	42.5	16.2
Net change in unrealized (depreciation) appreciation in investments:			
Fixed maturity securities	(244.2)	(61.3)	(56.1)
Equity securities	1.3	59.1	64.8
Other invested assets, long-term	—	(1.4)	0.1
Total net change in unrealized (depreciation) appreciation in investments	(242.9)	(3.6)	8.8
Deferred income tax benefit (expense)	85.7	1.1	(2.0)
Net change in unrealized (depreciation) appreciation in investments	(157.2)	(2.5)	6.8
Net realized (losses) gains and change in unrealized (depreciation) appreciation in investments	$(167.4)	$ 40.0	$ 23.0

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in these risk factors in the near term could have an adverse material impact on the Company’s results of operations or shareholders’ equity.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

A primary objective in the management of the fixed maturity and equity portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities as well as tax considerations. Sales will produce realized gains and losses.

A significant judgment in the valuation of investments is the determination of when an other-than-temporary decline in value has occurred. The Company follows a consistent and systematic process for impairing securities that sustain other-than-temporary declines in value. The Company has established a committee responsible for the impairment review process.

The decision to impair a security incorporates both quantitative criteria and qualitative information. The impairment review process considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments and (e) general market conditions and industry or sector specific factors. For securities that are deemed to be impaired, the security is adjusted to fair value and the resulting losses are recognized in realized gains or losses in the consolidated statements of income. The new cost basis of the impaired securities is not increased for future recoveries in fair value.

Impairments recorded in 2005, 2004 and 2003 were primarily the result of the continued credit deterioration on specific issuers in the bond and equity markets.

At December 31, 2005, no investments other than investments in U.S. government agency securities exceeded 10% of shareholders' equity.

The carrying value of fixed maturity investments that did not produce income during 2005 and 2004 was $4.7 and $0.0 at December 31, 2005 and 2004, respectively.

As of December 31, 2005 the Company had committed approximately $22.6 to future capital calls from various third-party limited partnership investments in exchange for an ownership interest in the related partnerships.

Restricted Investments

At December 31, 2005 and 2004, securities with carrying values of approximately $227.9 and $210.2 were deposited by the Company's insurance subsidiaries under requirements of regulatory authorities.

During 2005 and 2004, the Company entered into securities lending programs. Securities on loan under the Company's securities lending programs are included in the investment captions shown on the accompanying consolidated balance sheets. Under these programs, brokers and dealers who borrow securities are required to deliver substantially the same security to the Company upon completion of the transaction. The fair value of securities on loan as of December 31, 2005 and 2004 was $1,360.1 and $643.8, respectively. Income earned on security lending transactions for the year ended December 31, 2005, 2004 and 2003 was $1.6, $0.1 and $0.0, respectively.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

6. Derivative Financial Instruments

A summary of the aggregate contractual or notional amounts and estimated fair values related to derivative financial instruments at December 31 is as follows:

	2005			2004		
		Estimated Fair Value			Estimated Fair Value	
	Contractual/ Notional Amount	Asset	(Liability)	Contractual/ Notional Amount	Asset	(Liability)
Swaps	$ 2,315.0	$ 5.6	$ (44.9)	$ 300.0	$ —	$ (0.8)
Equity warrants	0.6	3.7	—	—	—	—
Options embedded in convertible debt securities	148.6	19.0	—	—	—	—
Total	$ 2,464.2	$28.3	$ (44.9)	$ 300.0	$ —	$ (0.8)

For the years ended December 31, 2005 and 2004, the Company recognized realized gains related to derivative financial instruments of $1.5 and $0.7, respectively. There were no realized gains or losses on derivative financial instruments for the years ended December 31, 2003.

Fair Value Hedges

During the year ended December 31, 2005, the Company entered into two fair value hedges with a total notional value of $660.0. The first hedge is a $360.0 notional amount interest rate swap agreement to exchange a fixed 6.8% rate for a LIBOR-based floating rate and expires on August 1, 2012. The second hedge is a $300.0 notional amount interest rate swap agreement to exchange a fixed 5.00% rate for LIBOR-based floating rate and expires December 15, 2014.

During the year ended December 31, 2004, the Company entered into a $300.0 notional amount interest rate swap agreement to exchange a fixed 3.75% rate for a LIBOR-based floating rate. The swap agreement expires December 14, 2007.

For the year ended December 31, 2005 and 2004, the Company recognized $0.5 and $0.1 from these swap agreements, which were recorded as a reduction of interest expense.

Cash Flow Hedges

During the year ended December 31, 2005, the Company entered into a floating to fixed rate cash flow hedge with a total notional value of $480.0. The purpose of this hedge is to offset the variability of the cash flows due to the rollover of the Company's variable-rate one-month commercial paper issuance. This swap agreement expires in December 2007. During the year ended December 31, 2005, no gain or loss from hedged ineffectiveness was recorded in earnings and the commercial paper borrowings remain outstanding at December 31, 2005. The unrecognized gain included in accumulated other comprehensive income at December 31, 2005 was $3.6.

During the year ended December 31, 2005, the Company entered into forward starting pay fixed swaps with an aggregate notional amount of $875.0. The objective of these hedges was to eliminate the variability of cash flows in the interest payments on the debt securities to be issued to partially fund the cash portion of the WellChoice merger. The unrecognized loss included in accumulated other comprehensive income at December 31, 2005 was $12.5. As of December 31, 2005, the total amount of amortization over the next twelve months is expected to increase interest expense by approximately $0.6.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

6. Derivative Financial Instruments (continued)

During the year ended December 31, 2004, the Company entered into forward starting pay fixed swaps and treasury lock swaps with an aggregate notional amount of $2,000.0. The objective of these hedges was to eliminate the variability of cash flows in the interest payments on the debt securities to be issued to partially fund the cash portion of the WHN merger. These swaps were terminated in 2004, and the Company received a net $15.7, the net fair value at the time of termination. In addition, the Company recorded an unrealized gain of $10.2, net of tax, as accumulated other comprehensive income. Prior to the WHN merger, the Company reclassified $0.7 ($0.5, net of tax) to net realized gains on investment for the portion of the hedges that were deemed not probable of occurring. Following the completion of the WHN merger on November 30, 2004, the Company issued debt securities, and the unamortized fair value of the forward starting pay fixed swaps included in balances in accumulated other comprehensive income began amortizing into earnings, as a reduction of interest expense, over the life of the debt securities. The unrecognized gain included in accumulated other comprehensive income at December 31, 2005 was $8.9. As of December 31, 2005, the total amount of amortization over the next twelve months will decrease interest expense by approximately $1.3.

7. Long-Term Debt

The carrying value of long-term debt at December 31 consists of the following:

	2005	2004
Senior unsecured notes:		
4.875%, face amount of $150.0, due 2005	$ —	$ 149.8
6.375%, face amount of $450.0, due 2006	455.9	469.6
3.500%, face amount of $200.0, due 2007	195.5	192.8
3.750%, face amount of $300.0, due 2007	292.1	297.4
4.250%, face amount of $300.0, due 2009	297.8	297.3
6.375%, face amount of $350.0, due 2012	375.2	378.9
6.800%, face amount of $800.0, due 2012	786.1	791.8
5.000%, face amount of $500.0, due 2014	481.2	492.8
5.950%, face amount of $500.0, due 2034	493.9	493.8
Surplus notes:		
9.125%, face amount of $42.0, due 2010	41.7	41.6
9.000%, face amount of $25.1, due 2027	24.8	24.8
Variable rate debt:		
Commercial paper program	1,601.4	793.2
Bridge loan	1,700.0	—
Capital leases, stated or imputed rates from 4.700% to 22.000% due through 2012	60.3	26.6
Total debt	6,805.9	4,450.4
Current portion of debt	(481.2)	(160.9)
Long-term debt, less current portion	$6,324.7	$4,289.5

WellPoint had cash requirements of approximately $3,138.0 for the WellChoice merger, including both the cash portion of the purchase price and estimated transaction costs. In anticipation of the merger, on December 28, 2005, WellPoint entered into a bridge loan agreement under which it could borrow up to $3,000.0. On December 28, 2005, WellPoint borrowed $1,700.0 under this bridge facility to partially fund the WellChoice merger. The interest rate on this bridge loan is based on either (i) the LIBOR rate plus a predetermined

7. Long-Term Debt (continued)

percentage rate based on the Company's credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement. The weighted-average interest rate on the bridge loan at December 31, 2005 was 7.250%. The bridge loan has been classified as long-term debt at December 31, 2005 in accordance with FAS 6, *Classification of Short-Term Obligations Expected to Be Refinanced* ("FAS 6"), as this short-term borrowing was replaced with a long-term borrowing on January 10, 2006.

On December 28, 2005, WellPoint filed a shelf registration with the Securities and Exchange Commission to register an unlimited amount of any combination of debt or equity securities in one or more offerings. On January 10, 2006, the Company issued $700.0 of 5.000% notes due 2011; $1,100.0 of 5.250% notes due 2016; and $900.0 of 5.850% notes due 2036 under this registration statement. The proceeds from this debt issuance were used to repay the bridge loan of $1,700.0 and to repay approximately $1,000.0 of commercial paper obtained to partially fund the WellChoice merger.

On November 29, 2005, the Company entered into a senior credit facility (the "facility") with certain lenders for general corporate purposes. The facility provides credit for up to $2,500.0 (reduced for any commercial paper issuances) and matures on November 29, 2010. The interest rate on this facility is based on either (i) the LIBOR rate plus a predetermined percentage rate based on the Company's credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement. The Company's ability to borrow under the facility is subject to compliance with certain covenants. Commitment fees for the facility were $1.4 in 2005 and there are no conditions that are probable of occurring under which the facility may be withdrawn. There were no amounts outstanding under the senior credit facility as of December 31, 2005.

In August 2004, the Company issued $200.0 of 3.500% notes due 2007, which were used to exchange and retire $190.0 aggregate principal amount of 4.655% remarketed subordinated debentures. The Company also received approximately $4.7 of cash proceeds, net of underwriting discounts and offering expenses. These notes were issued under a shelf registration filed with the Securities and Exchange Commission in December 2002 for any combination of debt or equity securities in one or more offerings up to an aggregate amount of $1,000.0. This shelf registration was cancelled in December of 2005.

On December 9, 2004, the Company issued $300.0 of 3.750% notes due 2007, $300.0 of 4.250% notes due 2009, $500.0 of 5.000% notes due 2014 and $500.0 of 5.950% notes due 2034. Net proceeds from this offering were approximately $1,583.7 after deducting the initial purchasers' discount and estimated offering expenses. Proceeds from these notes were used to repay borrowings at November 30, 2004 to partially fund the cash portion of the WHN purchase price and to fund the tender offer to purchase $500.0 of surplus notes of Anthem Insurance Companies, Inc. ("Anthem Insurance"). The remainder of the proceeds was used to repay commercial paper.

The senior unsecured notes of 6.375% due 2006 and 6.375% due 2012 were obligations of WHN prior to the merger. This indebtedness was assumed by Anthem Holding Corp., a direct wholly-owned subsidiary of WellPoint. As required by FAS 141, this debt was recorded at fair value as of the merger date.

Surplus notes are unsecured obligations of Anthem Insurance, a wholly owned subsidiary, and are subordinate in right of payment to all of Anthem Insurance's existing and future indebtedness. Any payment of interest or principal on the surplus notes may be made only with the prior approval of the Indiana Department of Insurance ("IDOI"), and only out of capital and surplus funds of Anthem Insurance that the IDOI determines to be available for the payment under Indiana insurance laws. During December 2004, WellPoint completed a tender offer to purchase Anthem Insurance surplus notes from the holders, and purchased $258.0 of 9.125% notes

7. Long-Term Debt (continued)

due 2010 and $174.9 of 9.000% notes due 2027. The Company recorded a loss of $146.1 which has been recorded as loss on repurchase of debt securities in the statement of income for the year ended December 31, 2004.

The Company has an authorized commercial paper program of up to $2,000.0, the proceeds of which may be used for general corporate purposes. The weighted-average interest rate on commercial paper borrowings at December 31, 2005 and 2004 were 4.40% and 2.44%, respectively. Commercial paper borrowings have been classified as long-term debt at December 31, 2004 in accordance with FAS 6, as the Company's practice and intent is to replace short-term commercial paper outstanding at expiration with additional short-term commercial paper for an uninterrupted period extending for more than one year or with borrowings under the senior credit facility described above.

Interest paid during 2005, 2004 and 2003 was $238.7, $146.7 and $136.4, respectively.

The Company was in compliance with all applicable covenants under its outstanding debt agreements.

Future maturities of debt, including capital leases, are as follows: 2006, $3,782.6; 2007, $495.3; 2008, $9.0; 2009, $307.4; 2010, $45.5 and thereafter $2,166.1.

8. Fair Value of Financial Instruments

In the normal course of business, WellPoint invests in various financial assets, incurs various financial liabilities and enters into agreements involving derivative securities.

Fair values are disclosed for all financial instruments, for which it is practicable to estimate fair value, whether or not such values are recognized in the consolidated balance sheets. Management attempts to obtain quoted market prices for these disclosures. Where quoted market prices are not available, fair values are estimated using present value or other valuation techniques. These techniques are significantly affected by management's assumptions, including discount rates and estimates of future cash flows. Potential taxes and other transaction costs have not been considered in estimating fair values. The estimates presented herein are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

Non-financial instruments such as real estate, property and equipment, deferred income taxes and intangibles, 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 the underlying economic value of the Company.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accrued investment income, premium and self-funded receivables, other receivables, securities lending collateral, unearned income, accounts payable and accrued expenses, income taxes payable, security trades pending 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 following table.

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

Current and long-term investments, available-for-sale, at fair value: The carrying amount approximates fair value, based on quoted market prices, where available. For securities not actively traded, fair values were estimated using values obtained from independent pricing services or quoted market prices of comparable instruments.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value of Financial Instruments (continued)

Other invested assets, long term : The Company's investments in limited partnerships are carried at its share in the partnerships' undistributed retained earnings, which approximates fair value.

Other notes : The fair value of other notes is based on quoted market prices for the same or similar debt, or, if no quoted market prices were available, on the current rates estimated to be available to the Company for debt of similar terms and remaining maturities.

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

Interest rate swaps: The fair value of the interest rate swaps are based on the quoted market prices by the financial institution that is the counterparty to the swap.

Equity warrants: The fair value of equity warrants are based on quoted market prices, where available. For securities not actively traded, fair values were estimated using values obtained from independent pricing services or quoted market prices of comparable instruments.

The carrying values and estimated fair values of the Company's financial instruments at December 31 are as follows:

	2005		2004	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Investments available-for-sale:				
Fixed maturity securities	$15,566.9	$15,566.9	$12,634.5	$12,634.5
Equity securities	1,821.1	1,821.1	1,534.0	1,534.0
Other invested assets, long term	207.8	207.8	166.5	166.5
Derivatives (reported with other noncurrent assets)	9.3	9.3	—	—
Liabilities:				
Debt:				
Commercial paper	1,601.4	1,601.4	793.2	793.2
Other notes and capital leases	5,204.5	5,323.1	3,657.2	3,829.5
Derivatives (reported with other noncurrent liabilities)	44.9	44.9	0.8	0.8

9. Property and Equipment

A summary of property and equipment at December 31 is as follows:

	2005	2004
Land and improvements	$ 60.8	$ 57.3
Building and components	451.4	476.0
Data processing equipment, furniture and other equipment	673.1	555.1
Computer software, purchased and internally developed	679.1	589.1
Leasehold improvements	133.4	89.5
	1,997.8	1,767.0
Accumulated depreciation and amortization	(919.2)	(721.8)
Property and equipment, net	$1,078.6	$1,045.2

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

9. Property and Equipment (continued)

Property and equipment includes assets purchased under noncancelable capital leases of $54.7 and $25.7 at December 31, 2005 and 2004, respectively. Total accumulated amortization on leased assets at December 31, 2005 and 2004 was $17.0 and $5.9, respectively. Depreciation expense for 2005, 2004 and 2003 was $102.7, $81.7 and $77.3, respectively. Amortization expense on leased assets, software and leasehold improvements for 2005, 2004 and 2003 was $125.9, $54.0 and $50.5, respectively. Capitalized costs related to the internal development of software of $409.9 and $330.9 at December 31, 2005 and 2004, respectively, are reported with computer software.

10. Medical Claims Payable

A reconciliation of the beginning and ending balances for medical claims payable is as follows:

	Years Ended December 31		
	2005	2004	2003
Gross medical claims payable, beginning of period	$ 4,202.0	$ 1,841.7	$ 1,800.0
Ceded medical claims payable, beginning of period	(31.9)	(8.7)	(2.8)
Net medical claims payable, beginning of period	4,170.1	1,833.0	1,797.2
Business combinations and purchase adjustments	784.5	2,394.4	(20.6)
Net incurred medical claims:			
Current year	33,471.0	15,452.6	12,374.2
Prior years (redundancies)	(655.6)	(172.4)	(226.2)
Total net incurred medical claims	32,815.4	15,280.2	12,148.0
Net payments attributable to:			
Current year medical claims	29,532.5	12,556.3	10,598.3
Prior years medical claims	3,341.8	2,781.2	1,493.3
Total net payments	32,874.3	15,337.5	12,091.6
Net medical claims payable, end of period	4,895.7	4,170.1	1,833.0
Ceded medical claims payable, end of period	27.7	31.9	8.7
Gross medical claims payable, end of period	$ 4,923.4	$ 4,202.0	$ 1,841.7

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claims payments becomes known. This information is compared to the originally established year end liability. Negative amounts reported for incurred related to prior years result from claims being settled for amounts less than originally estimated. The favorable development in medical claims payable for the years ended December 31, 2005, 2004, and 2003 is primarily attributable to actual medical cost experience being more favorable than that assumed at the time the liability was established.

11. Reinsurance

The Company reinsures certain of its risks with other companies and assumes risk from other companies and such reinsurance is accounted for as a transfer of risk. The Company remains primarily liable to policyholders under ceded insurance contracts and is contingently liable for amounts recoverable from reinsurers in the event that such reinsurers do not meet their contractual obligations.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

11. Reinsurance (continued)

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

A summary of direct, assumed and ceded premiums written and earned for the years ended December 31, is as follows:

	2005		2004		2003	
	Written	Earned	Written	Earned	Written	Earned
Direct	$41,312.7	$41,366.1	$18,886.1	$18,824.4	$15,269.8	$15,186.2
Assumed	22.2	41.3	5.9	5.4	4.4	4.6
Ceded	(169.4)	(190.7)	(58.7)	(58.2)	(23.0)	(23.1)
Net premiums	$41,165.5	$41,216.7	$18,833.3	$18,771.6	$15,251.2	$15,167.7
Assumed/Net premiums as %	0.05%	0.10%	0.03%	0.03%	0.03%	0.03%

A summary of net premiums written and earned for the Company's segments for the years ended December 31 is as follows:

	2005		2004		2003	
	Written	Earned	Written	Earned	Written	Earned
Reportable segments:						
Health Care	$ 40,322.5	$ 40,315.5	$ 18,571.6	$ 18,511.5	$ 15,092.5	$ 15,008.6
Specialty	853.5	911.7	269.7	268.1	171.7	172.1
Other	(10.5)	(10.5)	(8.0)	(8.0)	(13.0)	(13.0)
Net premiums	$ 41,165.5	$ 41,216.7	$ 18,833.3	$ 18,771.6	$ 15,251.2	$ 15,167.7

The effect of reinsurance on benefit expense for the years ended December 31 is as follows:

	2005	2004	2003
Direct	$33,374.4	$15,419.3	$12,277.4
Assumed	8.5	9.6	10.9
Ceded	(163.0)	(41.1)	(33.8)
Benefit expense	$33,219.9	$15,387.8	$12,254.5

The effect of reinsurance on certain assets and liabilities at December 31 is as follows:

	2005	2004
Policy liabilities, assumed	$169.0	$212.8
Unearned income, assumed	0.3	19.3
Premiums payable, ceded	25.7	31.6
Premiums receivable, assumed	7.3	28.3

WellPoint, Inc.
Notes to Consolidated Financial Statements (continued)

12. Capital Stock

Shares Issued for the WellChoice Merger

On December 28, 2005, as partial consideration in the WellChoice merger, the Company issued .05191 of a share of WellPoint common stock for each share of WellChoice common stock outstanding, resulting in additional outstanding shares of approximately 42.7. The $3,200.6 fair value of the common shares issued was determined based on $74.97 per share, which represents the average closing price of the Company's common stock for the five trading days ranging from two days before to two days after September 27, 2005, the date the merger was announced. Transaction costs of $11.6 reduced the aggregate fair value and $3,189.0 was recorded as par value of common stock and additional paid-in capital.

Shares Issued for the WHN Merger

Effective November 30, 2004, as partial consideration in the WHN merger, the Company issued one share of common stock for each WHN share outstanding, resulting in additional outstanding shares of approximately 310.6. The $11,293.8 fair value of the common shares issued was determined based on $36.35 per share, which represents the average closing price of the Company's common stock for the five trading days ranging from two days before to two days after October 27, 2003, the date the merger was announced. Offering costs of $8.3 reduced the aggregate fair value and $11,285.5 was recorded as par value of common stock and additional paid-in capital.

***Stock Incentive Plan* s**

The Company's 2001 Stock Incentive Plan ("Stock Plan") provides for the granting of stock options, restricted stock awards, performance stock awards, performance awards and stock appreciation rights to eligible employees and non-employee directors. The Stock Plan permits the Compensation Committee of the Board of Directors to make grants in such amounts and at such times as it may determine, including grants of shares of restricted and unrestricted common stock in lieu of the Company's obligations to pay cash under other plans and compensatory arrangements, including the Company's Annual Incentive Plan and Long Term Incentive Plan.

In accordance with the Stock Plan, options to purchase shares of common stock at an amount equal to the fair market value of the stock at the date of grant were granted to eligible employees and non-employee directors during 2005, 2004 and 2003. Options vest and expire over terms as set by the Compensation Committee at the time of grant. In 2005, the Company changed the vesting provisions of newly granted options to six equal semi-annual vesting tranches. Options granted prior to 2005 vested in three equal annual tranches. All options expire ten years from the grant date. Certain grants contain provision whereby the employee continues to vest in the award subsequent to termination due to retirement. The Company's expense attribution methodology ignores such vesting provisions and the fair value of the awards is amortized over the stated vesting periods. Effective with the adoption of FAS 123R, the Company will change its attribution method and will then consider all vesting provisions in determining the requisite service period over which the fair value of the awards will be recognized.

In connection with the WellChoice merger, the Company assumed the WellChoice, Inc. 2003 Omnibus Incentive Plan, which provided for the granting of stock options to employees and non-employee directors. WellChoice stock options were converted to WellPoint stock options using the option exchange ratio as defined in the merger agreement. The converted stock options were recorded at the acquisition date as additional paid-in capital and valued at $113.4 using a binomial lattice model. The following weighted-average assumptions were used for the conversion: risk free interest rate of 4.32%; volatility factor of 22.00%; expected dividend yield of 0.00%; and expected option life of three years.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

12. Capital Stock (continued)

In connection with the WHN merger, the Company assumed the WellPoint Health Networks Inc. 1999 Stock Incentive Plan, the WellPoint Health Networks Inc. 2000 Employee Stock Option Plan, the Cobalt Corporation Equity Incentive Plan, the RightCHOICE Managed Care, Inc. 2001 Stock Incentive Plan, the RightCHOICE Managed Care, Inc. 1994 Equity Incentive Plan and the RightCHOICE Managed Care, Inc. Nonemployee Directors' Stock Option Plan, which collectively provided for the granting of stock options to employees and non-employee directors. WHN stock options were converted to WellPoint stock options using the option exchange ratio as defined in the merger agreement. The converted stock options were recorded at the acquisition date as additional paid-in capital and valued at $559.9 using a Black-Scholes option-pricing model. The following weighted-average assumptions were used for the conversion: risk free interest rate of 3.07%; volatility factor of 33.00%; expected dividend yield of 0.00%; and expected option life of three years.

A summary of stock option activity for the years ended December 31 is as follows:

	2005		2004		2003	
	Number of Shares	Weighted-Average Option Price per Share	Number of Shares	Weighted-Average Option Price per Share	Number of Shares	Weighted-Average Option Price per Share
Balance at January 1	49.0	$ 33.90	12.2	$ 27.56	11.7	$ 21.74
Options granted	9.9	63.75	8.6	47.64	3.6	35.81
Options converted	2.4	35.72	43.3	29.99	—	—
Options exercised	(16.4)	32.19	(14.7)	25.12	(2.8)	13.85
Options forfeited	(0.7)	50.43	(0.4)	34.49	(0.3)	27.11
Balance at December 31	44.2	40.99	49.0	33.90	12.2	27.56
Options exercisable at December 31	29.0	36.61	27.3	32.00	6.7	20.64

Information about stock options outstanding and exercisable as of December 31, 2005 is summarized as follows:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 3.15 – $ 27.00	7.4	5.00	$ 19.51	7.4	$ 19.51
27.01 – 36.00	9.8	7.04	31.18	7.2	31.27
36.01 – 42.00	8.2	8.07	39.99	4.6	39.43
42.01 – 60.00	9.6	6.04	46.75	7.0	47.66
60.01 – 77.70	9.2	8.71	63.80	2.8	64.29
	44.2	7.02	40.99	29.0	36.61

During the year ended December 31, 2005, pursuant to the Stock Plan, the Company granted 1.3 shares of restricted stock to eligible employees. The restricted stock vests in equal annual installments over three years.

During the year ended December 31, 2004, pursuant to the Stock Plan, the Company granted 2.2 shares of stock, including 1.4 shares of restricted stock and 0.2 shares of WellPoint common stock under the Company's 2001 Long-Term Incentive Plan.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

12. Capital Stock (continued)

During the year ended December 31, 2003, pursuant to the Stock Plan, the Company granted 0.1 of restricted stock and stock, primarily for restricted shares to Anthem Southeast employees under long-term incentive agreements and to non-employee directors. The shares were issued at the fair value of the stock on the grant date. The restricted shares vest over periods defined by the long-term incentive agreements.

As of December 31, 2005, 2.6 shares of restricted stock remain unvested. For grants of restricted stock, other than those awarded under long-term incentive agreements, unearned compensation equivalent to the fair market value of the shares at the date of grant is recorded as a separate component of shareholders' equity and subsequently amortized to compensation expense over the vesting period. Compensation expense totaling $81.2, $10.0 and $2.2 was recognized for these grants in 2005, 2004 and 2003, respectively.

As of December 31, 2005, there were 15.9 shares of common stock available for future grants under the Stock Plan.

Employee Stock Purchase Plan

The Company has registered 6.0 shares of common stock for the Employee Stock Purchase Plan ("Stock Purchase Plan") which is intended to provide a means to encourage and assist employees in acquiring a stock ownership interest in WellPoint. The Stock Purchase Plan was initiated in June 2002 and any employee that meets the eligibility requirements, as defined, may participate. No employee will be permitted to purchase more than $25,000 (actual dollars) worth of stock in any calendar year, based on the fair market value of the stock at the beginning of each plan quarter. Employees become participants by electing payroll deductions from 1% to 15% of gross compensation. Payroll deductions are accumulated during each quarter and applied toward the purchase of stock on the last trading day of each quarter. Once purchased, the stock is accumulated in the employee's investment account. The purchase price per share is 85% of the lower of the fair market value of a share of common stock on either the first or last trading day of the quarter. Employee purchases under the Stock Purchase Plan were $52.2, $21.9 and $18.4, respectively, resulting in the issuance of approximately 1.0, 0.6 and 0.6 shares during 2005, 2004 and 2003, respectively. As of December 31, 2005, there were approximately 3.4 shares of common stock available for issuance under the Stock Purchase Plan.

Fair Value

The pro forma information regarding net income and earnings per share presented in Note 2 has been determined as if the Company accounted for its stock-based compensation using the fair value method. The Company has historically used a Black-Scholes option pricing model to estimate the fair value of stock options. The inputs for volatility and expected term of the options were primarily based on historical information.

In 2005, the Company began using a binomial lattice valuation model to estimate the fair value of all future stock options granted. The binomial lattice model is deemed to provide a more accurate estimate of the fair values of employee stock options as it incorporates the impact of employee exercise behavior and allows for the input of a range of assumptions. Expected volatilities utilized in the lattice model are based on an analysis of implied volatilities of publicly traded options on WellPoint stock and historical volatility of WellPoint's stock price. The risk-free interest rate is derived from the U.S. Treasury strip rates at the time of the grant. The expected term of the options was derived from the outputs of the lattice model, which incorporates post-vesting forfeiture assumptions based on an analysis of historical data. The dividend yield was based on the Company's estimate of future dividend yields. Groups of employees that have similar exercise behavior are considered separately for valuation purposes. The Company utilizes the multiple-grant approach for recognizing

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

12. Capital Stock (continued)

compensation cost associated with the vesting tranches of the option grant. The following weighted-average assumptions were used to estimate the fair values of options. In 2005, the expected life represents the fair value calculated by the binomial lattice model as the model does not require the input of an expected life assumption:

	2005	2004	2003
Risk-free interest rate	4.09%	3.56%	2.60%
Volatility factor	28.00%	37.00%	46.00%
Dividend yield	—	—	—
Weighted-average expected life	3.9 years	4.5 years	4.3 years

The binomial lattice and Black-Scholes option-pricing models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock option grants have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, existing models do not necessarily provide a reliable single measure of the fair value of its stock option grants.

The following weighted-average fair values were determined for the years ending December 31:

	2005	2004	2003
Options granted during the year	$19.71	$16.38	$14.39
Restricted stock and stock awards granted during the year	65.77	53.93	33.47
Employee stock purchases during the year	13.27	9.18	7.78

Stock Repurchase Program

Under the Board of Directors' authorization, WellPoint maintains a common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. During 2005, WellPoint repurchased and retired approximately 5.1 shares at an average cost per share of $64.92 for an aggregate cost of $333.4. During 2004, the Company repurchased and retired 2.0 shares, at an average per share price of $41.12, for an aggregate cost of $82.3. During 2003, the Company repurchased and retired approximately 6.8 shares, at an average per share price of $32.03, for an aggregate cost of $217.2. The excess of cost of the repurchased shares over par value is charged on a pro rata basis to additional paid-in capital and retained earnings. As of December 31, 2005, the Company had Board of Directors' authorization to purchase up to an additional $2,000.0 of common stock. The Company's stock repurchase program is discretionary as the Company is under no obligation to repurchase shares. Shares are repurchased under the program because the Company believes it is a prudent use of capital.

Equity Security Units

At the time of its initial public offering on November 2, 2001, the Company issued 4.6 Equity Security Units at 6.00%. Each Equity Security Unit contained a purchase contract under which the holder agreed to purchase, for twenty-five dollars, shares of the Company's common stock on November 15, 2004. In November 2004, the Company received $230.0 for the issuance of approximately 10.6 shares of Anthem common stock pursuant to the purchase contract portion of the Equity Security Units. The number of shares purchased was determined based on the average trading price of the Company's common stock at the time of settlement.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

13. Earnings per Share

The denominator for basic and diluted earnings per share at December 31 is as follows:

	2005	2004	2003
Denominator for basic earnings per share—weighted-average shares	610.9	305.2	276.6
Effect of dilutive securities:			
Employee and director stock options and non vested restricted stock awards	14.9	4.4	2.4
Shares to be contingently issued under long-term incentive plan	—	0.4	1.2
Incremental shares from conversion of Equity Security Unit purchase contracts	—	4.6	3.8
Denominator for diluted earnings per share	625.8	314.6	284.0

Shares were issued under the long-term incentive plan in April 2004. The Equity Security Unit purchase contracts were settled on November 15, 2004, and approximately 10.6 shares of the Company's common stock were issued and included in the basic earnings per share calculation.

14. Income Taxes

The components of deferred income taxes at December 31 are as follows:

	2005	2004
Deferred tax assets:		
Pension and postretirement benefits	$ 210.7	$ 148.1
Accrued expenses	401.0	433.3
Alternative minimum tax and other credits	203.7	2.0
Insurance reserves	188.8	149.6
Net operating loss carryforwards	71.0	38.1
Bad debt reserves	65.6	58.9
Depreciation and amortization	37.9	110.4
State income tax	116.2	136.1
Deferred compensation	177.8	232.3
Other	55.1	36.9
Total deferred tax assets	1,527.8	1,345.7
Valuation allowance	(22.3)	(22.3)
Total deferred tax assets, net of valuation allowance	1,505.5	1,323.4
Deferred tax liabilities:		
Unrealized (losses) gains on securities	(16.6)	106.2
Acquisition related liabilities:		
Goodwill and conversion issues	43.3	15.3
Trademarks and software development	2,683.5	1,817.0
Subscriber base, provider and hospital networks	1,067.3	1,062.1
Other acquisition related liabilities	8.9	30.0
Investment basis difference	147.3	192.4
Retirement liabilities	81.1	80.3
Other	68.8	182.5
Total deferred tax liabilities	4,083.6	3,485.8
Net deferred tax liability	$(2,578.1)	$(2,162.4)
Deferred tax asset—current	$ 728.2	$ 434.0
Deferred tax liability—noncurrent	(3,306.3)	(2,596.4)
Net deferred tax liability	$(2,578.1)	$(2,162.4)

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

The net decrease in the valuation allowance for 2005 and 2004 was $0.0 and $33.8, respectively. The valuation allowance is attributable to the uncertainty of alternative minimum tax ("AMT") credits and net operating loss carryforwards. As deferred tax assets related to these types of deductions are recognized in the tax return, the valuation allowance is no longer required and is reduced. During 2004, the valuation allowance change was due to utilization of AMT credits and net operating loss carryforwards. Also the 2004 valuation allowance was increased by $4.7 as a result of the WHN merger.

Due to uncertainties, including industry issues, regarding both the timing and amount of deductions, the benefit of the 2004 valuation allowance release was offset by an increase in additional income tax liabilities during 2004. The industry issues include the valuation and timing of tax deductions for intangible assets in existence as of the conversion of Blue Cross Blue Shield organizations to taxable status, and the Special Tax Deduction for Blue Cross Blue Shield entities under Internal Revenue Code Section 833(b).

Significant components of the provision for income taxes for the years ended December 31, consist of the following:

	2005	2004	2003
Current tax expense:			
Federal	$1,401.5	$508.2	$362.8
State and local	113.7	27.2	14.7
Total current tax expense	1.515.2	535.4	377.5
Deferred tax (benefit) expense	(88.7)	(52.2)	60.1
Total income tax expense	$1,426.5	$483.2	$437.6

A reconciliation of income tax expense recorded in the consolidated statements of income and amounts computed at the statutory federal income tax rate for the years ended December 31, is as follows:

	2005		2004		2003	
	Amount	Percent	Amount	Percent	Amount	Percent
Amount at statutory rate	$1,361.6	35.0%	$505.2	35.0%	$424.2	35.0%
State and local income taxes net of federal tax benefit	61.0	1.6	(35.7)	(2.5)	9.3	0.8
Tax exempt interest and dividends received deduction	(29.0)	(0.7)	(14.7)	(1.0)	(0.6)	(0.1)
Non-deductible acquisition expense	—	—	21.5	1.5	—	—
Other, net	32.9	0.8	6.9	0.5	4.7	0.4
Total income tax expense	$1,426.5	36.7%	$483.2	33.5%	$437.6	36.1%

During the first quarter of 2005, a refund claim filed by the Company in 2003, was approved by the Congressional Joint Committee on Taxation. The claim relates to initially disallowed losses on the sale of certain subsidiaries in the late 1990s. A tax benefit of $28.4 related to this claim was recorded in the first quarter of 2005. Net income per basic and diluted share related to this claim was $0.04 for the year ended December 31, 2005.

As a result of legislation enacted in Indiana on March 16, 2004, the Company recorded deferred tax assets and liabilities, with a corresponding net tax benefit in the income statement of $44.8, or $0.15 per basic share and $0.14 per diluted share, for the year ended December 31, 2004. The legislation eliminated the creation of tax

14. Income Taxes (continued)

credits resulting from the payment of future assessments to the Indiana Comprehensive Health Insurance Association ("ICHIA"), Indiana's high-risk health insurance pool. Under the new legislation, ICHIA tax credits are limited to any unused ICHIA assessment paid prior to December 31, 2004. A valuation allowance of $5.6 was established for the portion of the deferred tax asset, which the Company believes will likely not be utilized. There is no carryforward limitation on the tax credits and the net operating loss carryforwards do not begin to expire until 2018.

In certain states, the Company pays premium taxes in lieu of state income taxes. Premium taxes are reported with general and administrative expense.

At December 31, 2005, the Company had unused federal tax net operating loss carryforwards of approximately $202.8 to offset future taxable income. The loss carryforwards expire in the years 2006 through 2024. During 2005, 2004 and 2003 federal income taxes paid totaled $994.0, $646.3 and $303.3, respectively.

15. Accumulated Other Comprehensive (Loss) Income

A reconciliation of the components of accumulated other comprehensive income at December 31 is as follows:

	2005	2004
Investments:		
Gross unrealized gains	$ 160.0	$244.9
Gross unrealized losses	(189.1)	(31.1)
Net pretax unrealized (losses) gains	(29.1)	213.8
Deferred tax asset (liability)	10.7	(75.0)
Net unrealized (losses) gains on investments	(18.4)	138.8
Cash flow hedges:		
Gross unrealized gains	—	14.9
Deferred tax liability	—	(5.2)
Net unrealized gain on cash flow hedges	—	9.7
Additional minimum pension liability:		
Gross additional minimum pension liability	(2.9)	(4.1)
Deferred tax asset	1.0	1.4
Net additional minimum pension liability	(1.9)	(2.7)
Accumulated other comprehensive (loss) income	$ (20.3)	$145.8

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

15. Accumulated Other Comprehensive Income (continued)

Comprehensive income (loss) reclassification adjustments for the years ended December 31 are as follows:

	2005	2004	2003
Investments:			
Net holding (loss) gain on investment securities arising during the period, net of tax (benefit) expense of $(89.4), $14.0 and $18.4, respectively	$(163.8)	$ 26.1	$ 34.2
Reclassification adjustment for net realized gain on investment securities, net of tax (benefit) expense of $(3.6), $15.4, and $14.8, respectively	6.6	(28.6)	(27.4)
Total reclassification adjustment on investments	(157.2)	(2.5)	6.8
Cash flow hedges:			
Holding (loss) gain, net of tax (benefit) expense of $(5.2), $5.2 and $0.0, respectively	(9.7)	9.7	—
Other:			
Net change in additional minimum pension liability, net of tax expense of $0.4, $0.0 and $5.1, respectively	0.8	(0.1)	9.2
Net (loss) gain recognized in other comprehensive income, net of tax (benefit) expense of $(90.6), $3.8 and $8.7, respectively	$(166.1)	$ 7.1	$ 16.0

16. Leases

The Company leases office space and certain computer and related equipment using noncancelable operating leases. At December 31, 2005, future lease payments for operating leases with initial or remaining noncancelable terms of one year or more consisted of the following:

	Operating Leases
2006	$ 145.0
2007	126.7
2008	113.8
2009	99.6
2010	108.9
Thereafter	504.8
Total minimum payments required	$1,098.8

The Company has certain lease agreements that contain contingent payment provisions. Under these provisions, the Company pays contingent amounts in addition to base rent, primarily based upon annual changes in the consumer price index. The schedule above contains estimated amounts for potential future increases in lease payments based on the contingent payment provisions.

Lease expense for 2005, 2004 and 2003 was $149.3, $62.8 and $51.3, respectively.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

17. Retirement Benefits

The Company sponsors various non-contributory defined benefit plans covering most employees.

The Anthem Cash Balance Pension Plan (the "Plan") is a cash balance arrangement where participants have an account balance and earn a pay credit equal to three to six percent of compensation, depending on years of service. The Plan covers part-time and temporary employees as well as full-time employees of Anthem prior to its merger with WHN who have completed one year of continuous service and attained the age of twenty-one. In addition to the pay credit, participant accounts earn interest at a rate based on 10-year Treasury notes. Employees of WHN do not participate in the Plan.

During the fourth quarter of 2005, the Company announced that effective January 1, 2006, it would curtail the benefits under the Plan. Most participants will no longer have pay credits added to their accounts, but will continue to earn interest on existing account balances. Participants will continue to earn years of pension service for vesting. Employees hired on or after January 1, 2006, will not be eligible to participate in the Plan. Certain participants will be "grandfathered" into the Plan based on age and years of service in previously merged plans. Grandfathered participants will continue to receive pay credits under the Plan formula. The Company expects to record a curtailment gain in the first quarter of 2006, which is not anticipated to be material to the consolidated operating results.

The Employees' Retirement Plan of Blue Cross of California covers employees of a collective bargaining unit. The WellPoint Health Networks Inc. Pension Accumulation Plan (the "WellPoint Pension Plan"), which was established on January 1, 1987, covers all eligible employees of WHN prior to its merger with Anthem (employees covered under a collective bargaining agreement participate if the terms of the collective bargaining agreement permits) meeting certain age and service requirements. Effective January 1, 2004, non-bargained employees covered by the WellPoint Pension Plan who are age 50 and over, with combined age and service totaling 65 or higher as of December 31, 2003, will continue to earn future contributions based on compensation. While other non-bargained employees covered by the plan will continue to accrue interest on their pension account, generally no additional contributions based on the employee's earnings will be made. Employees of WHN prior to its merger with Anthem hired after December 31, 2003 are not eligible to participate in the WellPoint Pension Plan. Employees of Anthem do not participate in this plan.

Certain employees of the former Cobalt Corporation, parent company of Blue Cross Blue Shield of Wisconsin and United Government Services, LLC ("UGS") are covered by the UGS Pension Plan which provides retirement benefits to covered employees (including certain employees covered by a collective bargaining agreement) based primarily on compensation and years of service. Effective January 1, 2004, non-bargained employees covered by the UGS Pension Plan who are age 50 and over, with combined age and service totaling 65 or higher as of December 31, 2003, will continue to earn future contributions based on compensation. While other non-bargained employees covered by the plan will continue to accrue interest on their pension account, generally no additional contributions based on the employee's earnings will be made. Employees of UGS hired after December 31, 2003 are not eligible to participate in the UGS Pension Plan.

WellChoice sponsors a cash balance defined benefit plan which covers substantially all employees of WellChoice prior to its merger with the Company. Effective January 1, 1999, this plan was redesigned to consolidate multiple other plans, at which time each participant's account was credited an amount based on the benefits earned in the prior plans. Participant accounts are credited additional amounts based on age and years of service and earn interest each year. Employees of WHN and Anthem do not participate in this plan.

All of the plans' assets consist primarily of common stocks, fixed maturity securities, investment funds and short-term investments. The funding policies for all plans are to contribute amounts at least sufficient to meet the

17. Retirement Benefits (continued)

minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and in accordance with income tax regulations, plus such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan participants.

In addition, the Company offers certain employees postretirement benefits including certain life, medical, vision and dental benefits upon retirement. There are several postretirement benefit plans, which differ in amounts of coverage, deductibles, retiree contributions, years of service and retirement age. The Company may fund certain benefit costs through discretionary contributions to a Voluntary Employees' Beneficiary Association ("VEBA") trust and others are accrued, with the retiree paying a portion of the costs. Postretirement plan assets held in the VEBA trust consist primarily of bonds and equity securities.

The Company uses a September 30 measurement date for determining benefit obligations and fair value of plan assets. However, all pre-merger WellChoice plans were determined using a December 31 measurement date. The Company will begin using a September 30 measurement date for pre-merger WellChoice plans in 2006.

The following tables disclose consolidated "pension benefits", which include defined benefit pension plans described above, and consolidated "other benefits", which include other postretirement benefits described above. Weighted average calculations were computed using assumptions at the relevant measurement dates.

The effect of acquisitions on the consolidated benefit obligation and plan assets is reflected through the business combination lines of the tables below.

The reconciliation of the benefit obligation is as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Benefit obligation at beginning of year	$1,380.3	$ 870.1	$431.6	$244.6
Service cost	59.0	47.2	8.1	4.3
Interest cost	78.5	54.7	25.0	15.0
Plan amendments	—	—	—	(4.8)
Actuarial loss (gain)	83.5	39.1	74.2	(9.2)
Benefits paid	(110.4)	(74.1)	(27.1)	(20.2)
Business combinations	475.1	443.3	91.4	201.9
Benefit obligation at end of year	$1,966.0	$1,380.3	$603.2	$431.6

The changes in the fair value of plan assets are as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Fair value of plan assets at beginning of year	$1,347.1	$ 865.6	$ 40.6	$ 38.1
Actual return on plan assets	124.9	105.6	3.7	2.9
Employer contributions	117.8	38.7	24.7	19.1
Benefits paid	(110.4)	(74.1)	(27.1)	(20.2)
Business combinations	432.5	411.3	—	0.7
Fair value of plan assets at end of year	$1,911.9	$1,347.1	$ 41.9	$ 40.6

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

17. Retirement Benefits (continued)

The reconciliation of the funded status to the net benefit cost recognized is as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Funded status	$ (54.1)	$ (33.2)	$(561.2)	$(391.0)
Unrecognized net actuarial loss	289.5	245.6	94.0	21.3
Unrecognized prior service cost	(6.4)	(10.0)	(12.0)	(16.0)
Net amount recognized at the measurement date	229.0	202.4	(479.2)	(385.7)
Contributions made after the measurement date	0.5	0.4	6.9	4.7
Net amount recognized at December 31	$229.5	$202.8	$(472.3)	$(381.0)

The net amount recognized in the consolidated balance sheets is as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Prepaid benefit cost	$290.6	$249.3	$ —	$ —
Accrued benefit liability	(64.0)	(50.6)	(472.3)	(381.0)
Prepaid (accrued) benefits	226.6	198.7	(472.3)	(381.0)
Accumulated other comprehensive income	2.9	4.1	—	—
Net amount recognized at December 31	$229.5	$202.8	$(472.3)	$(381.0)

The change in the additional minimum pension liability included within other comprehensive income is as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
(Decrease) increase in minimum liability in other comprehensive income	$ (1.2)	$ 0.1	$ —	$ —

The accumulated benefit obligation for the defined benefit pension plans was $1,942.1 and $1,365.9 at December 31, 2005 and 2004, respectively.

As of December 31, 2005, certain pension plans of the Company had accumulated benefit obligations in excess of plan assets. For those same plans, the projected benefit obligation was also in excess of plan assets. Such plans had a combined projected benefit obligation, accumulated benefit obligation and fair value of plan assets of $68.8, $60.0 and $0.0, respectively.

The weighted-average assumptions used in calculating the benefit obligations for all plans are as follows:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5.31%	5.83%	5.29%	5.87%
Rate of compensation increase	4.39%	4.34%	4.42%	4.26%
Expected rate of return on plan assets	7.80%	8.16%	6.95%	6.05%

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

17. Retirement Benefits (continued)

The components of net periodic benefit cost included in the consolidated statements of income are as follows:

	2005	2004	2003
Pension Benefits			
Service cost	$ 59.0	$ 47.2	$ 43.1
Interest cost	78.5	54.7	51.7
Expected return on assets	(102.6)	(71.9)	(72.5)
Recognized actuarial loss	17.3	14.4	2.8
Amortization of prior service cost	(3.6)	(3.6)	(3.8)
Net periodic benefit cost	$ 48.6	$ 40.8	$ 21.3
Other Benefits			
Service cost	$ 8.1	$ 4.3	$ 2.5
Interest cost	25.0	15.0	13.6
Expected return on assets	(2.7)	(2.5)	(2.4)
Recognized actuarial loss (gain)	0.4	0.4	(0.6)
Amortization of prior service cost	(4.0)	(6.3)	(6.5)
Net periodic benefit cost	$ 26.8	$ 10.9	$ 6.6

The weighted-average assumptions used in calculating the net periodic benefit cost for all plans are as follows:

	2005	2004	2003
Pension Benefits			
Discount rate	5.83%	6.25%	6.75%
Rate of compensation increase	4.34%	4.50%	4.50%
Expected rate of return on plan assets	8.16%	8.00%	8.50%
Other Benefits			
Discount rate	5.87%	6.25%	6.75%
Rate of compensation increase	4.26%	4.50%	4.50%
Expected rate of return on plan assets	6.05%	6.00%	6.50%

The weighted average assumed health care cost trend rates to be used for next year to measure the expected cost of other benefits is 9.00% with a gradual decline to 4.9% by the year 2011. These estimated trend rates are subject to change in the future. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, an increase in the assumed health care cost trend rate of one percentage point would increase the postretirement benefit obligation as of December 31, 2005 by $51.5 and would increase service and interest costs by $3.5. Conversely, a decrease in the assumed health care cost trend rate of one percentage point would decrease the postretirement benefit obligation by $43.5 as of December 31, 2005 and would decrease service and interest costs by $2.9.

An important factor in determining the Company's pension expense is the assumption for expected long-term rate of return on plan assets. The Company uses a total portfolio return analysis in the development of its assumption. Factors such as past market performance, the long-term relationship between fixed maturity and

17. Retirement Benefits (continued)

equity securities, interest rates, inflation and asset allocations are considered in the assumption. The assumption includes an estimate of the additional return expected from active management of the investment portfolio. Peer data and historical returns are also reviewed for appropriateness of the selected assumption. The expected long-term rate of return is calculated by the geometric averaging method, which calculates an expected multi-period return, reflecting volatility drag on compound returns.

In managing the plan assets, the Company's objective is to be a responsible fiduciary while minimizing financial risk to the Company. In addition to producing a reasonable return, the investment strategy seeks to minimize the volatility in the Company's expense and cash flow. Over time, the Company has increased the duration and allocation of fixed maturity securities to more closely match the sensitivity of plan assets with the plan obligations.

Plan assets include a diversified mix of investment grade fixed maturity securities and equity securities across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. As of the measurement date, the Company's weighted-average targeted asset allocation and actual allocation by asset category are as follows:

		Actual Allocation			
		Pension Benefit Assets		Other Benefit Assets	
	Target Allocation for All Plans	2005	2004	2005	2004
Equity securities:					
Domestic equities	51%	42%	50%	43%	47%
International equities	14%	14%	8%	12%	7%
Fixed maturity securities	33%	37%	40%	42%	43%
Other	2%	7%	2%	3%	3%
Total	100%	100%	100%	100%	100%

The Company's current funding strategy is to fund an amount at least equal to the minimum required funding as determined under ERISA with consideration of factors such as the minimum pension liability requirement and maximum tax deductible amounts. The Company may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. For the year ended December 31, 2005, no contributions were required under ERISA, however, the Company made tax deductible discretionary contributions of $117.8 to the defined benefit pension plans. Employer contributions related to other benefits represent payments to retirees for current benefits. Contributions to the VEBA are generally not material. The Company may elect to make discretionary contributions, including on a quarterly basis, up to the maximum amount deductible for income tax purposes.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

17. Retirement Benefits (continued)

The Company's estimated future payments for pension benefits and postretirement benefits, including the estimated impact of the "Medicare Prescription Drug, Improvement and Modernization Act of 2003", which reflect expected future service, as appropriate, are as follows:

		Other Benefits		
	Pension Benefits	Before Subsidy	Subsidy	Net of Subsidy
2006	$138.0	$ 35.8	$ 1.9	$ 33.9
2007	141.1	37.3	2.0	35.3
2008	143.7	38.2	2.1	36.1
2009	164.0	39.2	2.2	37.0
2010	164.1	40.1	2.3	37.8
2011 - 2015	928.4	200.0	12.5	187.5

In addition to the defined benefit plans, the Company has several qualified defined contribution plans covering substantially all employees. Eligible employees may only participate in one plan. Depending upon the plan, voluntary employee contributions are matched by the Company subject to certain limitations. Contributions made by the Company totaled $74.6, $34.0 and $13.2 during 2005, 2004 and 2003, respectively.

18. Contingencies

Multi-District Litigation Settlement Agreement

In May 2000, a case titled *California Medical Association vs. Blue Cross of California, et. al.,* was filed in U.S. district court in San Francisco against Blue Cross of California ("BCC"), one of WHN's subsidiaries at the time and now a Company subsidiary. The lawsuit alleges that BCC violated the Racketeer Influenced and Corrupt Organizations Act ("RICO") (the "CMA Litigation").

In August 2000, WHN was added as a defendant to *Shane v. Humana, et al.* , a class-action lawsuit brought on behalf of health care providers nationwide alleging RICO violations (the "Shane Litigation"). Effective upon the November 30, 2004 merger with WHN, WHN became a wholly owned subsidiary of the Company. On September 26, 2002, Anthem was added as a defendant to the Shane Litigation.

In May 2003, in a case titled *Kenneth Thomas, M.D., et al., v. Blue Cross Blue Shield Association, et al.* , (the "Thomas Litigation") several medical providers filed suit in federal district court in Miami, Florida against the BCBSA and Blue Cross and Blue Shield plans across the country, including the Company and WellChoice. The suit alleges that the BCBSA and the Blue Cross and Blue Shield plans violated RICO and challenges many of the same practices as the CMA Litigation and the Shane Litigation.

In October 2000, the federal Judicial Panel on Multidistrict Litigation ("MDL") issued an order consolidating the CMA Litigation, the Shane Litigation and various other pending managed care class-action lawsuits against the Company and other companies before District Court Judge Federico Moreno in the Southern District of Florida for purposes of pretrial proceedings. A mediator was appointed by Judge Moreno and the parties have been conducting court-ordered mediation. On December 9, 2004, Judge Moreno issued a new scheduling order extending the expert discovery deadline to February 7, 2005 and setting trial for September 6, 2005.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

18. Contingencies (continued)

On July 11, 2005, the Company entered into a settlement agreement (the "Agreement") with representatives of more than 700,000 physicians nationwide to resolve the CMA Litigation, the Shane Litigation, the Thomas Litigation and certain other similar cases brought by physicians. Under the Agreement, the Company has agreed to make cash payments totaling up to $198.0, of which $135.0 will be paid to physicians and $5.0 will be contributed to a not-for-profit foundation whose mission is to promote higher quality health care and to enhance the delivery of care to the disadvantaged members of the public. In addition, up to $58.0 will be paid in legal fees to be determined by the court. The Company also has agreed to implement and maintain a number of operational changes such as standardizing the definition of medical necessity in physician contracts, creating a formalized Physician Advisory Committee and modifying some of the Company's claims payment and physician contracting provisions. The Agreement is subject to, and conditioned upon, review and approval by the U.S. District Court for the Southern District of Florida. The court preliminarily approved the settlement in an order filed July 15, 2005. The hearing for final approval was held on December 2, 2005 in Miami, Florida. The Court issued a final order approving the settlement on December 22, 2005, and issued an amended final order approving the settlement on January 4, 2006. Appeals have been filed by certain physicians. Until these appeals are resolved, the Company will not be required to tender the monetary payments included in this Agreement. As a result of the Agreement, the Company incurred a pre-tax expense of $103.0, or $0.10 per diluted share after tax, for the year ended December 31, 2005, which represents the final settlement amount of the Agreement that was not previously accrued.

The WellChoice transaction was closed on December 28, 2005, after the settlement was reached with the plaintiffs in the CMA Litigation, the Shane Litigation and the Thomas Litigation. The former WellChoice company, now one of the Company's wholly-owned subsidiaries, continues to be a defendant in the Thomas Litigation, and will not be affected by the settlement between the Company and plaintiffs. The Company intends to vigorously defend this proceeding; however, its ultimate outcome cannot be presently determined.

Other Litigation

On June 27, 2002, in a case titled *Academy of Medicine of Cincinnati and Luis Pagani, M.D. v. Aetna Health, Inc., Humana Health Plan of Ohio, Inc., Anthem Blue Cross and Blue Shield, and United Health Care of Ohio, Inc., No. A02004947* filed in the Court of Common Pleas, Hamilton County, Ohio and a case titled *Academy of Medicine of Cincinnati and A. Lee Greiner, M.D., Victor Schmelzer, M.D., and Karl S. Ulicny, Jr., M.D. v. Aetna Health, Inc., Humana, Inc., Anthem Blue Cross and Blue Shield, and United Health Care, Inc., No. 02-CI-903* filed in the Boone County, Kentucky Circuit Court, the Academy and certain physicians allege that the defendants acted in combination and collusion with one another to reduce the reimbursement rates paid to physicians in the area. On September 30, 2005, the Company entered into a settlement agreement to resolve the litigation. The settlement agreement has three components. First, the Company will increase the total annual reimbursement to physicians in the twelve county area (six counties each in Ohio and Kentucky) by $35.0 in 2005, an additional $20.0 in 2006 and an additional $15.0 in 2007. The increases will be measured against the total reimbursement amount for the same area in 2004. Second, the Company will pay $2.8 to plaintiffs, with approximately $0.6 for payments to retired doctors and incentive awards to the named plaintiffs and the remainder going to a charitable foundation to improve health care in the affected area. Third, the Company will pay $9.6 in attorneys' fees to the plaintiffs' class counsel. Both the Ohio court and the Kentucky court preliminarily approved the settlement on September 30, 2005. A final fairness hearing was held on November 21, 2005. Both courts issued orders giving final approval of the settlement on November 21, 2005. The attorneys' fees, incentive awards to plaintiffs, payments to retired doctors and charitable donation were paid out December 27, 2005. The final terms of the settlement agreement did not have a significant impact on the financial results of the Company for the year ended December 31, 2005.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

18. Contingencies (continued)

Prior to WHN's acquisition of the group benefit operations ("GBO") of John Hancock Mutual Life Insurance Company ("John Hancock"), John Hancock entered into a number of reinsurance arrangements, including with respect to personal accident insurance and the occupational accident component of workers' compensation insurance, a portion of which was originated through a pool managed by Unicover Managers, Inc. Under these arrangements, John Hancock assumed risks as a reinsurer and transferred certain of such risks to other companies. Similar reinsurance arrangements were entered into by John Hancock following WHN's acquisition of the GBO of John Hancock. These various arrangements have become the subject of disputes, including a number of legal proceedings to which John Hancock is a party. The Company is currently in arbitration with John Hancock regarding these arrangements. The Company believes that it has a number of defenses to avoid any ultimate liability with respect to these matters and believes that such liabilities were not transferred to the Company as part of the GBO acquisition. However, if the Company were to become subject to such liabilities, the Company could suffer losses that might have a material adverse effect on its financial condition, results of operations or cash flows.

Other Contingencies

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

In addition to the lawsuits described above, the Company is also involved in other pending and threatened litigation of the character incidental to the business transacted, arising out of its operations and its 2001 demutualization, and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits and reviews include routine and special investigations by state insurance departments, state attorneys general and the U.S. Attorney General. Such investigations could result in the imposition of civil or criminal fines, penalties and other sanctions. The Company believes that any liability that may result from any one of these actions, or in the aggregate, is unlikely to have a material adverse effect on its consolidated financial position or results of operations.

Contractual Obligations and Commitments

On July 1, 2005, the Company entered into an agreement with International Business Machines Corporation ("IBM") to provide information technology infrastructure services. These services were previously performed in-house and resulted in the transfer of approximately 380 related jobs from the Company to IBM. The Company's commitment under this contract is approximately $718.6 over a seven year period. The Company has the ability to terminate this agreement with 120 days written notice, subject to certain early termination fees. WellChoice had entered into a similar agreement with IBM in 2002 that expires in 2012. Under this agreement, IBM provides certain technology outsourcing services to WellChoice and is enhancing WellChoice's systems applications. The remaining future contractual obligations under this agreement amount to approximately $366.4 at December 31, 2005. WellChoice can terminate the agreement or portions of the agreement upon the occurrence of certain events, subject to certain early termination fees.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

18. Contingencies (continued)

On July 15, 2004, the Company agreed to guarantee up to $37.0 of debt incurred by an unaffiliated entity to partially finance the purchase of a hospital. The maximum amount of the guaranty may be reduced after September 30, 2006 as determined by reference to the leverage ratio (as defined in the guaranty) of the unaffiliated entity. The guaranty also provides for full payment of all obligations under the guaranty to become immediately due and payable under specified circumstances, including (i) upon the failure by the unaffiliated entity or the Company to cure any payment default under the subject loan to the unaffiliated entity within 10 days after written notice to the unaffiliated entity and the Company and (ii) upon 10 days after written notice to the Company that the unaffiliated entity has become subject to a bankruptcy or insolvency proceeding. In connection with the guaranty, the unaffiliated entity agreed to reimburse the Company upon demand for any amounts paid by the Company under the guaranty. The obligations of the unaffiliated entity under the reimbursement agreement are secured by a second lien on certain real estate collateral. In addition, the parent company of the unaffiliated entity has provided a guaranty in favor of the Company guaranteeing the obligations of the unaffiliated entity under the reimbursement agreement.

In connection with an investment in July 2004 in a joint venture to develop and operate a well-being center in California, the Company may be required to make an additional capital contribution of up to $18.0 during the first three years that the well-being center is in operation if cash flows and room nights generated by the Company do not exceed specified targets. It is currently anticipated that construction of the well-being center will be completed during 2006.

In connection with the formation in 2000 of a joint venture providing Medicaid services in Puerto Rico, the Company agreed under certain circumstances to provide additional funds to the joint-venture entity. The Company agreed that it would make a capital contribution to the joint venture of up to 80% of any amount necessary to increase the entity's capital to meet minimum regulatory capital requirements if (i) applicable law or regulation requires an increase in the entity's capital and the entity does not then have capital sufficient to meet the increased requirement or (ii) the entity's medical care ratio is 100% or greater during any 180-day period and the entity does not then meet statutory capital requirements under the Puerto Rico Insurance Code. The amount of this guarantee will not exceed 80% of the amount necessary to provide the entity with a 12 to 1 premium-to-capital ratio. As of December 31, 2005, the Company's maximum potential liability pursuant to this guarantee was $30.3. Since the formation of the joint venture in 2000, the Company has not been required to make any payments under this guarantee and the Company does not currently expect that any such payments will be made.

Vulnerability from Concentrations

Financial instruments that potentially subject the Company 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 the 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 the Company's customer base in the geographic regions in which it conducts business. As of December 31, 2005, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

19. Segment Information

The Company has three reportable segments: Health Care, Specialty, and Other. The Health Care segment is an aggregation of various operating segments, principally differentiated only by geography. These Health Care operating segments have similar economic, product, distribution, customer and regulatory characteristics, and meet the aggregation criteria as defined under paragraph 17 of FAS 131, *Disclosures About Segments of an Enterprise and Related Information* ("FAS 131").

The Company's focus on regional concentration allows management to understand and meet customer needs while effectively managing the cost structure. The Company's chief operating decision maker (the Chief Executive Officer) reviews the results of operations on a regular basis and holds each division president accountable for his or her segment's operating results. Operating segments comprising the Health Care segment provide a broad spectrum of network-based health plans and other health care-related products to large and small employers and individuals. The Specialty segment is maintained as a separate segment providing various products, including pharmacy benefits management, dental, life insurance, disability insurance, behavioral health, and workers' compensation products and services. In addition to intersegment sales and expense eliminations and corporate expenses not allocated to reportable segments, the Other segment includes results from the Company's government health services and other businesses that do not meet the quantitative thresholds for an operating segment defined under FAS 131.

Through its participation in various federal government programs, the Company generated approximately 12%, 17% and 19% of its total consolidated revenues from agencies of the U.S. government for the years ended December 31, 2005, 2004 and 2003, respectively. These revenues are contained in all three of the Company's reportable segments.

The Company defines operating revenues to include premium income, administrative fees and other revenues. Operating revenues are derived from premiums and fees received primarily from the sale and administration of health benefit products. Operating expenses are comprised of benefit expense, selling expense, general and administrative expense and cost of drugs. The Company calculates operating gain or loss as operating revenue less operating expenses.

The accounting policies of the segments are consistent with those described in the summary of significant accounting policies except that certain shared administrative expenses for each segment are recognized on a pro rata allocated basis, which in aggregate approximates the consolidated expense. Any difference between the allocated expenses and actual consolidated expense is included in other expenses not allocated to reportable segments. Intersegment sales and expenses are recorded at cost, and eliminated in the consolidated financial statements. The Company evaluates performance of the reportable segments based on operating gain or loss as defined above. The Company evaluates investment income, interest expense, amortization expense and income taxes, and asset and liability details on a consolidated basis as these items are managed in a corporate shared service environment and are not the responsibility of segment operating management.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

19. Segment Information (continued)

Financial data by reportable segment for the years ended December 31 is as follows:

	Health Care	Specialty	Other and Eliminations	Total
Year ended December 31, 2005				
Operating revenue from external customers	$42,533.5	$1,629.2	$ 350.4	$44,513.1
Intersegment revenues	64.0	1,233.9	(1,297.9)	—
Operating gain (loss)	3,459.0	388.1	(114.6)	3,732.5
Depreciation and lease amortization expense	6.0	0.4	222.2	228.6
Year ended December 31, 2004				
Operating revenue from external customers	19,825.0	423.1	212.8	20,460.9
Intersegment revenues	(70.5)	812.1	(741.6)	—
Operating gain (loss)	1,505.3	100.9	(105.8)	1,500.4
Depreciation and lease amortization expense	18.6	0.6	116.5	135.7
Year ended December 31, 2003				
Operating revenue from external customers	16,039.9	249.4	197.8	16,487.1
Intersegment revenues	(39.8)	482.6	(442.8)	—
Operating gain (loss)	1,174.6	69.1	(147.3)	1,096.4
Depreciation and lease amortization expense	15.5	0.6	111.7	127.8

The major product revenues from external customers for each of the reportable segments for the years ended December 31, are as follows:

	2005	2004	2003
Health Care			
Managed care products	$40,318.0	$18,591.2	$15,057.1
Managed care services	2,215.5	1,225.8	960.2
Other	—	8.0	22.6
Total Health Care	42,533.5	19,825.0	16,039.9
Specialty			
Pharmacy products	616.0	249.3	136.2
Dental	508.8	42.9	—
Other	504.4	130.9	113.2
Total Specialty	1,629.2	423.1	249.4
Other			
Medicare services	325.5	206.1	186.6
Other	24.9	6.7	11.2
Total Other	350.4	212.8	197.8
Total revenues from external customers	$44,513.1	$20,460.9	$16,487.1

The classification between managed care products and managed care services for the Health Care segment in the above table primarily distinguishes between the level of risk assumed. Managed care products represent insurance products where the Company bears the insurance risk, whereas managed care services represent

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

19. Segment Information (continued)

product offerings where the Company provides claims adjudication and other administrative services to the customer, but the customer principally bears the insurance risk.

Asset and equity details by reportable segment have not been disclosed, as they are not reported internally by the Company.

A reconciliation of reportable segment operating revenues to the amounts of total revenues included in the consolidated statements of income for the years ended December 31, is as follows:

	2005	2004	2003
Reportable segments operating revenues	$44,513.1	$20,460.9	$16,487.1
Net investment income	633.1	311.7	278.1
Net realized (losses) gains on investments	(10.2)	42.5	16.2
Total revenues	$45,136.0	$20,815.1	$16,781.4

A reconciliation of reportable segment operating gain to income before income taxes included in the consolidated statements of income for the years ended December 31 is as follows:

	2005	2004	2003
Reportable segments operating gain	$3,732.5	$1,500.4	$1,096.4
Net investment income	633.1	311.7	278.1
Net realized (losses) gains on investments	(10.2)	42.5	16.2
Interest expense	(226.2)	(142.3)	(131.2)
Amortization of other intangible assets	(238.9)	(61.4)	(47.6)
Merger-related undertakings	—	(61.5)	—
Loss on repurchase of debt securities	—	(146.1)	—
Income before income taxes	$3,890.3	$1,443.3	$1,211.9

20. Related Party Transactions

Anthem Foundation, Inc. (the “Foundation”) is an Indiana non-profit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code, which was formed to conduct, support and assist charitable, health-related, educational, and other community-based programs and projects. The officers of the Foundation are also officers of the Company. These officers receive no compensation for the management services performed for the Foundation but are reimbursed for any cash expenditures incurred on behalf of the Foundation. The Foundation is not a subsidiary of the Company and the financial results of the Foundation are not consolidated with the Company’s financial statements. For 2005, the Company made no contributions to the Foundation. For 2004 and 2003, the Company contributed $3.0 and $24.0, respectively, to the Foundation. The Company has no current legal obligations for future commitments to the Foundation.

WellPoint Foundation is a non-profit organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code, which was formed to improve the health and well-being of individuals in the communities served by the former WHN. Certain officers of WellPoint Foundation were also officers of WHN prior to the merger. As of December 31, 2005 and 2004, the officers of WellPoint Foundation are also officers of the Company. For the year ended December 31, 2005 and for the period from December 1, 2004 to December 31, 2004, the Company made no contributions to WellPoint Foundation. The Company has no current legal obligations for future commitments to WellPoint Foundation.

WellPoint, Inc.
Notes to Consolidated Financial Statements (continued)

21. Statutory Information

WellPoint's insurance subsidiaries report their accounts in conformity with accounting practices prescribed or permitted by state insurance regulatory authorities ("statutory"), which vary in certain respects from GAAP. Typical differences of GAAP reporting as compared to statutory reporting are the inclusion of unrealized gains or losses relating to fixed maturity securities in shareholders' equity, recognition of all assets including those that are non-admitted for statutory purposes and recognition of all deferred tax assets without regard to statutory limits. The National Association of Insurance Commissioners ("NAIC") developed a codified version of the statutory accounting principles, designed to foster more consistency among the states for accounting guidelines and reporting.

WellPoint's insurance subsidiaries are domiciled in various jurisdictions. These subsidiaries prepare statutory financial statements in accordance with accounting practices prescribed or permitted by the respective jurisdictions' insurance regulators. Prescribed statutory accounting practices are set forth in a variety of publications of the NAIC as well as state laws, regulations and general administrative rules.

WellPoint's ability to pay dividends and other credit obligations is significantly dependent on receipt of dividends from its subsidiaries. The payment of dividends to WellPoint by its insurance subsidiaries without prior approval of the insurance departments of each subsidiary's domiciliary jurisdiction is limited by formula. Dividends in excess of these amounts are subject to prior approval by the respective state insurance departments.

WellPoint's insurance subsidiaries are subject to risk-based capital requirements. Risk-based capital is a method developed by the NAIC to determine the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The formula for determining the amount of risk-based capital specifies various factors, weighted based on the perceived degree of risk, which are applied to certain financial balances and financial activity. Below minimum risk-based capital requirements are classified within certain levels, each of which requires specified corrective action. As of December 31, 2005 and 2004, all of WellPoint's insurance subsidiaries exceeded the minimum risk-based capital requirements.

Statutory-basis capital and surplus for WellPoint's insurance subsidiaries was $7,487.0 and $6,094.9 at December 31, 2005 and 2004, respectively. Statutory-basis net income of WellPoint's insurance subsidiaries was $2,385.1, $1,545.9 and $565.0 for 2005, 2004 and 2003, respectively. Statutory-basis net income includes WellChoice and WHN statutory results for the full year ended December 31, 2005 and WHN statutory results for the full year ended December 31, 2004.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

22. Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data is as follows:

	For the Quarter Ended			
	March 31	June 30	September 30	December 31
2005				
Total revenues	$11,099.9	$11,299.2	$ 11,304.6	$ 11,432.3
Income before income taxes	928.9	896.6	1,023.4	1,041.4
Net income	611.7	559.4	640.7	652.0
Basic net income per share	1.01	0.92	1.05	1.06
Diluted net income per share	0.98	0.90	1.02	1.04
2004				
Total revenues	$ 4,573.8	$ 4,607.9	$ 4,807.2	$ 6,826.2
Income before income taxes	390.9	362.6	372.4	317.4
Net income	295.6	237.9	242.1	184.5
Basic net income per share	1.07	0.86	0.87	0.47
Diluted net income per share	1.04	0.83	0.85	0.46

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no changes in or disagreements with the Company's independent registered public accounting firm on accounting or financial disclosures.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, under the supervision and with the participation of the principal executive officer and principal financial officer, has established disclosure controls and procedures to ensure that material information relating to the Company is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors. Based on their evaluation, the principal executive officer and principal financial officer of the Company have concluded that as of December 31, 2005 the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in U.S. Securities and Exchange Commission rules and forms.

Management's Report on Internal Control Over Financial Reporting

Management, under the supervision and with the participation of the principal executive officer and principal financial officer, of WellPoint, Inc. (the "Company") is responsible for establishing and maintaining effective internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f) ("Internal Control"). The Company's Internal Control is designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's Internal Control includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations in any Internal Control, no matter how well designed, misstatements due to error or fraud may occur and not be detected. Accordingly, even effective Internal Control can provide only reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management, under the supervision and with the participation of the principal executive officer and principal financial officer, assessed the effectiveness of the Company's Internal Control as of December 31, 2005. Management's assessment was based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company completed its acquisition of WellChoice, Inc. ("WellChoice") on December 28, 2005. As permitted by the U.S. Securities and Exchange Commission, management's assessment as of December 31, 2005 did not include the Internal Control of the former WellChoice, whose balance sheet is included in the Company's consolidated financial statements as of December 31, 2005. Such operations of WellChoice constituted approximately $3.6 billion and $1.1 billion of the Company's total assets and net assets, respectively, as of December 31, 2005. No operating results of the former WellChoice were included in the Company's consolidated statement of income for the year ended December 31, 2005.

Based on management's assessment, which excluded an assessment of Internal Control of the acquired operations of WellChoice, management has concluded that the Company's Internal Control was effective as of December 31, 2005 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

Ernst & Young LLP, our independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2005, and has also issued an audit report dated February 15, 2006, on management's assessment of the Company's Internal Control, which is included in this Annual Report on Form 10-K.

/ S / L ARRY C. G LASSCOCK
Chairman, President and
Chief Executive Officer

/ S / D AVID C. C OLBY
Executive Vice President and
Chief Financial Officer

Changes in Internal Control Over Financial Reporting

Changes to certain processes, information technology systems, and other components of Internal Control resulting from the December 28, 2005 acquisition of WellChoice may occur and will be evaluated by management as such integration activities are implemented. Further, the Company continues to integrate processes following the November 30, 2004 acquisition of WHN. There have been no changes in Internal Control that occurred during the quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's Internal Control.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
WellPoint, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that WellPoint, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). WellPoint, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of WellChoice, Inc., which is included in the 2005 consolidated financial statements of WellPoint, Inc. and constituted approximately $3.6 billion and $1.1 billion of total and net assets, respectively, as of December 31, 2005. The Company completed its acquisition of WellChoice, Inc. on December 28, 2005, and as permitted by the U.S. Securities and Exchange Commission's guidance, management did not assess the effectiveness of internal control over financial reporting of WellChoice, Inc. Our audit of internal control over financial reporting of WellPoint, Inc. also did not include an evaluation of the internal control over financial reporting of WellChoice, Inc.

In our opinion, management's assessment that WellPoint, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, WellPoint, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria .

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of WellPoint, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005, and our report dated February 15, 2006 expressed an unqualified opinion thereon.

/ S / E RNST & Y OUNG LLP

Indianapolis, Indiana
February 15, 2006

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item concerning the Executive Officers, the Directors and nominees for Director of the Company and concerning disclosure of delinquent filers under Section 16(a) of the Exchange Act and concerning the Company's Standards of Business Conduct is incorporated herein by reference from the Company's definitive Proxy Statement for its 2006 Annual Meeting of Shareholders, which will be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the Company's last fiscal year.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item concerning remuneration of the Company's Officers and Directors and information concerning material transactions involving such Officers and Directors is incorporated herein by reference from the Company's definitive Proxy Statement for its 2006 Annual Meeting of Shareholders which will be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the Company's last fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item concerning the stock ownership of management and five percent beneficial owners and securities authorized for issuance under equity compensation plans is incorporated herein by reference from the Company's definitive Proxy Statement for its 2006 Annual Meeting of Shareholders which will be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the Company's last fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item concerning certain relationships and related transactions is incorporated herein by reference from the Company's definitive Proxy Statement for its 2006 Annual Meeting of Shareholders which will be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the Company's last fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this Item concerning principal accounting fees and services is incorporated herein by reference from the Company's definitive Proxy Statement for its 2006 Annual Meeting of Shareholders which will be filed with the Commission pursuant to Regulation 14A within 120 days after the end of the Company's last fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements:

The following consolidated financial statements of the Company are set forth in Part II, Item 8.

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2005 and 2004

Consolidated Statements of Income for the years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Shareholders' Equity for the years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

2. Financial Statement Schedule:

The following financial statement schedule of the Company is included in Item 15(c):

Schedule II—Condensed Financial Information of Registrant (Parent Company Only).

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or the required information is included in the consolidated financial statements, and therefore have been omitted.

3. Exhibits:

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

(b) Exhibits

The response to this portion of Item 15 is submitted as a separate section of this report.

(c) Financial Statement Schedule

Schedule II—Condensed Financial Information of Registrant (Parent Company Only).

Schedule II—Condensed Financial Information of Registrant

WellPoint, Inc. (Parent Company Only)
Balance Sheets

(In millions, except share data)	December 31 2005	December 31 2004
Assets		
Current assets:		
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of $1,748.5 and $0.0)	$ 1,735.8	$ —
Equity securities (cost of $8.2 and $0.0)	9.0	—
Cash and cash equivalents	716.1	207.3
Other receivables	25.4	—
Net due from subsidiaries	175.9	34.4
Deferred tax assets, net	2,591.7	201.0
Other current assets	4.1	5.9
Total current assets	5,258.0	448.6
Property and equipment	4.0	4.3
Investment in subsidiary surplus notes	539.4	579.0
Investment in subsidiaries	28,335.2	22,586.7
Other noncurrent assets	5.6	—
Total assets	$34,142.2	$23,618.6
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 23.2	$ 34.1
Income taxes payable	618.7	169.2
Current portion of long-term debt	—	149.8
Other current liabilities	100.5	328.2
Total current liabilities	742.4	681.3
Long-term debt	5,848.0	3,359.1
Deferred income taxes	2,513.7	119.2
Other noncurrent liabilities	45.0	—
Total liabilities	9,149.1	4,159.6
Commitments and contingencies—Note 6		
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: 660,424,174 and 302,626,708	6.6	3.0
Additional paid-in capital	20,915.4	17,433.6
Retained earnings	4,173.5	1,960.1
Unearned stock compensation	(82.1)	(83.5)
Accumulated other comprehensive (loss) income	(20.3)	145.8
Total shareholders' equity	24,993.1	19,459.0
Total liabilities and shareholders' equity	$34,142.2	$23,618.6

See accompanying notes.

Schedule II—Condensed Financial Information of Registrant—(continued)

WellPoint, Inc. (Parent Company Only)
Statements of Income

(In millions)

	Years ended December 31		
	2005	2004	2003
Revenues			
Net investment income	$ 77.6	$ 23.8	$ 17.6
Net realized (losses) gains on investments	(3.1)	(10.8)	0.5
Other revenue	0.4	0.4	—
Total revenues	74.9	13.4	18.1
Expenses			
General and administrative expense	95.8	32.9	10.1
Interest expense	185.9	92.2	81.0
Merger-related undertakings	—	50.0	—
Loss on repurchase of debt securities	—	146.1	—
Total expenses	281.7	321.2	91.1
Loss before income tax credits and equity in net income of subsidiaries	(206.8)	(307.8)	(73.0)
Income tax credits	(46.4)	(98.1)	(28.8)
Equity in net income of subsidiaries	2,624.2	1,169.8	818.5
Net income	$2,463.8	$ 960.1	$774.3

See accompanying notes.

Schedule II—Condensed Financial Information of Registrant—(continued)

WellPoint, Inc. (Parent Company Only)
Consolidated Statements of Cash Flows

(In millions)	Year ended December 31		
	2005	2004	2003
Operating activities			
Net income	$ 2,463.8	$ 960.1	$ 774.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Distributed (undistributed) earnings of subsidiaries	398.9	(72.1)	(359.9)
Net realized losses (gains) on investments	3.1	10.8	(0.5)
Loss on repurchase of debt securities	—	146.1	—
Deferred income taxes	32.0	67.8	91.6
Amortization, net of accretion	86.0	10.5	12.4
Depreciation	0.3	—	—
Changes in operating assets and liabilities, net of effect of business combinations:			
Receivables	(25.1)	—	—
Other assets	6.6	11.7	(15.8)
Amounts due to or (from) subsidiaries	(94.0)	122.4	(77.7)
Accounts payable and accrued expenses	32.0	6.3	(0.2)
Other liabilities	(18.9)	15.2	(13.8)
Income taxes	443.2	(67.9)	104.7
Net cash provided by operating activities	3,327.9	1,210.9	515.1
Investing activities			
Purchases of investments	(3,538.9)	(1,376.4)	(687.5)
Proceeds from sales, maturities and redemptions of investments	1,774.1	1,934.6	283.7
Purchase of subsidiary surplus notes	—	(582.2)	—
Notes receivable repayments from subsidiaries	—	—	127.0
Purchases of subsidiaries, net of cash acquired	(3,505.9)	(3,718.9)	—
Proceeds from settlement of cash flow hedges	—	15.7	—
Purchases of property and equipment	—	—	(4.6)
Net cash used in investing activities	(5,270.7)	(3,727.2)	(281.4)
Financing activities			
Net proceeds from commercial paper borrowings	808.2	793.2	—
Proceeds from long-term borrowings	1,700.0	1,770.1	—
Repayment of long-term borrowings	(150.0)	(224.3)	—
Proceeds from issuance of common stock under Equity Security Unit stock purchase contracts	—	230.0	—
Repurchase and retirement of common stock	(333.4)	(82.2)	(217.2)
Proceeds from sale of put options	1.1	—	—
Proceeds from exercise of employee stock options and employee stock purchase plan	429.3	159.0	57.0
Costs related to the issuance of common stock	(3.6)	(8.3)	—
Net cash provided by (used in) financing activities	2,451.6	2,637.5	(160.2)
Change in cash and cash equivalents	508.8	121.2	73.5
Cash and cash equivalents at beginning of year	207.3	86.1	12.6
Cash and cash equivalents at end of year	$ 716.1	$ 207.3	$ 86.1

See accompanying notes.

Schedule II—Condensed Financial Information of Registrant—(continued)

WellPoint, Inc.
(Parent Company Only)
Notes to Condensed Financial Statements

December 31, 2005
(In Millions, Except Per Share Data)

1. Basis of Presentation and Significant Accounting Policies

On November 30, 2004, Anthem, Inc. ("Anthem") and WellPoint Health Networks Inc. ("WHN") completed their merger. WHN merged with and into Anthem Holding Corp., a direct and wholly-owned subsidiary of Anthem, with Anthem Holding Corp. as the surviving entity in the merger. In connection with the merger, Anthem amended its articles of incorporation to change its name to WellPoint, Inc. ("WellPoint"). In addition, the ticker symbol for Anthem's common stock listed on the New York Stock Exchange was changed to "WLP". WHN's operating results are included in WellPoint's consolidated financial statements for the period following November 30, 2004.

In WellPoint's parent company only financial statements, WellPoint's investment in subsidiaries is stated at cost plus equity in undistributed earnings of the subsidiaries. WellPoint's share of net income of its unconsolidated subsidiaries is included in income using the equity method of accounting.

WellPoint's investment in subsidiary surplus notes is stated at estimated fair value.

Certain amounts presented in the parent company only financial statements are eliminated in the consolidated financial statements of WellPoint.

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

WellPoint's parent company only financial statements should be read in conjunction with WellPoint's audited consolidated financial statements and the accompanying notes included in this Form 10-K.

2. Subsidiary Transactions

Dividends

WellPoint received cash dividends from subsidiaries of $3,023.1, $1,097.7 and $458.6 during 2005, 2004 and 2003, respectively.

Investment in Subsidiaries

On December 28, 2005, WellPoint completed its merger with WellChoice, Inc. ("WellChoice") and purchased 100% of the outstanding common stock of WellChoice. As a result of the merger, each WellChoice stockholder received $38.25 in cash, without interest, and 0.5191 shares of WellPoint common stock for each share of WellChoice common stock held. The purchase price was $6,452.0 and included cash of $3,126.4, the issuance of approximately 42.4 shares of WellPoint common stock, valued at $3,180.8, approximately 0.3 shares of WellChoice restricted stock and stock units converted to WellPoint stock valued at $19.8, WellChoice stock options converted to WellPoint stock options and other stock awards valued at $113.4, and $11.6 of estimated transaction costs. The fair value of common stock issued was based on $74.97 per share, which represents the average closing price of the Company's common stock for the five trading days ranging from two days before to two days after September 27, 2005, the date the merger was announced.

On June 9, 2005, WellPoint completed its acquisition of Lumenos, Inc. ("Lumenos"). The total consideration for the acquisition was approximately $185.0 in cash paid to stockholders of Lumenos.

Schedule II—Condensed Financial Information of Registrant—(continued)

WellPoint, Inc.
(Parent Company Only)
Notes to Condensed Financial Statements (continued)

2. Subsidiary Transactions (continued)

As described in Note 1, on November 30, 2004, Anthem completed its merger with WHN and purchased 100% of the outstanding common stock of WHN. As a result of the merger, each WHN stockholder received $23.80 in cash, without interest, and one share of WellPoint common stock for each share of WHN common stock held. The purchase price was $15,773.6 and included cash of $3,718.8, the issuance of approximately 310.6 shares of WellPoint common stock, valued at $11,293.8, WHN stock options converted to WellPoint stock options and other stock awards for approximately 43.7 shares valued at $563.6, and $197.4 of estimated transaction costs. The fair value of common stock issued was based on $36.35 per share, which represents the average closing price of the Company's common stock for the five trading days ranging from two days before to two days after October 27, 2003, the date the merger was announced. In connection with the WHN merger, WellPoint executed certain undertakings with the California Department of Managed Health Care, the California Department of Insurance ("California DOI"), and the Georgia Department of Insurance which contained various commitments by WellPoint. Expenses for merger-related undertakings with the California DOI of $50.0 were recorded by WellPoint in 2004.

Capital contributions to subsidiaries were $60.1, $14.7 and $15.6 during 2005, 2004 and 2003, respectively. The contributions in 2005, 2004 and 2003 were non-cash.

Amounts Due to and From Subsidiaries

During December 2004, WellPoint completed a tender offer to purchase surplus notes of Anthem Insurance Companies, Inc. a direct wholly-owned subsidiary, and purchased $258.0 of 9.125% notes due 2010 and $174.9 of 9.00% notes due 2027. A loss of $146.1 was recorded by WellPoint, representing the amount fair value exceeded par value at the time of purchase.

At December 31, 2005, 2004 and 2003 WellPoint reported $175.9, $34.4 and $71.2 due from subsidiaries, respectively. These amounts consisted principally of administrative expenses and are routinely settled, and as such, are classified as current assets.

3. Long-Term Debt

The carrying value of long-term debt at December 31 consists of the following:

	December 31	
	2005	2004
Senior unsecured notes:		
4.875%, face amount of $150.0, due 2005	$ —	$ 149.8
3.500%, face amount of $200.0, due 2007	195.5	192.8
3.750%, face amount of $300.0, due 2007	292.1	297.4
4.250%, face amount of $300.0, due 2009	297.8	297.3
6.800%, face amount of $800.0, due 2012	786.1	791.8
5.000%, face amount of $500.0, due 2014	481.2	492.8
5.950%, face amount of $500.0, due 2034	493.9	493.8
Variable rate debt:		
Commercial paper program	1,601.4	793.2
Bridge loan	1,700.0	—
Total debt	5,848.0	3,508.9
Current portion of debt	—	(149.8)
Long-term debt, less current portion	$5,848.0	$3,359.1

Schedule II—Condensed Financial Information of Registrant—(continued)

WellPoint, Inc.
(Parent Company Only)
Notes to Condensed Financial Statements

3. Long-Term Debt (continued)

WellPoint had cash requirements of approximately $3,138.0 for the WellChoice merger, including both the cash portion of the purchase price and estimated transaction costs. In anticipation of the merger, on December 28, 2005, WellPoint entered into a bridge loan agreement under which it could borrow up to $3,000.0. On December 28, 2005, WellPoint borrowed $1,700.0 under this bridge facility to partially fund the WellChoice merger. The interest rate on this bridge loan is based on either (i) the LIBOR rate plus a predetermined percentage rate based on the Company's credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement. The weighted-average interest rate on the bridge loan at December 31, 2005 was 7.250%. The bridge loan has been classified as long-term debt at December 31, 2005 in accordance with FAS 6, *Classification of Short-Term Obligations Expected to Be Refinanced* ("FAS 6"), as WellPoint's intent is to replace this short-term borrowing with a long-term borrowing at or before its maturity.

On December 28, 2005, WellPoint filed a shelf registration with the U.S. Securities and Exchange Commission to register an unlimited amount of any combination of debt or equity securities in one or more offerings. On January 10, 2006, the Company issued $700.0 of 5.000% notes due 2011; $1,100.0 of 5.250% notes due 2016; and $900.0 of 5.850% notes due 2036 under this registration statement. The proceeds from this debt issuance were used to repay a bridge loan of $1,700.0 and $1,000.0 in commercial paper borrowed for the WellChoice merger.

On November 29, 2005, the Company entered into a senior credit facility (the "facility") with certain lenders for general corporate purposes. The facility provides credit for up to $2,500.0 (reduced for any commercial paper issuances) and matures on November 29, 2010. The interest rate on the facility is based on either (i) the LIBOR rate plus a predetermined percentage rate based on the Company's credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement. The Company's ability to borrow under the facility is subject to compliance with certain covenants. Commitment fees for the credit facility were $1.4 in 2005 and there are no conditions that are probable of occurring under which the facility may be withdrawn. There were no amounts outstanding under the senior credit facility and the Company was in compliance with the covenants as of December 31, 2005.

In August 2004, the Company issued $200.0 of 3.500% notes due 2007, which were used to exchange and retire $190.0 aggregate principal amount of 4.655% remarketed subordinated debentures. The Company also received approximately $4.7 of cash proceeds, net of underwriting discounts and offering expenses. These notes were issued under a shelf registration filed with the Securities and Exchange Commission in December 2002 for any combination of debt or equity securities in one or more offerings up to an aggregate amount of $1,000.0. As of December 31, 2005, this shelf registration was cancelled.

On December 9, 2004, WellPoint issued $300.0 of 3.750% notes due 2007, $300.0 of 4.250% notes due 2009, $500.0 of 5.000% notes due 2014 and $500.0 of 5.950% notes due 2034. Net proceeds from this offering were approximately $1,583.7 after deducting the initial purchasers' discount and estimated offering expenses. Proceeds from these notes were used to repay borrowings at November 30, 2004 to partially fund the cash portion of the WHN purchase price and to fund the tender offer to purchase $500.0 of surplus notes of Anthem Insurance Companies, Inc. ("Anthem Insurance"). The remainder of the proceeds was used to repay commercial paper.

The Company has an authorized commercial paper program of up to $2,000.0, the proceeds of which may be used for general corporate purposes. The weighted-average interest rate on commercial paper borrowing at

Schedule II—Condensed Financial Information of Registrant—(continued)

WellPoint, Inc.
(Parent Company Only)
Notes to Condensed Financial Statements

3. Long-Term Debt (continued)

December 31, 2005 and 2004 were 4.40% and 2.44%, respectively. Commercial paper borrowings have been classified as long-term debt at December 31, 2005 and 2004 in accordance with FAS 6, as WellPoint's practice and intent is to replace short-term commercial paper outstanding at expiration with additional short-term commercial paper for an uninterrupted period extending for more than one year or with borrowings under the senior credit facility described above.

Interest paid during 2005, 2004 and 2003 was $181.6 **,** $86.7 and $81.2, respectively.

Future maturities of long-term debt are as follows: 2006, **$** 3,301.4; 2007, $487.6; 2008, $0.0; 2009, $297.8; 2010, $0.0; and thereafter, $1,761.2.

4. Derivative Financial Instruments

The information regarding derivative financial instruments contained in Note 6 of the Notes to Consolidated Financial Statements of WellPoint and its subsidiaries is incorporated herein by reference.

5. Capital Stock

The information regarding capital stock contained in Note 12 of the Notes to Consolidated Financial Statements of WellPoint and its subsidiaries is incorporated herein by reference.

6. Contingencies

The information regarding contingencies contained in Note 18 of the Notes to Consolidated Financial Statements of WellPoint and its subsidiaries is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WELLPOINT, INC.

By: /s/ LARRY C. GLASSCOCK
Larry C. Glasscock
Chairman, President and Chief Executive Officer

Dated: February 23, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ LARRY C. GLASSCOCK **Larry C. Glasscock**	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 23, 2006
/s/ DAVID C. COLBY **David C. Colby**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 23, 2006
/s/ WAYNE S. DEVEYDT **Wayne S. DeVeydt**	Senior Vice President and Chief Accounting Officer (Chief Accounting Officer)	February 23, 2006
/s/ LENOX D. BAKER, JR., M.D. **Lenox D. Baker, Jr., M.D.**	Director	February 23, 2006
/s/ SUSAN B. BAYH **Susan B. Bayh**	Director	February 23, 2006
/s/ SHEILA P. BURKE **Sheila P. Burke**	Director	February 23, 2006
/s/ WILLIAM H.T. BUSH **William H.T. Bush**	Director	February 23, 2006
/s/ JULIE A. HILL **Julie A. Hill**	Director	February 23, 2006
/s/ WARREN Y. JOBE **Warren Y. Jobe**	Director	February 23, 2006
/s/ VICTOR S. LISS **Victor S. Liss**	Director	February 23, 2006

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Signature	Title	Date
/s/ William G. Mays	Director	February 23, 2006
William G. Mays		
/s/ Ramiro G. Peru	Director	February 23, 2006
Ramiro G. Peru		
/s/ Jane G. Pisano	Director	February 23, 2006
Jane G. Pisano		
/s/ Senator Donald W. Riegle, Jr.	Director	February 23, 2006
Senator Donald W. Riegle, Jr.		
/s/ William J. Ryan	Director	February 23, 2006
William J. Ryan		
/s/ George A. Schaefer, Jr.	Director	February 23, 2006
George A. Schaefer, Jr.		
/s/ Jackie M. Ward	Director	February 23, 2006
Jackie M. Ward		
/s/ John E. Zuccotti	Director	February 23, 2006
John E. Zuccotti		

INDEX TO EXHIBITS

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

Exhibit Number	Exhibit
	(b) Form of 3.50% Senior Note due 2007 (included as Exhibit A in Exhibit 4.5(a)), incorporated by reference to Exhibit 4.21 to the Company's Current Report on Form 8-K filed on August 27, 2004.
4.6	Amended and Restated Indenture, dated as of June 8, 2001, by and between WellPoint Health Networks Inc. (as predecessor by merger to Anthem Holding Corp., "WellPoint Health") and The Bank of New York, as trustee, incorporated by reference to Exhibit 4.3 to WellPoint Health's Current Report on Form 8-K filed on June 12, 2001.
	(a) First Supplemental Indenture, dated as of November 30, 2004, between Anthem Holding Corp. and The Bank of New York, as trustee, incorporated by reference to Exhibit 4.11(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.
	(b) Form of Note evidencing WellPoint Health's 6 3/8% Notes due 2006, incorporated by reference to Exhibit 4.1 to WellPoint Health's Current Report on Form 8-K filed on June 14, 2001.
	(c) Form of Note evidencing WellPoint Health's 6 3/8% Notes due 2012, incorporated by reference to Exhibit 4.1 to WellPoint Health's Current Report on Form 8-K filed on January 16, 2002.
4.7	Indenture, dated as of December 9, 2004, between the Company and The Bank of New York Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 15, 2004.
	(a) Form of the Company's 3.750% Notes due 2007 (included in Exhibit 4.7).
	(b) Form of the Company's 4.250% Notes due 2009 (included in Exhibit 4.7).
	(c) Form of the Company's 5.000% Notes due 2014 (included in Exhibit 4.7).
	(d) Form of the Company's 5.950% Notes due 2034 (included in Exhibit 4.7).
4.8	Indenture, dated as of January 10, 2006, between the Company and The Bank of New York Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 11, 2006.
	(a) Form of 5.00% Notes due 2011, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 11, 2006.
	(b) Form of 5.25% Notes due 2016, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on January 11, 2006.
	(c) Form of 5.85% Notes due 2036, incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on January 11, 2006.
4.9	Commercial Paper Dealer Agreement, dated as of March 11, 2003, among the Company, as Issuer, and J.P. Morgan Securities Inc., Banc of America Securities LLC and Salomon Smith Barney Inc., each as Dealer, incorporated by reference to Exhibit 4.18 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
	(a) Issuing and Paying Agency Agreement, dated as of March 11, 2003, by and between the Company and JP Morgan Chase Bank, incorporated by reference to Exhibit 4.19 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
4.10	Amended and Restated 5-Year Credit Agreement, dated as of November 29, 2005, among the Company, as Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lenders and L/C Issuer, the other Lenders party thereto, Citibank, N.A., as Syndication Agent, The Bank of Tokyo-Mitsubishi, Ltd. New York Branch, UBS Loan Finance LLC, Wachovia Bank, National Association and William Street Commitment Corporation, as Co-Documentation Agents, and Banc of America Securities LLC and Citigroup Global Markets Inc., as Joint Book Managers.

Exhibit Number	Exhibit
4.11	Loan Agreement, dated as of December 28, 2005, among the Company, as Borrower, Bank of America, N.A., as Administrative Agent, the other Lenders party thereto, Citigroup Global Markets Inc. and Merrill Lynch Bank USA, as Co-Documentation Agents, and Banc of America Securities LLC and Goldman Sachs Credit Partners, L.P., as Joint Lead Arrangers and Joint Book Managers.
4.12	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.
10.1*	Anthem 2001 Stock Incentive Plan, amended and restated as of January 1, 2003, incorporated by reference to Exhibit 10.1(iii) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
	(a) Form of Anthem 2001 Stock Incentive Plan Option Grant Letter as of January 1, 2005, incorporated by reference to Exhibit 10.1(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.
	(b) Form of Anthem 2001 Stock Incentive Plan Restricted Stock Award Letter as of January 1, 2005, incorporated by reference to Exhibit 10.1 (b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004.
10.2*	Anthem Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
	(a) Amendment No. 1 to Anthem Employee Stock Purchase Plan, dated July 2, 2002, incorporated by reference to Exhibit 10.2(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
	(b) Amendment No. 2 to Anthem Employee Stock Purchase Plan, dated July 29, 2002, incorporated by reference to Exhibit 10.2(ii) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10.3*	Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), incorporated by reference to Exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
	(a) First Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective June 1, 2002, incorporated by reference to Exhibit 99.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
	(b) Second Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective October 31, 2002, incorporated by reference to Exhibit 10.25(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
	(c) Third Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective January 1, 2002, incorporated by reference to Exhibit 10.25(ii) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
	(d) Fourth Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective January 1, 2002, incorporated by reference to Exhibit 10.25(iv) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

Exhibit Number	Exhibit
	(e) Fifth Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective January 1, 2004, incorporated by reference to Exhibit 10.25(v) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
	(f) Sixth Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective January 1, 2004, incorporated by reference to Exhibit 10.25(vi) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
	(g) Seventh Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective January 31, 2004, incorporated by reference to Exhibit 10.25(vii) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
	(h) Eighth Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective December 3, 2004, incorporated by reference to Exhibit 10.23(h) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
	(i) Ninth Amendment of the Anthem 401(k) Long Term Savings Investment Plan (Second Restatement Effective January 1, 1997), effective March 28, 2005, incorporated by reference to Exhibit 10.23(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
10.4*	WellPoint, Inc. Comprehensive Non-Qualified Deferred Compensation Plan, effective as of December 31, 2005.
10.5*	WellPoint Board of Directors' Deferred Compensation Plan, as amended and restated effective January 1, 2005.
10.6*	WellPoint, Inc. Board of Directors Compensation Program, approved February 2, 2005, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on February 8, 2005.
10.7*	WellPoint, Inc. Executive Severance Plan, effective January 1, 2006.
10.8*	Anthem Deferred Compensation Plan, amended and restated effective January 1, 1997, incorporated by reference to Exhibit 10.14(i) to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
	(a) First Amendment to Anthem Deferred Compensation Plan, adopted December 16, 1998, incorporated by reference to Exhibit 10.14(ii) to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
	(b) Second Amendment to Anthem Deferred Compensation Plan, executed March 30, 2000, incorporated by reference to Exhibit 10.14(iii) to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
	(c) Third Amendment to Anthem Deferred Compensation Plan, effective January 1, 2006.
10.9*	Anthem Supplemental Executive Retirement Plan, amended and restated effective January 1, 1997, incorporated by reference to Exhibit 10.16(i) to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
	(a) First Amendment to the Anthem Supplemental Executive Retirement Plan, executed on March 30, 2000, incorporated by reference to Exhibit 10.16(ii) to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).

Exhibit Number	Exhibit
	(b) Second Amendment to the Anthem Supplemental Executive Retirement Plan, executed on September 1, 2000, incorporated by reference to Exhibit 10.16(iii) to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
10.10*	Anthem 2001-2003 Long-Term Incentive Plan, effective January 1, 2001, incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
	(a) First Amendment to the Anthem 2001-2003 Long-Term Incentive Plan, dated April 25, 2002, incorporated by reference to Exhibit 10.18(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
10.11*	Anthem Long-Term Incentive Plan, effective January 1, 2004, incorporated by reference to Exhibit 10.33 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10.12*	Anthem Annual Incentive Plan, effective January 1, 2003, incorporated by reference to Exhibit 10.32 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
10.13*	WellPoint Directed Executive Compensation Plan.
10.14*	Anthem Split Dollar Life Insurance Program, amended and restated effective November 1, 1998, incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
10.15*	Trigon Healthcare, Inc. 1997 Stock Incentive Plan, incorporated by reference to Exhibit A to Trigon Healthcare, Inc.'s Definitive Proxy Statement for its 1997 Annual Meeting of Shareholders filed on March 14, 1997.
	(a) First Amendment to the Trigon Healthcare, Inc. 1997 Stock Incentive Plan, dated as of February 15, 2000, incorporated by reference to Exhibit 10.1 to Trigon Healthcare, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.
10.16*	Trigon Healthcare, Inc. Non-Employee Directors Stock Incentive Plan, incorporated by reference to Exhibit C to Trigon Healthcare, Inc.'s Definitive Proxy Statement for its 1997 Annual Meeting of Shareholders filed on March 14, 1997.
	(a) Amendment to the Trigon Healthcare, Inc. Non-Employee Directors Stock Incentive Plan, dated as of April 24, 2002, incorporated by reference to Exhibit 10.36 to Trigon Healthcare, Inc.'s Annual Report on Form 10-K/A No.1 for the year ended December 31, 2001.
10.17*	Form of Trigon Healthcare, Inc. Stock Option Agreement, incorporated by reference to Exhibit 99(ii) to Trigon Healthcare, Inc.'s Registration Statement on Form S-8 (Registration No. 333-45890).
	(a) Schedule of Agreements pursuant to the Form of Trigon Healthcare, Inc. Stock Option Agreement, incorporated by reference to Exhibit 99.6 to the Company's Registration Statement on Form S-8 (Registration No. 333-97423).
10.18*	Trigon Insurance Company 401(k) Restoration Plan, effective January 1, 1995, incorporated by reference to Exhibit 99(ii) to Trigon Healthcare, Inc.'s Registration Statement on Form S-8 (Registration No. 333-22463).
10.19*	WellPoint Health Networks Inc. 1999 Stock Incentive Plan (as amended through December 6, 2000), incorporated by reference to Exhibit 10.37 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2000.
	(a) Form of WellPoint Health Networks Inc. 1999 Stock Incentive Plan Notice of Grant of Stock Option and Stock Option Agreement, revised December 2001, incorporated by reference to Exhibit 10.01 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

Exhibit Number	Exhibit
	(b) Form of WellPoint Health Networks Inc. 1999 Stock Incentive Plan Notice of Grant of Stock Option and Stock Option Agreement, revised September 2003, incorporated by reference to Exhibit 10.02 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
	(c) Form of WellPoint Health Networks Inc. 1999 Stock Incentive Plan Restricted Share Right Grant Agreement (Non-Officers), as of January 26, 2004, incorporated by reference to Exhibit 10.05 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
	(d) Form of WellPoint Health Networks Inc. 1999 Stock Incentive Plan Restricted Share Right Grant Agreement (Officers), as of January 26, 2004, incorporated by reference to Exhibit 10.06 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
	(e) Form of WellPoint Health Networks Inc. 1999 Stock Incentive Plan Notice of Grant of Stock Option and Stock Option Agreement with Leonard D. Schaeffer, revised December 2001, incorporated by reference to Exhibit 10.07 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
	(f) Form of WellPoint Health Networks Inc. 1999 Stock Incentive Plan Notice of Grant of Stock Option and Stock Option Agreement with Leonard D. Schaeffer revised September 2003, incorporated by reference to Exhibit 10.08 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
	(g) Form of WellPoint Health Networks Inc. 1999 Stock Incentive Plan Notice of Automatic Grant of Stock Option, Notice of Annual Automatic Grant of Stock Option, Notice of Grant of Stock Option and Automatic Stock Option Agreement for Non-Employee Directors, incorporated by reference to Exhibit 10.09 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.20*	WellPoint Health Networks Inc. 1999 Executive Officer Annual Incentive Plan, incorporated by reference to Annex II to WellPoint Health's Definitive Proxy Statement for its 2001 Annual Meeting of Stockholders filed on March 30, 2001.
	(a) Amendment, dated June 28, 2004, to the WellPoint Health Networks Inc. 1999 Executive Officer Annual Incentive Plan, incorporated by reference to Exhibit 10.02 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10.21*	WellPoint Health Networks Inc. 2000 Employee Stock Option Plan (as amended through October 19, 2001), incorporated by reference to Exhibit 10.33 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2001.
	(a) Form of WellPoint Health Networks Inc. 2000 Employee Stock Option Plan Notice of Grant of Stock Option and Stock Option Agreement, revised December 2001, incorporated by reference to Exhibit 10.03 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
	(b) Form of WellPoint Health Networks Inc. 2000 Employee Stock Option Plan Notice of Grant of Stock Option and Stock Option Agreement, revised September 2003, incorporated by reference to Exhibit 10.04 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.22*	WellPoint Health Networks Inc. Officer Severance Plan (as adopted December 4, 2001), incorporated by reference to Exhibit 10.23 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2001.

Exhibit Number	Exhibit
10.23*	WellPoint Health Networks Inc. Comprehensive Executive Non-Qualified Retirement Plan (as amended through September 1, 2002), incorporated by reference to Exhibit 10.01 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10.24*	WellPoint Health Networks Inc. Officer Change-in-Control Plan (As amended and restated through December 4, 2001) (as revised in October 2003), incorporated by reference to Exhibit 10.13 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10.25*	WellPoint Health Networks Inc. Supplemental Executive Retirement Plan (As restated effective December 4, 2001) (As amended October 24, 2003), incorporated by reference to Exhibit 10.14 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
10.26*	WellPoint 401(k) Retirement Savings Plan Generally Effective January 1, 2002 (As Amended through March 1, 2002), executed on October 10, 2003, incorporated by reference to Exhibit 10.10 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
	(a) Amendment to the WellPoint 401(k) Retirement Savings Plan, effective as of April 30, 2002, incorporated by reference to Exhibit 10.01 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
	(b) Amendment to the WellPoint 401(k) Retirement Savings Plan, effective as of September 1, 2002, incorporated by reference to Exhibit 10.02 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
	(c) Amendment to the WellPoint 401(k) Retirement Savings Plan, effective as of November 17, 2002, incorporated by reference to Exhibit 10.03 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
	(d) EGTRRA Amendment to the WellPoint 401(k) Retirement Savings Plan (as amended through March 1, 2002), dated December 4, 2002, incorporated by reference to Exhibit 10.69 to the WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2002.
	(e) Amendment to the WellPoint 401(k) Retirement Savings Plan (as amended through March 1, 2002), dated March 16, 2003, incorporated by reference to Exhibit 10.66 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2002.
	(f) Distribution Option Amendment to the WellPoint 401(k) Retirement Savings Plan, dated July 24, 2003, incorporated by reference to Exhibit 10.11 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
	(g) Amendment to the WellPoint 401(k) Retirement Savings Plan, dated October 10, 2003, incorporated by reference to Exhibit 10.12 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
	(h) Amendment to the WellPoint 401(k) Retirement Savings Plan (As Amended Through October 10, 2003), dated November 13, 2003, incorporated by reference to Exhibit 10.15 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
	(i) Amendment to the WellPoint 401(k) Retirement Savings Plan (As Amended Through December 31, 2003), dated December 31, 2003, incorporated by reference to Exhibit 10.80 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2003.
	(j) Amendment to the WellPoint 401(k) Retirement Savings Plan (As Amended Through December 31, 2003), dated January 15, 2004, incorporated by reference to Exhibit 10.81 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2003.

Exhibit Number	Exhibit
	(k) Amendment to the WellPoint 401(k) Retirement Savings Plan, effective as of February 28, 2004, incorporated by reference to Exhibit 10.01 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
	(l) Amendment to the WellPoint 401(k) Retirement Savings Plan, effective as of April 23, 2004, incorporated by reference to Exhibit 10.02 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
	(m) Amendment to the WellPoint 401(k) Retirement Savings Plan, executed on July 9, 2004, incorporated by reference to Exhibit 10.01 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
	(n) Amendment to the WellPoint 401(k) Retirement Savings Plan, executed on November 30, 2004, incorporated by reference to Exhibit 99.15 to the Company's Registration Statement on Form S-8 (Registration No. 333-120851).
	(o) Amendments to the WellPoint 401(k) Retirement Savings Plan, executed on April 26, 2005, incorporated by reference to Exhibit 10.51 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
10.27*	Amended and Restated Special Executive Retirement Plan, dated as of December 31, 2002, by and between WellPoint Health and Leonard D. Schaeffer, incorporated by reference to Exhibit 99.2 to WellPoint Health's Current Report on Form 8-K filed on December 31, 2002.
10.28*	Letter agreement, dated December 30, 2003, between WellPoint Health and Leonard D. Schaeffer, incorporated by reference to Exhibit 10.82 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2003.
10.29*	Form of letter agreement, dated February 2004, between WellPoint Health and executive officers of WellPoint Health, incorporated by reference to Exhibit 10.83 to WellPoint Health's Annual Report on Form 10-K for the year ended December 31, 2003.
10.30*	RightCHOICE Managed Care, Inc. 2001 Stock Incentive Plan, effective May 1, 2001, incorporated by reference to Exhibit 10 to the Registration Statement on Form S-8 of RightCHOICE Managed Care, Inc. (Registration No. 333-62898).
10.31*	RightCHOICE Managed Care, Inc. 1994 Equity Incentive Plan, incorporated by reference to Exhibit 4(c) of the Post-Effective Amendment No. 2 on Form S-8 to Registration Statement on Form S-4 of RightCHOICE Managed Care, Inc. (Registration No. 333-34750).
10.32*	RightCHOICE Managed Care, Inc. Nonemployee Directors' Stock Option Plan, incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of RightCHOICE Managed Care, Inc., (Registration No. 33-77798).
10.33*	Empire HealthChoice, Inc. Executive Savings Plan, as Amended and Restated effective January 1, 1999, incorporated by reference to Exhibit 10.4 to Empire HealthChoice, Inc.'s Registration Statement on Form S-1 (Registration No. 333-99051).
	(a) First Amendment, dated December 18, 2002, to the Empire Blue Cross and Blue Shield Executive Savings Plan Trust, as Amended and Restated as of January 1, 1999.
	(b) Second Amendment, dated as of December 17, 2003, to the Empire Blue Cross and Blue Shield Executive Savings Plan, as Amended and Restated as of January 1, 1999.
10.34*	Empire HealthChoice, Inc., 2000-2002 Long-Term Incentive Compensation Plan, incorporated by reference to Exhibit 10.7 to Empire HealthChoice, Inc.'s Registration Statement on Form S-1 (Registration No. 333-99051).

Exhibit Number	Exhibit
10.35*	WellChoice, Inc. Long-Term Incentive Compensation Plan, as amended on March 24, 2004, incorporated by reference to Exhibit 10.8 to WellChoice, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
	(a) Goals for the 2004-2006 cycle and the 2005-2007 cycle under the WellChoice, Inc. Long-Term Incentive Compensation Plan, as amended on March 24, 2004, incorporated by reference to WellChoice, Inc.'s Definitive Proxy Statement for its 2005 Annual Meeting of Shareholders filed on March 28, 2005 in the Executive Compensation section and the "Long-Term Incentive Plan (Award for 2005-2007 Performance Period)" section of the Compensation Committee Report on Executive Compensation, respectively.
10.36*	WellChoice Supplemental Plans Trust, incorporated by reference to Exhibit 10.35 to WellChoice, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
10.37*	WellChoice, Inc. 2003 Omnibus Incentive Plan, as amended on September 22, 2004, incorporated by reference to Exhibit 10.37 to WellChoice, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10.38*	Empire BlueCross BlueShield 2005 Executive Savings Plan (Effective December 27, 2004), incorporated by reference to Exhibit 10.38 to WellChoice, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004.
10.39*	Employment Agreement by and between WellPoint, Inc. and Larry C. Glasscock, dated as of December 28, 2005.
10.40*	Employment Agreement by and between Anthem Insurance Companies, Inc. and Samuel R. Nussbaum, M.D., dated as of January 2, 2001 (with respect to Section 5(c) only), incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (Registration No. 333-67714).
10.41*	Amended and Restated Employment Agreement dated as of December 31, 2002, by and between WellPoint Health Networks Inc. and Leonard D. Schaeffer, incorporated by reference to Exhibit 99.1 to the WellPoint Health Networks Inc. Current Report on Form 8-K dated December 31, 2002.
	(a) Letter of Agreement, dated as of July 22, 2005, between the Company and Leonard D. Schaeffer, incorporated by reference to Exhibit 10.57(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
10.42*	Employment Agreement between the Company and Michael A. Stocker, M.D., dated as of December 28, 2005.
10.43*	Form of Employment Agreement, dated on or about January 1, 2006, between the Company and each of the following: Mark L. Boxer; Randal Brown; Marjorie W. Dorr; Randall Lewis; and, Samuel R. Nussbaum, M.D..
10.44*	Executive Agreement, dated March 8, 2005, between the Company and Wayne DeVeydt.
10.45	Blue Cross License Agreement by and between Blue Cross Blue Shield Association and the Company, including revisions, if any, adopted by the Member Plans through November 17, 2005 meeting.
10.46	Blue Shield License Agreement by and between Blue Cross Blue Shield Association and the Company, including revisions, if any, adopted by the Member Plans through November 17, 2005 meeting.
10.47	Undertakings to California Department of Insurance, dated November 8, 2004, delivered by WellPoint Health, BC Life, Anthem, Inc. and Anthem Holding Corp., incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on November 10, 2004.

Exhibit Number	Exhibit
10.48	Undertakings to California Department of Managed Health Care, dated November 23, 2004, delivered by WellPoint Health, Blue Cross of California, Anthem, Inc. and Anthem Holding Corp., incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on November 30, 2004.
10.49	Undertakings to California Department of Managed Health Care, dated November 23, 2004, delivered by WellPoint Health, Golden West, Anthem, Inc. and Anthem Holding Corp, incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on November 30, 2004.
10.50	Undertakings, dated January 7, 1993, by WellPoint Health, Blue Cross of California and certain subsidiaries to the California Department of Corporations, incorporated by reference to Exhibit 10.24 to WellPoint Health's Registration Statement on Form S-1 (Registration No. 33-54898).
10.51	Orders Approving Notice of Material Modification and Undertakings, dated September 7, 1995, by Blue Cross of California, WellPoint Health and WellPoint Health's subsidiaries to the California Department of Corporations, incorporated by reference to Exhibit 10.47 to WellPoint Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
10.52	Amended and Restated Undertakings, dated March 5, 1996, by Blue Cross of California, WellPoint Health and certain of its subsidiaries to the California Department of Corporations, incorporated by reference to Exhibit 99.1 to WellPoint Health's Current Report on Form 8-K dated March 5, 1996.
10.53	Indemnification Agreement, dated as of May 17, 1996, by and among WellPoint Health, WellPoint Health Networks Inc., a Delaware corporation, and Western Health Partnerships, incorporated by reference to Exhibit 99.9 to WellPoint Health's Current Report on Form 8-K filed June 3, 1996.
10.54	Undertakings, dated July 31, 1997, by WellPoint Health, Blue Cross of California and WellPoint California Services, Inc. to the California Department of Corporations, incorporated by reference to Exhibit 99.12 to WellPoint Health's Current Report on Form 8-K filed on August 5, 1997.
10.55*	Form of Indemnification Agreement between WellPoint Health and its Directors and Officers, incorporated by reference to Exhibit 10.17 to WellPoint Health's Registration Statement on Form S-1 (Registration No. 33-54898).
10.56	Settlement Agreement, dated as of July 11, 2005, by and among the Company, the Representative Plaintiffs, the Signatory Medical Societies and Class Counsel, incorporated by reference to Exhibit 10.58 to the Company's quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
10.57*	2005 Annual Salary Information for Chief Executive Officer and Named Executive Officers.
21	Subsidiaries of the Company.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates management contracts or compensatory plans or arrangements.

Exhibit 4.10

EXECUTION VERSION

Published CUSIP Number: 94973DAC1

AMENDED AND RESTATED
5-YEAR CREDIT AGREEMENT

Dated as of November 29, 2005

among

WELLPOINT, INC.,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent, Swing Line Lender
and
L/C Issuer,
and
The Other Lenders Party Hereto

CITIBANK, N.A.,
as Syndication Agent

THE BANK OF TOKYO-MITSUBISHI, LTD. NEW YORK BRANCH
UBS LOAN FINANCE LLC,
WACHOVIA BANK, NATIONAL ASSOCIATION
and
WILLIAM STREET COMMITMENT CORPORATION,
as Co-Documentation Agents

BANC OF AMERICA SECURITIES LLC
and
CITIGROUP GLOBAL MARKETS INC.,
as Joint Lead Arrangers
and
Joint Book Managers

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AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT (" Agreement ") is entered into as of November 29, 2005, among WELLPOINT, INC. (f/k/a Anthem, Inc.), an Indiana corporation (the " Borrower "), each lender from time to time party hereto (collectively, the " Lenders " and individually, a " Lender "), CITIBANK, N.A. as Syndication Agent (the " Syndication Agent "), THE BANK OF TOKYO-MITSUBISHI, LTD., NEW YORK BRANCH, UBS LOAN FINANCE LLC, WACHOVIA BANK, NATIONAL ASSOCIATION and WILLIAM STREET COMMITMENT CORPORATION as Co-Documentation Agents (the " Co-Documentation Agents "), BANC OF AMERICA SECURITIES LLC (" BAS ") and CITIGROUP GLOBAL MARKETS INC. as Joint Lead Arrangers and Joint Book Managers, and BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

" Absolute Rate " means a fixed rate of interest expressed in multiples of 1/100th of one basis point.

" Absolute Rate Loan " means a Bid Loan that bears interest at a rate determined with reference to an Absolute Rate.

" Administrative Agent " means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

" Administrative Agent's Office " means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02 , or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

" Administrative Questionnaire " means an Administrative Questionnaire in a form supplied by the Administrative Agent.

" Affiliate " means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

" Aggregate Commitments " means the Commitments of all the Lenders.

" Agreement " means this Credit Agreement.

" Applicable Percentage " means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender's Commitment at such time. If the commitment of each Lender to make Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02 or if the Aggregate Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

" Applicable Rate " means, from time to time, the following percentages per annum in respect of the facility fee pursuant to Section 2.10 , the Eurodollar Rate Committed Loans, the Letter of Credit Fee and the Base Rate Committed Loans, as the case may be, based upon the Debt Rating as set forth below.

Applicable Rate

Pricing Level	Debt Ratings S&P/Moody's	Facility Fee	Eurodollar Rate + / Letter of Credit Fee	Base Rate +
1	A/A2 or better	0.060%	0.240%	0.0%
2	A-/A3	0.070%	0.280%	0.0%
3	BBB+/Baa1	0.080%	0.320%	0.0%
4	BBB/Baa2	0.100%	0.400%	0.0%
5	BBB-/Baa3 or worse	0.125%	0.500%	0.0%

" Debt Rating " means, as of any date of determination, the rating as determined by either S&P or Moody's (collectively, the " Debt Ratings ") of the Borrower's non-credit-enhanced, senior unsecured long-term debt; provided that if a Debt Rating is issued by each of the foregoing rating agencies, then the higher of such Debt Ratings shall apply (with the Debt Rating for Pricing Level 1 being the highest and the Debt Rating for Pricing Level 5 being the lowest) unless there is a split in Debt Ratings of more than one level, in which case the Pricing Level that is one level lower than the Pricing Level of the higher Debt Rating shall apply.

Initially, the Applicable Rate shall be determined based upon Pricing Level 3 set forth above. Thereafter, each change in the Applicable Rate resulting from a publicly announced change in the Debt Rating shall be effective during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change. If either S&P or Moody's shall cease to have in effect a rating of the Borrower's non-credit enhanced, senior unsecured long-term debt and Fitch Ratings shall have in effect a rating of such debt, then the ratings of Fitch Ratings will be substituted for the ratings of such agency for all the purposes of the foregoing provisions of this definition of "Applicable Rate".

" Approved Fund " means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

" Arrangers " means BAS and CGMI, in their respective capacities as joint lead arrangers and joint book managers.

" Assignee Group " means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

" Assignment and Assumption " means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E or any other form approved by the Administrative Agent.

" Audited Financial Statements " means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2004 and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of the Borrower and its Subsidiaries, including the notes thereto.

" Authorized Officer " the chief executive officer, president, chief financial officer or treasurer of a Loan Party, acting singly. Any document delivered hereunder that is signed by an Authorized Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Authorized Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

" Availability Period " means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.07 , and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the L/C Issuer to make L/C Credit Extensions pursuant to Section 8.02 .

" Bank of America " means Bank of America, N.A. and its successors.

" Base Rate " means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

" Base Rate Committed Loan " means a Committed Loan that is a Base Rate Loan.

" Base Rate Loan " means a Loan that bears interest based on the Base Rate.

" Bid Borrowing " means a borrowing consisting of simultaneous Bid Loans of the same Type from each of the Lenders whose offer to make one or more Bid Loans as part of such borrowing has been accepted under the auction bidding procedures described in Section 2.03 .

" Bid Loan " has the meaning specified in Section 2.03(a) .

" Bid Loan Lender " means, in respect of any Bid Loan, the Lender making such Bid Loan to the Borrower.

" Bid Request " means a written request for one or more Bid Loans substantially in the form of Exhibit B-1 .

" Borrower " has the meaning specified in the introductory paragraph hereto.

" Borrowing " means a Committed Borrowing, a Bid Borrowing or a Swing Line Borrowing, as the context may require.

" Bridge Financing " means that certain proposed financing in a principal amount of up to $3,000,000,000 to be entered into by and among the Borrower, the Guarantor and Bank of America, N.A. as Agent for the Lenders from time to time party thereto, among others.

" Business Day " means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

" Capitalized Lease " of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

" Capitalized Lease Obligations " of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

" Cash Collateralize " has the meaning specified in Section 2.04(g) .

" Cash Equivalents " means any of the following types of investments, to the extent owned by the Borrower free and clear of all Liens:

(a) readily marketable obligations issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof having maturities of not more than 360 days from the date of acquisition thereof; provided that the full faith and credit of the United States is pledged in support thereof;

(b) time deposits with, or insured certificates of deposit or bankers' acceptances of, any commercial bank that (i) (A) is a Lender or (B) is organized under the laws of the United States, any state thereof or the District of Columbia or is the

principal banking subsidiary of a bank holding company organized under the laws of the United States, any state thereof or the District of Columbia, and is a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) of this definition and (iii) has combined capital and surplus of at least $1,000,000,000, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(c) commercial paper issued by any Person organized under the laws of any state of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's or at least "A-1" (or the then equivalent grade) by S&P, in each case with maturities of not more than 180 days from the date of acquisition thereof; and

(d) Investments, classified in accordance with GAAP as current assets of the Borrower or any of its Subsidiaries, in money market investment programs registered under the Investment Company Act of 1940, which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to investments of the character, quality and maturity described in clauses (a), (b) and (c) of this definition.

" Change in Law " means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) compliance by any Lender (or, for the purpose of Section 3.04(b) , any Lending Office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority.

" Change of Control " means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of equity interests representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding equity interests in the Borrower or (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were not (i) directors of the Borrower on the date of this Agreement, (ii) nominated by the board of directors of the Borrower, or (iii) appointed by directors referred to in the preceding clauses (i) and (ii).

" Closing Date " means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01 .

" Code " means the Internal Revenue Code of 1986, as amended from time to time.

" Commitment " means, as to each Lender, its obligation to (a) make Committed Loans to the Borrower pursuant to Section 2.01 , (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as

applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

" Committed Borrowing " means a borrowing consisting of simultaneous Committed Loans of the same Type and, in the case of Eurodollar Rate Committed Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01 .

" Committed Loan " has the meaning specified in Section 2.01 .

" Committed Loan Notice " means a notice of (a) a Committed Borrowing, (b) a conversion of Committed Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Committed Loans, pursuant to Section 2.02(a) , which, if in writing, shall be substantially in the form of Exhibit A .

" Competitive Bid " means a written offer by a Lender to make one or more Bid Loans, substantially in the form of Exhibit B-2 , duly completed and signed by a Lender.

" Contingent Obligation " of a Person means any obligation arising under any agreement, undertaking or arrangement by which (a) such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the financial obligation or liability of any other Person, or (b) agrees to maintain the net worth or working capital or other financial condition of any other Person, or (c) otherwise assures any creditor of such other Person against loss, including, without limitation, in each case, any comfort letter, operating agreement or take-or-pay contract or application for a letter of credit, but excluding in each case obligations incurred by either Loan Party or any Insurance Subsidiary under insurance policies or contracts entered into in the ordinary course of business and endorsements of instruments for deposit or collection in the ordinary course of business.

" Control " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " Controlling " and " Controlled " have meanings correlative thereto.

" Controlled Group " means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with one or both of the Loan Parties and/or one or more of the Subsidiaries, are treated as a single employer (i) under Section 414(b) or (c) of the Code or (ii) for the purposes of Section 302 of ERISA or Section 412 of the Code, under Section 414(b), (c), (m) or (o) of the Code.

" Credit Extension " means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

" Debt " of a Person means such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (c) obligations described in clauses (a), (b), (d), (e), (f) and (g), whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or

hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, bonds, or similar instruments, (e) Capitalized Lease Obligations, (f) Contingent Obligations in respect of Debt and (g) obligations for which such Person is obligated pursuant to or in respect of a letter of credit.

" Debtor Relief Laws " means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

" Default " means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

" Default Rate " means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided , however , that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.

" Defaulting Lender " means any Lender that (a) has failed to fund any portion of the Committed Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

" Disclosed Matter " means the actions, suits and proceedings and the environmental matters disclosed in Schedule 5.08 hereto.

" Dollar " and " $ " mean lawful money of the United States.

" Eligible Assignee " means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, the L/C Issuer and the Swing Line Lender, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

" Environmental Laws " means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees or binding agreements relating to the environment or the release of any Hazardous Materials into the environment.

" Environmental Liability " means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the

Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended from time to time.

" Eurodollar Bid Margin " means the margin above or below the Eurodollar Rate to be added to or subtracted from the Eurodollar Rate, which margin shall be expressed in multiples of 1/100th of one basis point.

" Eurodollar Margin Bid Loan " means a Bid Loan that bears interest at a rate based upon the Eurodollar Rate.

" Eurodollar Rate " means for any Interest Period with respect to a Eurodollar Rate Loan:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America (or, in the case of a Bid Loan, the applicable Bid Loan Lender) and with a term equivalent to such Interest Period would be offered by Bank of America's (or such Bid Loan Lender's, as provided to the Administrative Agent) London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

" Eurodollar Rate Committed Loan " means a Committed Loan that bears interest at a rate based on the Eurodollar Rate.

" Eurodollar Rate Loan " means a Eurodollar Rate Committed Loan or a Eurodollar Margin Bid Loan.

" Event of Default " has the meaning specified in Section 8.01 .

" Excluded Taxes " means, with respect to the Administrative Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (including in the case of a Lender that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) any backup withholding tax) (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located, and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any withholding tax imposed by the jurisdiction in which the Borrower is resident that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or the date on which a Participant becomes entitled to the benefits of Section 3.01 pursuant to Section 10.06(d) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e) , except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a) .

" Existing Credit Agreement " means that certain Five Year Credit Agreement dated as of November 19, 2004 among the Borrower, the lenders from time to time party thereto and Bank of America, N.A. as administrative agent for the lenders thereunder.

" Federal Funds Rate " means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

" Fee Letter " means the letter agreement, dated October 24, 2005, among the Borrower, the Administrative Agent and BAS in connection with the entry into this Agreement.

" Financial Officer " of a Person means the chief financial officer, principal accounting officer, treasurer or controller of such Person or any officer having substantially the same position for such Person.

" Fiscal Quarter " means one of the four three-month accounting periods comprising a Fiscal Year.

" Fiscal Year " means the twelve-month accounting period ending December 31 of each year.

" Fitch Ratings " means Fitch Ratings, a wholly-owned subsidiary of Fimalac, S.A., and any successor thereto.

" Foreign Lender " means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

" FRB " means the Board of Governors of the Federal Reserve System of the United States.

" Fund " means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

" GAAP " means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

" Governmental Authority " means any government (foreign or domestic) or any state or other political subdivision thereof or any governmental body, agency, authority, department or commission (including any board of insurance, insurance department or insurance commission and any taxing authority or political subdivision) or any instrumentality thereof (including any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation, partnership or other entity directly or indirectly owned or controlled by or subject to the control of any of the foregoing (including any supra-national bodies such as the European Union or the European Central Bank).

" Granting Lender " has the meaning specified in Section 10.06(h) .

" Guarantor " means Anthem Holding Corp., a wholly-owned Subsidiary of the Borrower.

" Guaranty " means the Amended and Restated Guaranty made by the Guarantor in favor of the Administrative Agent and the Lenders, substantially in the form of Exhibit F .

" Hazardous Materials " means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas,

infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

" Hedging Agreement " means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement or puts and calls on any of the foregoing and with respect to equity securities.

" HMO " means a health maintenance organization (or similar entity) doing business as such (or required to qualify or to be licensed as such) under HMO Regulations.

" HMO Regulation " means all laws, regulations, directives and administrative orders applicable under federal or state law to health maintenance organizations (or similar entities) and any regulations, orders and directives promulgated or issued pursuant thereto.

" HMO Regulator " means any Person charged with the administration, oversight or enforcement of an HMO Regulation and the Blue Cross Blue Shield Association.

" Indemnified Taxes " means Taxes other than Excluded Taxes.

" Indemnitees " has the meaning specified in Section 10.04(b) .

" Indiana Insurance Law " means the Indiana Insurance Law (Title 27 of the Indiana Code), as the same may be amended or supplemented from time to time.

" Insurance Regulations " means any Laws applicable to an insurance company.

" Insurance Regulator " means any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

" Insurance Subsidiary " means any Subsidiary that is now or hereafter engaged in the insurance business or is an HMO.

" Interest Payment Date " means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided , however , that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date.

" Interest Period " means (a) as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or (in the case of any Eurodollar Rate Committed Loan) converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice or Bid Request, as the case may be; and (b) as to each Absolute Rate Loan, a period of not less than 14 days and not more than 180 days as selected by the Borrower in

its Bid Request; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Stated Maturity Date.

" Investment " of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business) or contribution of capital by such Person to any other Person or any investment in, or purchase or other acquisition of, the stock, partnership interests, notes, debentures or other securities of any other Person made by such Person.

" IRS " means the United States Internal Revenue Service.

" ISP " means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

" Issuer Documents " means with respect to any Letter of Credit, the Letter Credit Application, and any other document, agreement and instrument entered into by the L/C Issuer and the Borrower (or any Subsidiary) or in favor the L/C Issuer and relating to any such Letter of Credit.

" Laws " means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, executive orders, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority.

" L/C Advance " means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage.

" L/C Borrowing " means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Committed Borrowing.

" L/C Credit Extension " means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

" L/C Issuer " means Bank of America in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

" L/C Obligations " means, as at any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

" Lender " has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the Swing Line Lender.

" Lending Office " means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

" Letter of Credit " means any letter of credit issued hereunder. A Letter of Credit may be a commercial letter of credit or a standby letter of credit but shall not include provisions for the issuance of time drafts, issuance of bankers' acceptances or issuance of other deferred payment obligations upon any drawing thereunder.

" Letter of Credit Application " means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the L/C Issuer.

" Letter of Credit Expiration Date " means the day that is five days prior to the Stated Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

" Letter of Credit Fee " has the meaning specified in Section 2.04(i) .

" Letter of Credit Sublimit " means an amount equal to $200,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments.

" License " means any license, certificate of authority, permit or other authorization which is required to be obtained from any Governmental Authority in connection with the operation, ownership or transaction of insurance business.

" Lien " means any security interest, lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement); provided , however, that a "Lien" shall not be deemed to arise from repurchase transactions or reverse repurchase transactions or from programs where the Borrower or any Subsidiary lends securities.

" Loan " means an extension of credit by a Lender to the Borrower under Article II in the form of a Committed Loan, a Bid Loan or a Swing Line Loan.

" Loan Documents " means this Agreement, each Note, each Issuer Document, and the Guaranty.

" Loan Parties " means, collectively, the Borrower and the Guarantor.

" Margin Stock " has the meaning assigned to such term under Regulation U of the FRB.

" Material Adverse Effect " means any material adverse effect on (a) the business, property, financial condition or operations of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of either of the Loan Parties to perform any of the Obligations or (c) the rights or remedies available to the Lenders under this Agreement.

" Material Insurance Subsidiary " means any Insurance Subsidiary that is a Material Subsidiary.

" Material Subsidiary " means, at any time, any Subsidiary of the Borrower which, together with its Subsidiaries, has either assets or revenues from operations that exceed 10% of the combined assets or combined revenues from operations, respectively, of the Borrower and its Subsidiaries taken as a whole.

" Maturity Date " means the earlier of (a) the fifth anniversary of the Closing Date and (b) the date of the termination in whole of the Commitments pursuant to Section 2.07 or 8.02 .

" Moody's " means Moody's Investors Service, Inc. and any successor thereto.

" Multiemployer Plan " means a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which either Loan Party or any member of the Controlled Group is obligated to make contributions.

" NAIC " means the National Association of Insurance Commissioners or any successor thereto, or in lieu thereof, any other association, agency or other organization performing advisory, coordination or other like functions among insurance departments, insurance commissioners and similar Governmental Authorities of the various states of the United States toward the promotion of uniformity in the practices of such Governmental Authorities.

" Net Income " means, for any computation period, with respect to the Borrower on a consolidated basis with the Subsidiaries, cumulative net income earned during such period as determined in accordance with GAAP.

" Net Tangible Assets " means the consolidated assets of the Borrower and its Subsidiaries, determined in accordance with GAAP less: (i) all current liabilities and minority interests and (ii) goodwill and other intangibles (other than patents, trademarks, licenses, copyrights and other intellectual property and prepaid assets).

" Net Worth " means the consolidated shareholders' equity of the Borrower determined in accordance with GAAP.

" Note " means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit D .

" Obligations " means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

" Organization Documents " means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

" Other Taxes " means all present or future stamp or documentary taxes or any other excise or property taxes or similar charges or levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

" Outstanding Amount " means (i) with respect to Committed Loans and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Committed Loans and Swing Line Loans, as the case may be, occurring on such date; and (ii) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements by the Borrower of Unreimbursed Amounts.

" Participant " has the meaning specified in Section 10.06(d) .

" PBGC " means the Pension Benefit Guaranty Corporation.

" Permitted Liens " means, as applied to the Borrower and the Subsidiaries:

(a) any Lien in favor of the Administrative Agent or the Lenders given to secure the payment and performance of the Obligations;

(b) Liens securing obligations in an aggregate amount not in excess of 10% of Net Tangible Assets (determined at the end of the immediately preceding Fiscal Quarter

of the Borrower ending on or prior to the date such Lien is created) with the amount of any such obligation determined when the Lien is incurred and, if applicable, when the amount of such obligation is increased (other than as a result of the accrual of interest thereon);

(c) (i) Liens on real estate for real estate taxes not yet delinquent and (ii) Liens for taxes, assessments, judgments, governmental charges or levies, or claims that are not yet due or the non-payment of which is being diligently contested in good faith by appropriate proceedings;

(d) Liens of carriers, warehousemen, mechanics, laborers, and materialmen incurred in the ordinary course of business for sums that are not overdue by more than 60 days or being diligently contested in good faith by appropriate proceedings;

(e) Liens incurred in the ordinary course of business in connection with worker's compensation and unemployment insurance and other social security laws and regulations;

(f) restrictions on the transfer of assets imposed by any applicable federal, state or local statute, regulation or ordinance;

(g) easements, rights-of-way, zoning restrictions and other similar encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Borrower or any Subsidiary, or Liens incidental to the conduct of the business of the Borrower or any Subsidiary or to the ownership of its properties which were not incurred in connection with Debt or other extensions of credit and which do not in the aggregate materially detract from the value of such properties or materially impair their use in the operation of the business of the Borrower or any Subsidiary;

(h) purchase money mortgages or security interests, conditional sale arrangements and other similar security interests (hereinafter referred to individually as a " Purchase Money Security Interest "); provided , however , that:

(i) the transaction in which any Purchase Money Security Interest is proposed to be created is not otherwise prohibited by this Agreement;

(ii) any Purchase Money Security Interest shall attach only to the property or assets acquired in such transaction and shall not extend to or cover any other assets or properties of such Loan Party or Subsidiary; and

(iii) the Debt secured or covered by any Purchase Money Security Interest shall not exceed the cost of the property or asset acquired, including extensions, renewals and replacements thereof (and any interest, fees and premiums payable in connection therewith);

(i) Liens consisting of deposits made by the Borrower or any Insurance Subsidiary with the insurance authority in its jurisdiction of domicile or other statutory

Liens or Liens or claims, reserves or contingent payment arrangements imposed or required by applicable insurance law or regulation against the assets of the Borrower or such Insurance Subsidiary or securing regulatory capital or other financial responsibility requirements;

(j) Purchase Money Security Interests in equipment constituting inventory of the Borrower or any Subsidiary which is leased (or held for lease) by the Borrower or such Subsidiary to its customers in the ordinary course of business and other Liens on lease receivables, equipment and cash collateral accounts established in connection therewith;

(k) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(l) Liens securing obligations to share with the federal Center for Medicare and Medicaid Services potential gains from the sale or other disposition of depreciable assets used in the administration of the Medicare program;

(m) Liens on the property or assets prior to the acquisition thereof by the Borrower or any Subsidiary or existing on a Person which becomes a Subsidiary after the date of this Agreement, in each case, securing obligations (and any extension, renewal or replacement thereof that does not increase the outstanding principal amount thereof and any interest, fees and premiums payable in connection therewith) which are not prohibited by this Agreement (after giving effect to the acquisition of such Subsidiary), provided that (i) such Liens existed at the time such Person became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not spread to cover any additional property or assets of such Person after the time such corporation becomes a Subsidiary, and (iii) no additional amount of Debt shall be secured by such Liens in reliance upon the provisions of this clause;

(n) Liens arising solely by virtue of any statutory or common law provisions relating to bankers' liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Borrower in excess of those set forth by regulations promulgated by the FRB and (ii) such deposit account is not intended by the Borrower or any of its Subsidiaries to provide collateral to the depository institution in respect of specifically identified or contemplated obligations;

(o) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 7.01 ; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary (except proceeds thereof) and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof (including any interest, fees and premiums payable in connection therewith);

(p) Liens securing obligations in the ordinary course of business of the Borrower and its Subsidiaries owing to securities intermediaries, brokers and other financial institutions where cash and Cash Equivalents of the Borrower and such Subsidiaries are held; and

(q) Liens securing obligations of Debt permitted pursuant to clause (vii) of Section 7.04.

" Person " means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

" Plan " means an employee pension benefit plan, as defined in Section 3(2) of ERISA which is subject to Title IV of ERISA, as to which either Loan Party or any member of the Controlled Group contributes, maintains or sponsors.

" Pre-Commitment Information " has the meaning given in Section 4.01(a)(vi)(D) .

" Purchase " means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which either Loan Party or any Subsidiary (a) acquires any going business or all or substantially all of the assets of any firm, corporation or division or line of business thereof, whether through purchase of assets, merger or otherwise, or (b) directly or indirectly acquires (in one transaction or as of the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership.

" Register " has the meaning specified in Section 10.06(c) .

" Related Parties " means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

" Reportable Event " means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event; provided , that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

" Request for Credit Extension " means (a) with respect to a Borrowing, conversion or continuation of Committed Loans, a Committed Loan Notice, (b) with respect to a Bid Loan, a Bid Request, (c) with respect to an L/C Credit Extension, a Letter of Credit Application, and (d) with respect to a Swing Line Loan, a Swing Line Loan Notice.

" Required Lenders " means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the commitment of each Lender to make Loans and

the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02 , Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender's risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed "held" by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

" S&P " means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

" SAP " means, with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the insurance commissioner (or other similar authority) in the jurisdiction of such Insurance Subsidiary for the preparation of annual statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary in effect from time to time.

" SEC " means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

" SPC " has the meaning specified in Section 10.06(h) .

" Stated Maturity Date " means the fifth anniversary of the Closing Date.

" Subsidiary " of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

" Swing Line " means the revolving credit facility made available by the Swing Line Lender pursuant to Section 2.05 .

" Swing Line Borrowing " means a borrowing of a Swing Line Loan pursuant to Section 2.05 .

" Swing Line Lender " means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

" Swing Line Loan " has the meaning specified in Section 2.05(a) .

" Swing Line Loan Notice " means a notice of a Swing Line Borrowing pursuant to Section 2.05(b) , which, if in writing, shall be substantially in the form of Exhibit C .

" Swing Line Sublimit " means an amount equal to the lesser of (a) $100,000,000 and (b) the Aggregate Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Commitments.

" Taxes " means all present or future taxes, levies, imposts, duties, deductions, withholdings or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

" Termination Event " means, with respect to a Plan, (a) a Reportable Event, (b) the withdrawal of a Loan Party or any other member of the Controlled Group from such Plan during a plan year in which such Loan Party or member of the Controlled Group was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the termination of such Plan, the filing of a notice of intent to terminate such Plan or the treatment of an amendment of such Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Plan or (e) any event or condition which could reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Plan.

" Threshold Amount " means $125,000,000.

" Total Debt " means, at any time, all Debt that would be required to appear as liabilities on the consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP (including, in any event, surplus notes issued by any other Insurance Subsidiary) plus all Contingent Obligations of the Borrower or any Subsidiary in respect of Debt of Persons other than the Borrower or any Subsidiary.

" Total Debt to Capital Ratio " means, at any time, the ratio of (a) the Total Debt at such time to (b) the sum of Total Debt plus the Borrower's Net Worth at such time.

" Total Outstandings " means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

" Transactions " means the execution, delivery and performance by the Loan Parties of the Loan Documents, the borrowing of Loans, the use of the proceeds thereof and the other transactions contemplated hereby.

" Type " means (a) with respect to a Committed Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan, and (b) with respect to a Bid Loan, its character as an Absolute Rate Loan or a Eurodollar Margin Bid Loan.

" Unfunded Liability " means the amount (if any) by which the present value of all vested and unvested accrued benefits under a Plan exceeds the fair market value of assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans based on the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan.

" United States " and " U.S. " mean the United States of America.

" Unreimbursed Amount " has the meaning specified in Section 2.04(c)(i) .

" WellPoint Notes " means the Guarantor's Senior unsecured 6 3/8 % notes due 2006, issued on June 15, 2001, and the Guarantor's 6 3/8 % Senior notes due 2012, issued on January 16, 2002.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words " include ," " includes " and " including " shall be deemed to be followed by the phrase "without limitation." The word " will " shall be construed to have the same meaning and effect as the word " shall ." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words " herein ," " hereof " and " hereunder ," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words " asset " and " property " shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word " from " means " from and including ;" the words " to " and " until " each mean " to but excluding ;" and the word " through " means " to and including ."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms. (a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that , until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.06 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Issuer Documents related thereto, whether or not such maximum face amount is in effect at such time.

ARTICLE II.
THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Committed Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a " Committed Loan ") to the Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided , however , that after giving effect to any Committed Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01 , prepay under Section 2.06 , and

reborrow under this Section 2.01 . At the option of the Borrower, Committed Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Committed Loans.

(a) Each Committed Borrowing, each conversion of Committed Loans from one Type to the other, and each continuation of Eurodollar Rate Committed Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 12:00 p.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Committed Loans, and (ii) on the requested date of any Borrowing of Base Rate Committed Loans, or of any conversion of Eurodollar Rate Committed Loans to Base Rate Committed Loans. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by an Authorized Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Committed Loans shall be in a principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof. Except as provided in Sections 2.04(c) and 2.05(c) , each Borrowing of or conversion to Base Rate Committed Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Committed Borrowing, a conversion of Committed Loans from one Type to the other, or a continuation of Eurodollar Rate Committed Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Loans to be borrowed, converted or continued, (iv) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Committed Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Committed Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Committed Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Committed Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Committed Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in Section 2.02(a) . In the case of a Committed Borrowing, each Lender shall make the amount of its Committed Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 , the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of

America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided , however , that if, on the date the Committed Loan Notice with respect to such Borrowing is given by the Borrower, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first , shall be applied to the payment in full of any such L/C Borrowings, and second , shall be made available to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Committed Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Committed Loan. During the existence of an Event of Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Committed Loans if the Required Lenders shall have prohibited the same in writing to the Administrative Agent and the Borrower.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Committed Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Committed Borrowings, all conversions of Committed Loans from one Type to the other, and all continuations of Committed Loans as the same Type, there shall not be more than ten Interest Periods in effect with respect to Committed Loans.

2.03 Bid Loans.

(a) General . Subject to the terms and conditions set forth herein, each Lender agrees that the Borrower may from time to time request the Lenders to submit offers to make loans (each such loan, a " Bid Loan ") to the Borrower prior to the Maturity Date pursuant to this Section 2.03 ; provided , however , that after giving effect to any Bid Borrowing the Total Outstandings shall not exceed the Aggregate Commitments. There shall not be more than ten different Interest Periods in effect with respect to Bid Loans at any time.

(b) Requesting Competitive Bids. The Borrower may request the submission of Competitive Bids by delivering a Bid Request to the Administrative Agent not later than 12:00 noon (i) one Business Day prior to the requested date of any Bid Borrowing that is to consist of Absolute Rate Loans, or (ii) four Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans. Each Bid Request shall specify (i) the requested date of the Bid Borrowing (which shall be a Business Day), (ii) the aggregate principal amount of Bid Loans requested (which must be at least $5,000,000 or a whole multiple of $1,000,000 in excess thereof), (iii) the Type of Bid Loans requested, and (iv) the duration of the Interest Period with respect thereto, and shall be signed by an Authorized Officer of the Borrower. No Bid Request shall contain a request for (i) more than one Type of Bid Loan or (ii) Bid Loans having more than three different Interest Periods. Unless the Administrative Agent otherwise agrees in its sole and absolute discretion, the Borrower may not submit a Bid Request if it has submitted another Bid Request within the prior five Business Days.

(c) Submitting Competitive Bids.

(i) The Administrative Agent shall promptly notify each Lender of each Bid Request received by it from the Borrower and the contents of such Bid Request.

(ii) Each Lender may (but shall have no obligation to) submit a Competitive Bid containing an offer to make one or more Bid Loans in response to such Bid Request. Such Competitive Bid must be delivered to the Administrative Agent not later than 10:30 a.m. (A) on the requested date of any Bid Borrowing that is to consist of Absolute Rate Loans, and (B) three Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans; provided , however , that any Competitive Bid submitted by Bank of America in its capacity as a Lender in response to any Bid Request must be submitted to the Administrative Agent not later than 10:15 a.m. on the date on which Competitive Bids are required to be delivered by the other Lenders in response to such Bid Request. Each Competitive Bid shall specify (A) the proposed date of the Bid Borrowing; (B) the principal amount of each Bid Loan for which such Competitive Bid is being made, which principal amount (x) may be equal to, greater than or less than the Commitment of the bidding Lender, (y) must be $5,000,000 or a whole multiple of $1,000,000 in excess thereof, and (z) may not exceed the principal amount of Bid Loans for which Competitive Bids were requested; (C) if the proposed Bid Borrowing is to consist of Absolute Rate Bid Loans, the Absolute Rate offered for each such Bid Loan and the Interest Period applicable thereto; (D) if the proposed Bid Borrowing is to consist of Eurodollar Margin Bid Loans, the Eurodollar Bid Margin with respect to each such Eurodollar Margin Bid Loan and the Interest Period applicable thereto; and (E) the identity of the bidding Lender.

(iii) Any Competitive Bid shall be disregarded if it (A) is received after the applicable time specified in clause (ii) above, (B) is not substantially in the form of a Competitive Bid as specified herein, (C) contains qualifying, conditional or similar language, (D) proposes terms other than or in addition to those set forth in the applicable Bid Request, or (E) is otherwise not responsive to such Bid Request. Any Lender may correct a Competitive Bid containing a manifest error by submitting a corrected Competitive Bid (identified as such) not later than the applicable time required for submission of Competitive Bids. Any such submission of a corrected Competitive Bid shall constitute a revocation of the Competitive Bid that contained the manifest error. The Administrative Agent may, but shall not be required to, notify any Lender of any manifest error it detects in such Lender's Competitive Bid.

(iv) Subject only to the provisions of Sections 3.02 , 3.03 and 4.02 and clause (iii) above, each Competitive Bid shall be irrevocable.

(d) Notice to Borrower of Competitive Bids. Not later than 11:00 a.m. (i) on the requested date of any Bid Borrowing that is to consist of Absolute Rate Loans, or (ii) three Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans, the Administrative Agent shall notify the Borrower of the identity of each Lender that has submitted a Competitive Bid that complies with Section 2.03(c) and of the terms of the offers contained in each such Competitive Bid.

(e) Acceptance of Competitive Bids. Not later than 11:30 a.m. (i) on the requested date of any Bid Borrowing that is to consist of Absolute Rate Loans, and (ii) three Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans, the Borrower shall notify the Administrative Agent of its acceptance or rejection of the offers notified to it pursuant to Section 2.03(d) . The Borrower shall be under no obligation to accept any Competitive Bid and may choose to reject all Competitive Bids. In the case of acceptance, such notice shall specify the aggregate principal amount of Competitive Bids for each Interest Period that is accepted. The Borrower may accept any Competitive Bid in whole or in part; provided that:

(i) the aggregate principal amount of each Bid Borrowing may not exceed the applicable amount set forth in the related Bid Request;

(ii) the principal amount of each Bid Loan must be $5,000,000 or a whole multiple of $1,000,000 in excess thereof;

(iii) the acceptance of offers may be made only on the basis of ascending Absolute Rates or Eurodollar Bid Margins within each Interest Period; and

(iv) the Borrower may not accept any offer that is described in Section 2.03(c)(iii) or that otherwise fails to comply with the requirements hereof.

(f) Procedure for Identical Bids. If two or more Lenders have submitted Competitive Bids at the same Absolute Rate or Eurodollar Bid Margin, as the case may be, for the same Interest Period, and the result of accepting all of such Competitive Bids in whole (together with any other Competitive Bids at lower Absolute Rates or Eurodollar Bid Margins, as the case may be, accepted for such Interest Period in conformity with the requirements of Section 2.03(e)(iii)) would be to cause the aggregate outstanding principal amount of the applicable Bid Borrowing to exceed the amount specified therefor in the related Bid Request, then, unless otherwise agreed by the Borrower, the Administrative Agent and such Lenders, such Competitive Bids shall be accepted as nearly as possible in proportion to the amount offered by each such Lender in respect of such Interest Period, with such accepted amounts being rounded to the nearest whole multiple of $1,000,000.

(g) Notice to Lenders of Acceptance or Rejection of Bids. The Administrative Agent shall promptly notify each Lender having submitted a Competitive Bid whether or not its offer has been accepted and, if its offer has been accepted, of the amount of the Bid Loan or Bid Loans to be made by it on the date of the applicable Bid Borrowing. Any Competitive Bid or portion thereof that is not accepted by the Borrower by the applicable time specified in Section 2.03(e) shall be deemed rejected.

(h) Notice of Eurodollar Rate. If any Bid Borrowing is to consist of Eurodollar Margin Loans, the Administrative Agent shall determine the Eurodollar Rate for the relevant Interest Period, and promptly after making such determination, shall notify the Borrower and the Lenders that will be participating in such Bid Borrowing of such Eurodollar Rate.

(i) Funding of Bid Loans. Each Lender that has received notice pursuant to Section 2.03(g) that all or a portion of its Competitive Bid has been accepted by the Borrower

shall make the amount of its Bid Loan(s) available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the date of the requested Bid Borrowing. Upon satisfaction of the applicable conditions set forth in Section 4.02 , the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent.

(j) Notice of Range of Bids. After each Competitive Bid auction pursuant to this Section 2.03 , the Administrative Agent shall notify each Lender that submitted a Competitive Bid in such auction of the ranges of bids submitted (without the bidder's name) and accepted for each Bid Loan and the aggregate amount of each Bid Borrowing.

2.04 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this Section 2.04 , from time to time on any Business Day during the period from the Closing Date until the day that is five days before the Maturity Date, to issue Letters of Credit for the account of the Borrower (to support the obligations of Borrower or any of its Subsidiaries), and to amend Letters of Credit previously issued by it, in accordance with Section 2.04(b) ; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (x) the Total Outstandings shall not exceed the Aggregate Commitments, (y) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and (z) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit. Each request by the Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(ii) The L/C Issuer shall not issue any Letter of Credit, if:

(A) the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance, unless the Required Lenders have approved such expiry date; provided that, subject to clause (B) below, any Letter of Credit shall be extendible for successive twelve-month periods; or

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date.

(iii) The L/C Issuer shall not be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular;

(B) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer applicable generally to letters of credit issued by the L/C Issuer;

(C) except as otherwise agreed by the Administrative Agent and the L/C Issuer, such Letter of Credit is in an initial face amount less than $50,000;

(D) such Letter of Credit is to be denominated in a currency other than Dollars;

(E) such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or

(F) a default of any Lender's obligations to fund under Section 2.04(c) exists or any Lender is at such time a Defaulting Lender hereunder, unless the L/C Issuer has entered into satisfactory arrangements with the Borrower or such Lender to eliminate the L/C Issuer's risk with respect to such Lender.

(iv) The L/C Issuer shall not amend any Letter of Credit if the L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the terms hereof.

(v) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(vi) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article IX with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative

Agent" as used in Article IX included the L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by an Authorized Officer of the Borrower. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least two Business Days (or such later date and time as the Administrative Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may reasonably require. Additionally, the Borrower shall furnish to the L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the L/C Issuer or the Administrative Agent may reasonably require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Letter of Credit.

(iii) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent thereof. Not later than 1:00 p.m. on the date that is three Business Days following the date of any payment by the L/C Issuer under a Letter of Credit and notice to the Borrower thereof (the " Honor Date "), the Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing, together with interest thereon at an interest rate per annum equal to the Base Rate from the Honor Date to the date of payment by the Borrower. If the Borrower fails to so reimburse the L/C Issuer by such time on such date, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing plus any interest accrued thereon (the " Unreimbursed Amount "), the amount of such Lender's Applicable Percentage thereof and the Business Day on which funds shall be made available to the Administrative Agent for the account of the L/C Issuer. In such event, the Borrower shall be deemed to have requested a Committed Borrowing of Base Rate Loans to be disbursed on such date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Committed Loan Notice). Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.04(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender shall upon any notice pursuant to Section 2.04(c)(i) make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its Applicable Percentage of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.04(c)(iii) , each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Committed Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.04(c)(ii) shall be deemed payment in respect of its participation in

such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.04 .

(iv) Until each Lender funds its Committed Loan or L/C Advance pursuant to this Section 2.04(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Applicable Percentage of such amount shall be solely for the account of the L/C Issuer.

(v) Each Lender's obligation to make Committed Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.04(c) , shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided , however , that each Lender's obligation to make Committed Loans pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 4.02 (other than delivery by the Borrower of a Committed Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(ii) , the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the L/C Issuer in accordance with banking industry rules on interbank compensation. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.04(c) , if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.04(c)(i) is required to be returned under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of the Borrower to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Borrower or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any Subsidiary.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the L/C

Issuer. The Borrower shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuer. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided , however , that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.04(e) ; provided , however , that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(g) Cash Collateral. Upon the request of the Administrative Agent, (i) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Borrowing, or (ii) if, as of the Maturity Date, any L/C Obligation for any reason remains outstanding, the Borrower shall, in each case, (x) immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations or (y) enter into such other arrangements reasonably satisfactory to the L/C Issuer, the Administrative Agent and, in the case of the arrangements referenced in clause (y) above, the Required Lenders to the extent only that the Lenders have a continuing participation obligation in respect of any L/C Borrowing or L/C Obligation. Sections 2.06 and 8.02(c) set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.04 , Section 2.06 and Section 8.02(c) , " Cash Collateralize " means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the

Administrative Agent, the L/C Issuer and the Borrower (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Borrower hereby grants to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked, non-interest bearing deposit accounts at Bank of America; provided that if (i) the aggregate amount of all amounts held in such accounts exceeds $1,000,000 or (ii) it is reasonably anticipated that any amount shall be held in such account for a period in excess of 30 days, in each case, such account shall be an interest-bearing deposit account held with Bank of America, N.A. and all interest accruing on any amounts held therein shall be for the benefit of, and paid to, the Borrower, if and when such amounts are returned to the Borrower pursuant to the terms of any such Cash Collateral arrangement.

(h) Applicability of ISP and UCP. Unless otherwise expressly agreed by the L/C Issuer and the Borrower when a Letter of Credit is issued (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

(i) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit equal to the respective Applicable Rate times the daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit). Letter of Credit Fees shall be (i) computed on a quarterly basis in arrears and (ii) due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. If there is any change in such Applicable Rate during any quarter, the daily maximum amount of each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the L/C Issuer for its own account a fronting fee with respect to each Letter of Credit, at the rate of 0.125% per annum, computed on the actual daily maximum amount available to be drawn under such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit) and on a quarterly basis in arrears, and due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. In addition, the Borrower shall pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

2.05 Swing Line Loans.

(a) The Swing Line. Subject to the terms and conditions set forth herein, the Swing Line Lender agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.05 , to make loans (each such loan, a " Swing Line Loan ") to the Borrower from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Committed Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Commitment; provided , however , that after giving effect to any Swing Line Loan, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and provided , further , that the Borrower shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.05 , prepay under Section 2.06 , and reborrow under this Section 2.05 . Each Swing Line Loan shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swing Line Loan.

(b) Borrowing Procedures. Each Swing Line Borrowing shall be made upon the Borrower's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of $100,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by an Authorized Officer of the Borrower. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:00 p.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of Section 2.05(a) , or (B) that one or more of the applicable conditions specified in Article IV is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 3:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrower.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrower (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Lender make a Base Rate Committed Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02 , without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02 . The Swing Line Lender shall furnish the Borrower with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to Section 2.05(c)(ii) , each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Committed Borrowing in accordance with Section 2.05 (c)(i) , the request for Base Rate Committed Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.05(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.05(c) by the time specified in Section 2.05(c)(i) , the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Swing Line Lender n accordance with banking industry rules on interbank compensation. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Committed Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.05(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have

against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided , however , that each Lender's obligation to make Committed Loans pursuant to this Section 2.05(c) is subject to the conditions set forth in Section 4.02 . No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Applicable Percentage of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's risk participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Base Rate Committed Loan or risk participation pursuant to this Section 2.05 to refinance such Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.06 Prepayments.

(a) The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Committed Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Committed Loans and (B) on the date of prepayment of Base Rate Committed Loans; (ii) any prepayment of Eurodollar Rate Committed Loans shall be in a principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof; and (iii) any prepayment of Base Rate

Committed Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Committed Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05 . Each such prepayment shall be applied to the Committed Loans of the Lenders in accordance with their respective Applicable Percentages.

(b) No Bid Loan may be prepaid without the prior consent of the applicable Bid Loan Lender.

(c) The Borrower may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of $100,000. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(d) If for any reason the Total Outstandings at any time exceed the Aggregate Commitments then in effect, the Borrower shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided , however , that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.06(d) unless after the prepayment in full of the Committed Loans and Swing Line Loans the Total Outstandings exceed the Aggregate Commitments then in effect.

2.07 Termination or Reduction of Commitments. The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. three Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $5,000,000 or any whole multiple of $1,000,000 in excess thereof, (iii) the Borrower shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Aggregate Commitments, and (iv) if, after giving effect to any reduction of the Aggregate Commitments, the Letter of Credit Sublimit or the Swing Line Sublimit exceeds the amount of the Aggregate Commitments, such Sublimit shall be automatically reduced by the amount of such excess. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

2.08 Repayment of Loans.

(a) The Borrower shall repay to the Lenders, on the Maturity Date, the aggregate principal amount of Committed Loans outstanding on such date.

(b) The Borrower shall repay each Bid Loan on the last day of the Interest Period in respect thereof.

(c) The Borrower shall repay each Swing Line Loan on the earlier to occur of (i) the date ten Business Days after such Loan is made and (ii) the Maturity Date.

2.09 Interest.

(a) Subject to Section 2.09(b) , (i) each Eurodollar Rate Committed Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the respective Applicable Rate; (ii) each Base Rate Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the respective Applicable Rate; (iii) each Bid Loan shall bear interest on the outstanding principal amount thereof for the Interest Period therefor at a rate per annum equal to the Eurodollar Rate for such Interest Period plus (or minus) the Eurodollar Bid Margin, or at the Absolute Rate for such Interest Period, as the case may be; and (iv) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the respective Applicable Rate.

(b) (i) If any principal of or interest on any Loan or any fee or other amount payable by the Loan Parties hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.10 Fees. In addition to certain fees described in Sections 2.04(i) and (j) :

(a) Facility Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a facility fee equal to the respective Applicable Rate times the actual daily amount of the Aggregate Commitments (or, if the Aggregate Commitments have terminated, on the Outstanding Amount of all Committed Loans, Swing Line Loans and L/C Obligations), regardless of usage. The facility fee shall

accrue at all times during the Availability Period (and thereafter so long as any Committed Loans, Swing Line Loans or L/C Obligations remain outstanding), including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date (and, if applicable, thereafter on demand). The facility fee shall be calculated quarterly in arrears, and if there is any change in the respective Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by such Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Other Fees. The Borrower shall pay to the Arrangers and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in the respective Fee Letter and as agreed from time to time by the Borrower and the Administrative Agent in respect of the Administrative Agent's administration of Bid Loans, with such fee to be paid on or before any request for Bid Loans as provided herein. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.11 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.13(a) , bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.12 Evidence of Debt.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in Section 2.12(a) , each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.13 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Committed Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Committed Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Committed Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Committed Loan included in such Committed Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuer hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the L/C Issuer, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the L/C Issuer, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or the L/C Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this Section 2.13(b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II , and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Committed Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Committed Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan, to purchase its participation or to make its payment under Section 10.04(c) .

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.14 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Committed Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Committed Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender

receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Committed Loans and subparticipations in L/C Obligations and Swing Line Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Committed Loans and other amounts owing them, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section 2.14 shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Committed Loans or subparticipations in L/C Obligations or Swing Line Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section 2.14 shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

2.15 Existing Letters of Credit. Effective as of the Closing Date, (a) the Existing Credit Agreement shall be amended and restated in its entirety as provided in this Agreement and (b) any outstanding Letters of Credit (as defined under the Existing Credit Agreement and as set forth on Schedule 2.15 hereto) shall be deemed for all purposes to be outstanding Letters of Credit under this Agreement.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the Administrative Agent, Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the

Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. Without limiting Section 3.01(a) , the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the L/C Issuer, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) paid by the Administrative Agent, such Lender or the L/C Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability, along with calculations of such amounts, delivered to the Borrower by a Lender or the L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the L/C Issuer, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), on or prior to the Closing Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 10.06(b) (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that the Borrower is resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the Closing Date, or in the case of a Foreign Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 10.06(b) (unless the respective Foreign Lender was already a Foreign Lender hereunder immediately prior to such assignment or

transfer), on the date of such assignment or transfer to such Foreign Lender (and from time to time thereafter upon the request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) duly and validly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly and validly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate (a "Non-Bank Certificate") to the effect that such Foreign Lender is not (A) a "bank" within the meaning of Section 881 (c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly and validly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

In addition, each Foreign Lender agrees that from time to time after the Closing Date provided there has not been a Change in Law that makes it unable to do so, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower new duly completed original signed copies of Internal Revenue Service Form W-8ECI, Form W-8BEN (with respect to the benefits of any income tax treaty), or Form W-8BEN (with respect to the portfolio interest exemption) and a Non-Bank Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Foreign Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note. Notwithstanding anything to the contrary contained in Section 3.01(a) , (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Foreign Lender to the extent that such Foreign Lender has not provided to the Borrower United States Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding (or, in the case of a Foreign Lender that has established a reduced rate of withholding, up to such reduced rate) and (y) the Borrower shall not be obligated pursuant to Section 3.01(a) to gross up payments to be made to a Foreign Lender in respect of income or similar taxes imposed by the United States or to indemnify the Administrative Agent, the relevant Foreign Lender or L/C Issuer pursuant to Section 3.01(c) if such Foreign Lender has not provided the Borrower the Internal Revenue Service Forms required to be provided the Borrower pursuant to this Section 3.01(e) .

(f) Treatment of Certain Refunds. If the Administrative Agent, any Lender or the L/C Issuer determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 3.01 , it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 3.01 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent, such Lender or the L/C Issuer, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the L/C Issuer in the event the Administrative Agent, such Lender or the L/C Issuer is required to repay such refund to such Governmental Authority. This Section 3.01(f) shall not be construed to require the Administrative Agent, any Lender or the L/C Issuer to make available its tax returns (or any other information relating to its taxes that it reasonably deems confidential) to the Borrower or any other Person.

(g) Each Lender that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) for United States federal income tax purposes agrees to provide the Borrower with two accurate and complete signed original copies of Internal Revenue Service Form W-9 (Request for Taxpayer Identification Number and Certification), or any successor form, on or prior to the date hereof (or on the date such Lender becomes a Lender hereunder as provided in Section 10.06(b)) and when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate.

(h) If the Borrower is required to pay any Lender any additional amounts pursuant to this Section 3.01 , such Lender shall, upon the reasonable request of the Borrower, use reasonable efforts to select an alternative Lending Office which would not result in the imposition of such Taxes or Other Taxes; provided , however , that no Lender shall be obligated to select an alternative Lending Office if such Lender Party determines that (i) as a result of such selection such Lender would be in violation of an applicable law, regulation, or treaty, or would incur unreasonable additional costs or expenses or (ii) such selection would be inadvisable for regulatory reasons or inconsistent with the interests of such Lender.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Committed Loans to Eurodollar Rate Committed Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such

Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Committed Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Committed Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Committed Loans or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs; Reserves on Eurodollar Rate Loans.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.04(e)) or the L/C Issuer;

(ii) change the basis of taxation of payments to such Lender or the L/C Issuer in respect thereof (except for Indemnified Taxes or Other Taxes and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender or the L/C Issuer); or

(iii) impose on any Lender or the L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the L/C Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or the L/C Issuer, the Borrower will pay to such Lender or the L/C Issuer, as the case may be,

such additional amount or amounts as will compensate such Lender or the L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the L/C Issuer determines that any Change in Law affecting such Lender or the L/C Issuer or any Lending Office of such Lender or such Lender's or the L/C Issuer's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the L/C Issuer's capital or on the capital of such Lender's or the L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the L/C Issuer, to a level below that which such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the L/C Issuer's policies and the policies of such Lender's or the L/C Issuer's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or the L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or the L/C Issuer or its holding company, as the case may be, as specified in Section 3.04(a) or (b) and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or the L/C Issuer, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section 3.04 shall not constitute a waiver of such Lender's or the L/C Issuer's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or the L/C Issuer pursuant to the foregoing provisions of this Section 3.04 for any increased costs incurred or reductions suffered more than 180 days prior to the date that such Lender or the L/C Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Rate Loans. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days

prior to the relevant Interest Payment Date, such additional interest shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon written demand (which demand shall set forth in reasonable detail the basis thereof) of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) except as a result of a default by such Lender, any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) except as a result of a default by such Lender, any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower; or

(c) except as a result of a default by such Lender, any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.13 ;

excluding any loss of anticipated profits but including any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05 , each Lender shall be deemed to have funded each Eurodollar Rate Committed Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Committed Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office . If any Lender requests compensation under Section 3.04 , or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 , or if any Lender gives a notice pursuant to Section 3.02 , then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04 , as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02 , as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders . If any Lender requests compensation under Section 3.04 , or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 , the Borrower may replace such Lender in accordance with Section 10.13 .

3.07 Survival. Subject to Section 3.04(d), all of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV.
CONDITIONS PRECEDENT TO EFFECTIVENESS

4.01 Conditions to Effectiveness. This Agreement shall become effective upon the satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by an Authorized Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) executed counterparts of this Agreement and the Guaranty, sufficient in number for distribution to the Administrative Agent, each of the Lenders and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Authorized Officers of each Loan Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Authorized Officer thereof authorized to act as an Authorized Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) the Organization Documents of each Loan Party and such other documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) favorable opinions of Baker & Daniels LLP, general counsel of the Loan Parties, and White & Case LLP, special counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, as to the matters set forth in Exhibit G and such other matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(vi) a certificate signed by an Authorized Officer of the Borrower, dated the date of this Agreement, certifying (A) that on such date (after giving effect to the applicability of Article VI and Article VII) no Default or Event of Default has occurred and is continuing, (B) each of the representations and warranties set forth in Article V is true and correct in all material respects as of such date, and (C) that (a) all information (taken as a whole) that has been made available to the Administrative Agent, the Arrangers or the Lenders by or on behalf of the Borrower or any of its representatives in connection with the negotiation of this Agreement and the commitments therefor is complete and correct in all material respects on such date, except to the extent that such information specifically refers to an earlier date, in which case it shall be complete and correct in all material respects as of such earlier date, and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not materially misleading (all such information made available to the Administrative Agent or to the Arrangers prior to October 24, 2005, the " Pre-Commitment Information "); and

(vii) such other customary documents as the Administrative Agent may have reasonably requested.

(b) The payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent due and payable on or prior to the execution of this Agreement, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(c) Evidence that all amounts due under the 364-Day Credit Agreement dated as of November 19, 2004, among the Borrower, the Lenders party thereto and Bank of America, N.A. as Agent have been paid in full, all commitments thereunder have been terminated and the guaranty granted in connection therewith has been released.

Without limiting the generality of the provisions of Section 9.04 , for purposes of determining compliance with the conditions specified in this Section 4.01 , each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Conditions to all Credit Extensions. The obligation of each Lender to honor any Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type, or a continuation of Eurodollar Rate Committed Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower and each other Loan Party contained in Article V (except the representations and warranties made in Sections 5.06 and 5.08), shall be true and correct in all material respects on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(b) No Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds thereof.

(c) The Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type or a continuation of Eurodollar Rate Committed Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 Corporate Existence and Standing . Each Loan Party and each Material Subsidiary (i) is a corporation, limited liability company or other entity duly organized and validly existing under the laws of the jurisdiction of its incorporation; (ii) has all requisite corporate power, and has all governmental licenses, authorizations, consents and approvals, necessary to own its assets and carry on its business as now being or as proposed to be conducted, except where the failure to have such licenses, authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect; and (iii) is duly qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary except where the failure so to qualify could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization and Validity. Each Loan Party has all requisite corporate power and authority and legal right to execute and deliver each Loan Document to which it is party and to perform its obligations thereunder. The execution and delivery by each Loan Party of each Loan Document to which it is party and the performance of its obligations hereunder have been duly authorized by proper corporate proceedings and each Loan Document to which it is party constitutes the legal, valid and binding obligations of the respective Loan Party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally which may be in effect and to general principles of equity.

5.03 Compliance with Laws and Contracts. Each Loan Party is not, and no Subsidiary is, in default under or in violation of any Laws (including the HMO Regulations and Insurance Regulations) or any order, writ, judgment, injunction, decree or award binding upon or applicable to such Loan Party or such Subsidiary, in each case the consequence of which default or violation could reasonably be expected to have a Material Adverse Effect. None of the execution and delivery by either Loan Party of each Loan Document to which it is party, the application of the proceeds of the Loans, or compliance with the provisions of each Loan Document to which it is party will, or at the relevant time did, (i) violate any Law

(including HMO Regulations and Insurance Regulations and Regulations U and X of the FRB), order (including HMO Regulations and Insurance Regulations), writ, judgment, injunction, decree or award binding on either Loan Party or any Subsidiary or either Loan Party's or any Subsidiary's Organization Documents or (ii) violate the provisions of or require the approval or consent of any party to any indenture, instrument or agreement to which either Loan Party or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien (other than Permitted Liens) in, of or on the property of a Loan Party or any Subsidiary pursuant to the terms of any such indenture, instrument or agreement other than such violations and failures to obtain that could not reasonably be expected to result in a Material Adverse Effect.

5.04 Governmental Consents. No order, consent, approval, qualification, license or authorization of, or filing, recording or registration with, or exemption by, or other action in respect of, any Governmental Authority, including, without limitation, HMO Regulators and Insurance Regulators, or self-regulatory organization is or at the relevant time was necessary or required to authorize, or is or at the relevant time was required in connection with, the execution, delivery, consummation or performance or the legality, validity, binding effect or enforceability of any of the Loan Documents (other than those which the failure to obtain could not reasonably be expected to result in a Material Adverse Effect).

5.05 Financial Statements. The Borrower has furnished to the Lenders (a) the Audited Financial Statements and (b) the unaudited consolidated financial statements of the Borrower and its Subsidiaries for the Fiscal Quarter ended September 30, 2005 (collectively the "Financial Statements"). Each of the Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein and (ii) fairly present the financial condition of the Borrower and its respective Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein and, in the case of such unaudited statements, except for absence of footnotes and normal year-end audit adjustments.

5.06 Material Adverse Change. No material adverse change in the business, property, financial condition or operations of the Borrower and its Subsidiaries taken as a whole, has occurred since the date of the Audited Financial Statements.

5.07 Properties. (a) Each Loan Party and each Subsidiary has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for such defects in title that could not reasonably be expected to have a Material Adverse Effect.

(b) Each Loan Party and each Subsidiary owns, or is licensed to use, all trademarks, service marks, tradenames and other intellectual property in connection with the names "Anthem", "WellPoint", "Blue Cross", "Blue Shield" and "BCBS", and the use thereof by the Loan Party or Subsidiary, as applicable, does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

5.08 Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting either Loan Party or any Subsidiary (i) could reasonably be expected, individually or in the aggregate (excluding from such aggregate any Disclosed Matters), to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate (excluding from such aggregate any Disclosed Matters), could not reasonably be expected to result in a Material Adverse Effect, neither Loan Party and no Subsidiary (A) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (B) has become subject to any Environmental Liability or (C) has received notice of any claim with respect to any Environmental Liability.

5.09 Taxes. Each Loan Party and each Subsidiary has filed or caused to be filed on a timely basis (taking into account any extensions granted by the applicable taxing authority) all United States federal and applicable material foreign, state and local Tax returns and all other material Tax returns which are required to be filed and have paid or caused to be paid all Taxes due pursuant to said Tax returns or pursuant to any assessment received by such Loan Party or Subsidiary, except (a) such Taxes, if any, as are being contested in good faith by appropriate proceedings and as to which adequate reserves have been provided in accordance with GAAP and (b) to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.10 ERISA Compliance. Except as disclosed on Schedule 5.10 or as would not result in a Material Adverse Effect, (i) neither Loan Party nor any other member of the Controlled Group is obligated to contribute to any Multiemployer Plan or has incurred, or is reasonably expected to incur, any withdrawal liability to any Multiemployer Plan, (ii) each Plan complies in all material respects with all applicable requirements of Laws, (iii) neither Loan Party nor any member of the Controlled Group has, with respect to any Plan, failed to make any contribution or pay any amount required under Section 412 of the Code or Section 302 of ERISA or the terms of such Plan that could result in a material liability to the respective Loan Party, (iv) no Plan has any material Unfunded Liability, (v) there are no pending or, to the knowledge of either Loan Party, threatened claims, actions, investigations or lawsuits against any Plan, any fiduciary thereof, or either Loan Party or any member of the Controlled Group with respect to a Plan, (vi) neither Loan Party nor any member of the Controlled Group has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Plan which would subject such Person to any liability, (vii) within the last five years neither Loan Party nor any member of the Controlled Group has engaged in a transaction which resulted in a Plan with an Unfunded Liability being transferred out of the Controlled Group and (viii) no Termination Event has occurred or is reasonably expected to occur with respect to any Plan that could result in a material liability to the Loan Parties.

5.11 Federal Reserve Regulations. Neither Loan Party nor any Subsidiary is engaged, directly or indirectly, principally, or as one of its important activities, in the business of extending, or arranging for the extension of, credit for the purpose of purchasing

or carrying Margin Stock. No part of the proceeds of any Loan will be used in a manner which would violate, or result in a violation of, Regulation U or Regulation X of the FRB. Neither the making of any Loan hereunder nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulation U or Regulation X. Following the application of the proceeds of the Loans, less than 25% of the value (as determined by any reasonable method) of the assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder, taken as a whole, will be represented by Margin Stock.

5.12 Investment Company. Neither Loan Party nor any Subsidiary is, or after giving effect to any Borrowing will be, an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

5.13 Material Agreements. Other than as disclosed on Schedule 5.13 , except to the extent imposed by applicable state Governmental Authorities or except to the extent could not reasonably be expected to have a Material Adverse Effect, neither Loan Party nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other internal corporate restriction which restricts or imposes conditions upon the ability of any Subsidiary to (A) pay dividends or make other distributions on its capital stock, (B) make loans or advances to the Loan Parties, (C) repay loans or advances from the Loan Parties or (D) grant Liens to the Administrative Agent to secure the Obligations.

5.14 Disclosure. None of the information, exhibits or reports furnished or to be furnished by the Loan Parties or any Subsidiary to the Administrative Agent or to any Lender in connection with the negotiation of this Agreement and the commitments therefor (taken as a whole) contains any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements contained herein or therein (taken as a whole) not misleading in light of the circumstances in which the same were made (it being recognized by the Administrative Agent and the Lenders that any projections as to future events are not to be viewed as facts or factual information and that actual results during the period or periods covered thereby may differ from the projected results and such differences may be material).

5.15 Purpose of Loans and Letters of Credit. The proceeds of the Loans and Letters of Credit shall be used to finance any lawful general corporate purpose, including acquisitions and working capital.

ARTICLE VI.
AFFIRMATIVE COVENANTS

From and after the Closing Date, so long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01 and 6.02 cause each Subsidiary to:

6.01 Financial Reporting. Maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with GAAP, consistently applied, and furnish to the Administrative Agent (for distribution to each Lender):

(a) As soon as practicable and in any event within 90 days after the close of each Fiscal Year, the consolidated statements of income, retained earnings and cash flow of the Borrower and its Subsidiaries for such Fiscal Year, and the related consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year, accompanied by an opinion of Ernst & Young, PricewaterhouseCoopers LLP or such other certified public accountants of recognized standing which are reasonably satisfactory to the Administrative Agent, which opinion shall not be limited as to scope or contain a "going concern" or like qualification or exception and shall state that such financial statements fairly present the consolidated financial condition and results of operations, as the case may be, of the Borrower and its Subsidiaries in accordance with GAAP as at the end of, and for, such Fiscal Year.

(b) As soon as practicable and in any event within 60 days after the close of each of the first three Fiscal Quarters of each Fiscal Year, the consolidated unaudited balance sheets of the Borrower and its Subsidiaries as at the close of each such period and related consolidated statements of income, retained earnings and cash flow for the period from the beginning of such Fiscal Year to the end of such Fiscal Quarter, in each case setting forth in comparative form results of the corresponding period in the preceding Fiscal Year, all certified by a Financial Officer of the Borrower as fairly presenting the consolidated financial condition and results of operations of the Borrower and its Subsidiaries for such period in accordance with GAAP (subject to normal year-end adjustments and the absence of footnotes).

(c) Together with the financial statements required by Sections 6.01(a) and (b) , a compliance certificate signed by a Financial Officer of the Borrower showing the calculations necessary to determine compliance with Section 7.08 of this Agreement and stating that no Default has occurred, or if a Default has occurred, stating the nature and status thereof and the details of any action taken or proposed to be taken with respect thereto.

(d) As soon as possible and in any event within 10 days after an executive officer of the Borrower knows that any Termination Event that, when taken together with all other Termination Events that have occurred, could result in a Material Adverse Effect, a statement, signed by a Financial Officer of the Borrower, describing such Termination Event and the action which the Borrower proposes to take with respect thereto.

(e) Promptly upon the filing thereof, copies of all filings and annual, quarterly, monthly or other regular reports which the Borrower or any Subsidiary files with (i) the Securities and Exchange Commission or (ii) to the extent that it contains information indicating that an event or circumstance constituting or resulting in a Material Adverse Effect has occurred, the NAIC or any insurance commission or department or analogous Governmental Authority (including, without limitation, any filing made by the Borrower or any Subsidiary pursuant to any insurance holding company act or related rules or regulations).

(f) Such other information regarding the operations, business affairs and financial condition of a Loan Party or Subsidiary or compliance with this Agreement as the Administrative Agent or any Lender may from time to time reasonably request.

Information required to be delivered pursuant to Sections 6.01(a) and (b) and Section 6.01(e)(i) and shall be deemed to have been delivered on the date on which the Borrower provides written notice to the Lenders that such information has been posted on the Borrower's website on the Internet at http://www.wellpoint.com (or any successor page) or at http://www.sec.gov ; provided that such notice may be included in the certificates delivered pursuant to Section 6.01(d) ; provided further that the Borrower shall deliver paper copies of the information referred to in Section 6.01(d) and that, if any Lender requests delivery thereof, the Borrower shall deliver to such Lender paper copies of the information referred to in Sections 6.01(a) and (b) and Section 6.01(e)(i) within five Business Days after delivery is otherwise required hereunder.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arrangers will make available to the Lenders and the L/C Issuer materials or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Arrangers, the L/C Issuer and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.02 Notices. Notify the Administrative Agent and each Lender promptly, but in any event not later than five Business Days after an executive officer of the Borrower obtains knowledge thereof, of the following:

(a) The occurrence of any Default if such Default is continuing.

(b) The receipt of any notice from any Governmental Authority (including, without limitation, HMO Regulators and Insurance Regulators) (i) of the expiration without renewal, revocation or suspension of, or the institution of any proceedings to revoke or suspend, any License now or hereafter held by the Borrower or any Insurance Subsidiary which is required to conduct insurance business in compliance with all applicable laws and regulations and the expiration, revocation or suspension of which could reasonably be expected to have a Material Adverse Effect or (ii) of the institution of any disciplinary proceedings against or in

respect of the Borrower or any Insurance Subsidiary, or the issuance of any order, the taking of any action or any request for an extraordinary audit for cause by any Governmental Authority (including, without limitation, HMO Regulators and Insurance Regulators) which could reasonably be expected to have a Material Adverse Effect.

(c) Any judicial or administrative order limiting or controlling the business of the Borrower or any of its Subsidiaries (and not the industry in which the Borrower or such Subsidiary is engaged generally) which has been issued or adopted which could reasonably be expected to have a Material Adverse Effect.

(d) The commencement of any litigation known by the Borrower which could reasonably be expected to result in a Material Adverse Effect.

6.03 Use of Proceeds. Use the proceeds of the Loans and the Letters of Credit for the purposes described in Section 5.15 . No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of Regulation U or Regulation X of the Regulations of the FRB.

6.04 Conduct of Business. (a) Do all things necessary to remain duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and its jurisdiction of domicile and maintain all requisite authority to conduct its business in each other jurisdiction in which such qualification is required, except where the failure to maintain such qualification could not reasonably be expected to have a Material Adverse Effect, and (b) do all things necessary to renew, extend and continue in effect all Licenses which may at any time and from time to time be necessary for the Borrower or any Insurance Subsidiary to conduct business in compliance with all applicable Laws and/or required under the HMO Regulations or the Insurance Regulations in connection with the ownership or operation of HMOs or insurance companies, except where failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.05 Taxes. Timely file United States federal and applicable material foreign, state and local Tax returns required by applicable law and pay when due (taking into account any applicable extensions) all Taxes, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with GAAP.

6.06 Insurance. Maintain with financially sound and reputable insurance companies insurance in such amounts and covering such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations or maintain a system or systems of self-insurance or assumption of risk which accords with the practices of similar businesses.

6.07 Compliance with Laws. Comply in all material respects with the requirements of all Laws (including, without limitation, the HMO Regulations and Insurance Regulations pertaining to fiscal soundness, solvency or financial condition) and all orders, writs, injunctions and decrees applicable to which it may be subject, the failure to comply with which could reasonably be expected to have a Material Adverse Effect.

6.08 Maintenance of Properties. Do all things necessary to maintain, preserve, protect and keep its property in good repair, working order and condition (ordinary wear and tear and sales and other dispositions permitted under this Agreement excepted), and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times other than those things which the failure to do could not reasonably be expected to have a Material Adverse Effect.

6.09 Inspection. Permit the Administrative Agent and each Lender, by its respective representatives and agents and subject to such confidentiality restrictions as the Borrower may reasonably impose, to inspect any of the property, corporate books and financial records of the Loan Parties or any Material Subsidiary, to examine and make extracts of the books of accounts and other financial records of the Loan Parties or any Material Subsidiary, and to discuss the affairs, finances and accounts of the Loan Parties and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Administrative Agent or such Lender may designate upon reasonable notice. The Borrower will keep or cause to be kept appropriate records and books of account reflecting its and their business and financial transactions, such entries to be made in accordance with GAAP or SAP, as applicable, consistently applied.

6.10 Payment of Material Obligations. Pay its obligations (other than under agreements and other instruments evidencing Debt, except where failure to pay such Debt would constitute an Event of Default under Section 8.01(e)), including Tax liabilities, that if not paid, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where the validity or amount thereof is being contested in good faith by appropriate proceedings and the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP.

ARTICLE VII.
NEGATIVE COVENANTS

From and after the Closing Date, so long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding:

7.01 Liens. The Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly, create, assume, incur, or permit to exist or to be created, assumed, incurred or permitted to exist, directly or indirectly, any Lien on any of its property, whether now owned or hereafter acquired, except for Permitted Liens.

7.02 Fundamental Changes. The Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly, liquidate or dissolve itself (or suffer any liquidation or dissolution) or otherwise wind up, merge or consolidate with any other corporation, or sell, lease or otherwise dispose of all or substantially all of its assets, except that, so long as no Default then exists or would result therefrom:

(a) Subsidiaries which are not Material Subsidiaries may be liquidated or dissolved and their affairs wound up;

(b) a Loan Party or Subsidiary may merge, consolidate or amalgamate with any other Person; provided , that the Borrower or Subsidiary, as the case may be, is the surviving, continuing or resulting Person in such merger, consolidation or amalgamation and, in the case of a Subsidiary, continues to be a Subsidiary;

(c) any Subsidiary may merge into the Borrower or another Subsidiary;

(d) any Subsidiary may sell, lease or otherwise dispose of any of its assets (whether now owned or hereafter acquired and including shares of capital stock, receivables and leasehold interests) to the Borrower or to another Subsidiary;

(e) any Subsidiary (other than the Guarantor) may liquidate or dissolve or the Borrower or any Subsidiary may sell, transfer, lease or otherwise dispose of the assets or stock of any Subsidiary (other than the Guarantor) if, in each case, the Borrower determines in good faith that such liquidation, dissolution or disposition is in the best interests of the Borrower, and

(f) the Borrower and its Subsidiaries may sell immaterial businesses, including Subsidiaries (other than the Guarantor).

7.03 Transactions With Affiliates. The Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly, sell or transfer any assets to, or purchase or acquire any assets of, or otherwise engage in any transaction with, any of its respective Affiliates, except in the ordinary course of business and upon fair and reasonable terms no less favorable than the Borrower or Subsidiary could obtain or could be entitled to in an arm's-length transaction with a Person which is not an Affiliate; provided that for purposes of this Section 7.03, no Subsidiary of the Borrower shall constitute an Affiliate of the Borrower or any of its Subsidiaries.

7.04 Subsidiary Debt. The Borrower shall not permit the aggregate principal amount of Debt of the Subsidiaries (excluding (i) Debt outstanding on the Closing Date and listed on Schedule 7.04 (and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof), (ii) the Debt of the Guarantor in respect of the WellPoint Notes and the Bridge Financing, (iii) any Debt of a Subsidiary owed to a Loan Party or another Subsidiary, (iv) Debt of any Person that is acquired after the date hereof to the extent such Debt is existing at the time such Person becomes a Subsidiary (other than Debt incurred solely in contemplation of such Person becoming a Subsidiary), (v) Contingent Obligations of any Subsidiary where the "other Person" referred to in the definition of "Contingent Obligations" is a Subsidiary, but including, without duplication, any guarantee (or obligations having the economic effect of a guarantee) by a Subsidiary of Debt of the Borrower; (vi) Hedging Agreements of any Subsidiary in the ordinary course of business; or (vii) repurchase agreements, reverse repurchase agreements or similar arrangements entered into by any Subsidiary in the ordinary course of business), at any time to exceed $500,000,000.

7.05 Change in Corporate Structure. The Borrower shall not, nor shall it permit any Material Subsidiary to, directly or indirectly, substantively alter the general character of its business from that conducted by such Person as of the Closing Date.

7.06 Inconsistent Agreements. The Borrower shall not, nor shall it

permit any Subsidiary to, directly or indirectly, enter into any material indenture, agreement, instrument or other material arrangement which, (a) directly or indirectly prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon the ability of any Material Subsidiary to (i) pay dividends or make other distributions on its capital stock, (ii) make loans or advances to a Loan Party or (iii) repay loans or advances from a Loan Party (other than as required by applicable state Governmental Authorities), or (b) contains any provision which would be violated or breached by the making of Loans or the issuing of Letters of Credit or by the performance by either Loan Party of any of the Obligations or the Transactions; provided that the foregoing shall not apply to (i) restrictions and conditions imposed by law, rule, regulation or regulatory administrative agreement or determination or by this Agreement, (ii) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted under this Agreement or (iii) any agreement or other instrument of a Person acquired by the Borrower or any Subsidiary at the time of such acquisition, which restriction is not applicable to any Person, or the assets of any Person, other than the Person so acquired or the assets of the Person so acquired and was not entered into in contemplation of such acquisition.

7.07 ERISA Compliance. Neither Loan Party nor any member of the Controlled Group shall do the following except as would not, individually or in the aggregate, have a Material Adverse Effect:

(a) engage in any "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) with respect to a Plan for which a civil penalty pursuant to Section 502(i) of ERISA or a tax pursuant to Section 4975 of the Code could be imposed;

(b) incur any "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA), or permit any Unfunded Liability with respect to any Plan;

(c) permit the occurrence of any Termination Event with respect to any Plan;

(d) be an "employer" (as such term is defined in Section 3(5) of ERISA) required to contribute to a Multiemployer Plan or a "substantial employer" (as such term is defined in Section 4001(a)(2) of ERISA) required to contribute to any Plan; or

(e) permit the establishment or amendment of any Plan or fail to comply with the applicable provisions of ERISA and the Code with respect to any Plan which could result in liability to either Loan Party or any member of the Controlled Group.

7.08 Financial Covenant. The Borrower shall maintain a Total Debt to Capital Ratio as of the last day of each Fiscal Quarter after the date hereof of not more than 40%.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. (i) The Borrower shall fail to pay any principal of any Loan or any L/C Obligation when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise; or (ii) the Borrower shall fail to pay any interest on any Loan or any L/C Obligation or any fee or any other amount (other than an amount referred to in clause (i)) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days; or

(b) Representations and Warranties . Any representation or warranty made or deemed made by or on behalf of the Borrower to the Lenders or the Administrative Agent under or in connection with this Agreement or the Transactions, or any certificate or information delivered in connection with this Agreement or the Transactions, shall be false in any material respect on the date as of which made or deemed made; or

(c) Specific Covenants . The breach by the Borrower or any Subsidiary of any of the terms or provisions of Section 6.02(a) or 6.03 or Section 7.01 (to the extent that a Lien was created, assumed, incurred or permitted to exist in violation thereof with the knowledge or approval of a Financial Officer) or Section 7.02 through 7.08 , or by any member of the Controlled Group of Section 7.07 ; or

(d) Other Defaults . The breach by the Borrower (other than breaches specified in Section 8.01(a) , (b) or (c)) of any of the terms or provisions of this Agreement which is not remedied within 30 days after the earlier of (i) the date by which notice of such breach would be required to be given by the Borrower under this Agreement and (ii) written notice from the Administrative Agent or any Lender to the Borrower; or

(e) Cross-Default . The failure by the Borrower or any Subsidiary to make any payment of principal or interest under any agreement or agreements under which any Debt aggregating in excess of the Threshold Amount was created or is governed when due and payable (beyond any applicable grace period), or the occurrence of any other event or existence of any other condition, the effect of any of which is to cause, or to permit the holder or holders of such Debt to cause, such Debt to become due prior to its stated maturity; or any such Debt of the Borrower or any Subsidiary shall be declared to be due and payable or required to be prepaid (other than by regularly scheduled payment) prior to the stated maturity thereof; provided , that this Section 8.01(e) shall not apply to secured Debt that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Debt where such Debt is paid when due; or

(f) Insolvency Proceedings , Etc. The Borrower or any of its Material Subsidiaries shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make a general assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for all or substantially all of its property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it as bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, rehabilitation, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization

or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (v) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 8.01(f) ; or

(g) Proceedings . (i) Without the application, approval or consent of the Borrower or any of its Material Subsidiaries, a receiver, trustee, examiner, liquidator, conservator or similar official shall be appointed for the Borrower or any of its Material Subsidiaries or its property, or a proceeding described in Section 8.01(f)(iv) shall be instituted against the Borrower or any of its Material Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 consecutive days; or

(h) Judgments . There is entered against the Borrower or any of its Material Subsidiaries a final judgment or order for the payment of money in excess of the Threshold Amount (or multiple judgments or orders for the payment of an aggregate amount in excess of the Threshold Amount) which has not been paid, bonded or otherwise discharged within 60 days after such judgment becomes final and such judgment or order has not been stayed on appeal or is not otherwise being appropriately contested in good faith, provided , however , that any such judgment or order shall not give rise to an Event of Default under this Section 8.01(h) if and for so long as (x) the Borrower or such Material Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP or (y) (A) the amount of such judgment or order which remains unsatisfied is covered by a valid and binding policy of insurance between the defendant and the insurer covering full payment thereof and (B) such insurer has been notified, and has not disputed the claim made for payment, of the amount of such judgment or order; or

(i) Change of Control . There occurs any Change of Control.

8.02 Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided , however , that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First , to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second , to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders and the L/C Issuer (including fees, charges and disbursements of counsel to the respective Lenders and the L/C Issuer and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third , to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, L/C Borrowings and other Obligations, ratably among the Lenders and the L/C Issuer in proportion to the respective amounts described in this clause Third payable to them;

Fourth , to payment of that portion of the Obligations constituting unpaid principal of the Loans and L/C Borrowings, ratably among the Lenders and the L/C Issuer in proportion to the respective amounts described in this clause Fourth held by them;

Fifth , to the Administrative Agent for the account of the L/C Issuer, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit; and

Last , the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Subject to Section 2.04(c) , amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fifth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

ARTICLE IX.
ADMINISTRATIVE AGENT

9.01 Appointment and Authority.

Each of the Lenders and the L/C Issuer hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article IX are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuer, and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in

good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or the L/C Issuer.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or the L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article IX shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

9.06 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders, the L/C Issuer and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in

the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders and the L/C Issuer, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the L/C Issuer directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for in this Section 9.06 . Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided in this Section 9.06) . The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article IX and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Any resignation by Bank of America as Administrative Agent pursuant to this Section 9.06 shall also constitute its resignation as L/C Issuer and Swing Line Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer and Swing Line Lender, (b) the retiring L/C Issuer and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (c) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangement satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit.

9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the L/C Issuer acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to

time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of Arrangers, the Syndication Agent or the Co-Documentation Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the L/C Issuer hereunder.

ARTICLE X.
MISCELLANEOUS

10.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided , however , that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01 without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (v) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document, or change the specific Debt Ratings in any Pricing Level in the definition of Applicable Rate that would result in a reduction of any interest rate on any Loan or any fee payable hereunder without the written consent of each Lender directly affected thereby; provided , however , that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate;

(e) change Section 2.14 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section 10.01 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(g) release the Guarantor from the Guaranty without the written consent of each Lender;

and, provided further , that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; (iv) Section 10.06(h) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) the Fee Letters may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

10.02 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally . Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 10.02(b)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, the L/C Issuer or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02 ; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in Section 10.02(b) , shall be effective as provided in Section 10.02(b) .

(b) Electronic Communications . Notices and other communications to the Administrative Agent, the Lenders and the L/C Issuer hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to

notices to any Lender or the L/C Issuer pursuant to Article II if such Lender or the L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc . Each of the Borrower, the Administrative Agent, the L/C Issuer and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the L/C Issuer and the Swing Line Lender.

(d) Reliance by Administrative Agent, L/C Issuer and Lenders . The Administrative Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, the L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies. No failure by any Lender, the L/C Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses . The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, any Lender or the L/C Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the L/C Issuer), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section 10.04 , or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrower . The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the L/C Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an " Indemnitee ") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, penalties and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders . To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Section 10.04(a) or (b) to be paid by

it to the Administrative Agent (or any sub-agent thereof), the L/C Issuer or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the L/C Issuer or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or L/C Issuer in connection with such capacity. The obligations of the Lenders under this Section 10.04(c) are subject to the provisions of Section 2.12(d) .

(d) Waiver of Consequential Damages, Etc . To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in Section 10.04(b) shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments . All amounts due under this Section 10.04 shall be payable not later than ten Business Days after demand therefor.

(f) Survival . The agreements in this Section 10.04 shall survive the resignation of the Administrative Agent and the L/C Issuer, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, the L/C Issuer or any Lender, or the Administrative Agent, the L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and the L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of

the Lenders and the L/C Issuer under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally . The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with Section 10.06(b) , (ii) by way of participation in accordance with Section 10.06(d) , (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.06(f) , or (iv) to an SPC in accordance with Section 10.06(h) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 10.06(d) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuer and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders . Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this Section 10.06(b) , participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Bid Loans or Swing Line Loans;

(iii) any assignment of a Commitment must be approved by the Administrative Agent, the L/C Issuer and the Swing Line Lender unless the Person that is the proposed

assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee), provided , that, in the case of any assignment of a Commitment to an Affiliate of a Lender, the approval of the Administrative Agent, the L/C Issuer and the Swing Line Lender shall not be unreasonably withheld; and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $2,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; *provided* , that in the event of two or more concurrent assignments to members of the same Assignee Group (which may be effected by a suballocation of an assigned amount among members of such Assignee Group) or two or more concurrent assignments by members of the same Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group), such processing and recordation fee shall be $2,500 in the aggregate for all such assignments, *provided* , *however* , that in the event of five or more concurrent assignments of the type detailed in the proviso above, an assignment fee of $500 shall also be payable in respect of each such assignment.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 10.06(c) , from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01 , 3.04 , 3.05 and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 10.06(b) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 10.06(d) .

(c) Register . The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the " Register "). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by each of the Borrower and the L/C Issuer at any reasonable time and from time to time upon reasonable prior notice. In addition, at any time that a request for a consent for a material or substantive change to the Loan Documents is pending, any Lender wishing to consult with other Lenders in

connection therewith may request and receive from the Administrative Agent a copy of the Register. An assignee that is a Foreign Lender shall satisfy the requirements of Section 3.01(e) .

(d) Participations . Any Lender may at any time, without the consent of, or notice to, the Borrower, the Administrative Agent, the L/C Issuer or any Lender, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a " Participant ") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to Section 10.06(e) , the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01 , 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.06(b) . To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) Limitations upon Participant Rights . A Participant shall not be entitled to receive any greater payment under Section 3.01 , 3.04 or 3.05 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges . Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments . The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of

a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Special Purpose Funding Vehicles . Notwithstanding anything to the contrary contained herein, any Lender (a " Granting Lender ") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an " SPC ") the option to provide all or any part of any Committed Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Committed Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Committed Loan, the Granting Lender shall be obligated to make such Committed Loan pursuant to the terms hereof or, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.12(b)(ii) . Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 3.04), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Committed Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Committed Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent, assign all or any portion of its right to receive payment with respect to any Committed Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Committed Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

(i) Resignation as L/C Issuer or Swing Line Lender after Assignment . Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to Section 10.07(b) , Bank of America may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as L/C Issuer and/or (ii) upon 30 days' notice to the Borrower, resign as Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders, upon the agreement of the appointed Lender, a successor L/C Issuer or Swing Line Lender hereunder; provided , however , that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America as L/C Issuer or Swing Line Lender, as the case may be. If Bank of America resigns as L/C Issuer, it shall retain all the rights and obligations of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of

the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c) .

(j) Dissenting Lender . In the event that the Borrower shall request that the Lenders enter into any amendment, modification, consent or waiver with respect to this Agreement or any other Loan Document, and any Lender elects not to enter into such amendment, modification, consent or waiver (each such Lender being a "Dissenting Lender"), then the Borrower shall have the right upon 10 days' written notice to the Administrative Agent and such Dissenting Lender, to require each such Dissenting Lender to assign 100% of the rights and obligations of the Dissenting Lender at par to any Lender or any other financial institution which satisfies the requirements of Section 10.06 and has been consented to by the Administrative Agent (which consent shall not be unreasonably withheld or delayed). Each such assignment shall be made pursuant to an Assignment and Assumption and shall comply with the other terms of this Section 10.06 . The Borrower shall pay to such Dissenting Lender, concurrently with the effectiveness of such assignment, any amounts payable under Section 3.05 of this Agreement that would have been payable, in respect of any assignment of Eurodollar Loans, if the Borrower had voluntarily prepaid the respective Loans. The Dissenting Lender shall not be required to pay any fee relating to such assignment.

10.07 Treatment of Certain Information; Confidentiality . Each of the Administrative Agent, the Lenders and the L/C Issuer agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the NAIC), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.07 , to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.07 or (y) becomes available to the Administrative Agent, any Lender, the L/C Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

For purposes of this Section 10.07 , " Information " means all information or materials received from, or provided by, or on behalf of, the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information or materials that are available to the Administrative Agent, any Lender or the L/C Issuer on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary. Any Person required to maintain the confidentiality of Information as provided in this Section 10.07 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as a reasonable Person would accord to its own confidential information.

10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, the L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, after obtaining the prior written consent of the Administrative Agent, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the L/C Issuer or any such Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any and all of the obligations of the Borrower or such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or the L/C Issuer, irrespective of whether or not such Lender or the L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender or the L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the L/C Issuer and their respective Affiliates under this Section 10.08 are in addition to other rights and remedies (including other

rights of setoff) that such Lender, the L/C Issuer or their respective Affiliates may have. Each Lender and the L/C Issuer agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09 Interest Rate Limitation . Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the " Maximum Rate "). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.12 Severability . If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or

unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.13 Replacement of Lenders . If any Lender requests compensation under Section 3.04 , or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 , or if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b) ;

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01 , such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

10.14 Governing Law; Jurisdiction; Etc.

(a) Governing Law . This Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

(b) Submission to Jurisdiction . The Borrower and each other Loan Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Courts of the State of New York sitting in the County of New York and of the United States District Court of the Southern District of New York, and any appellate Court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State Court or, to the fullest extent permitted by applicable law, in such Federal Court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this

Agreement or in any other Loan Document shall affect any right that the Administrative Agent, any Lender or the L/C Issuer may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or any other Loan Party or its properties in the Courts of any jurisdiction.

(c) Waiver of Venue . The Borrower and each other Loan Party irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any Court referred to in paragraph (b) of this Section 10.14 . Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process . Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 10.02 . Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

10.15 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the " *Act* "), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide to the extent commercially reasonable, such information and take such actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lender in maintaining compliance with the Act.

10.16 Entire Agreement. This Agreement and the other Loan Documents represent the final agreement among the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements among the parties.

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10.18 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

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

THE BORROWER

WELLPOINT, INC.

By /s/ R. D AVID K RETSCHMER

Title: **Vice President and Treasurer**

THE ADMINISTRATIVE AGENT

BANK OF AMERICA, N.A.

By /s/ K EVIN L. A HART

Title: **Assistant Vice President**

THE JOINT LEAD ARRANGERS AND JOINT BOOK MANAGERS

BANC OF AMERICA SECURITIES LLC

By /s/ P AMELLA R. L.

Title: **Managing Director**

CITIGROUP GLOBAL MARKETS INC.

By /s/ Carolyn Kee

Title: **Managing Director**

THE SYNDICATION AGENT

CITIBANK, N.A.

By /s/ Michael A. Taylor

Title: **Vice President**

THE CO-DOCUMENTATION AGENTS

THE BANK OF TOKYO-MITSUBISHI, LTD. NEW YORK BRANCH

By /s/ Chimie T. Pemba

Title: **Authorized Signatory**

UBS LOAN FINANCE LLC

By /s/ Christopher M. Atkin

Title: **Associate Director**

By /s/ Joselin Fernandes

Title: **Associate Director**

WACHOVIA BANK, NATIONAL ASSOCIATION

By /s/ Jeanette A. Griffin

Title: **Director**

WILLIAM STREET COMMITMENT CORPORATION

By /s/ M. Walz

Title: **Assistant Vice President**

THE INITIAL LENDERS

BANK OF AMERICA, N.A., as Lender, L/C Issuer and Swing Line Lender

By /s/ J OSEPH L. C ORAN

Title: **Senior Vice President**

CITIBANK, N.A., as Lender

By /s/ P ETER C. B ICKFORD

Title: **Vice President**

THE BANK OF TOKYO-MITSUBISHI, LTD., NEW YORK BRANCH

By /s/ C HIMIE T. P EMBA

Title: **Authorized Signatory**

UBS LOAN FINANCE LLC

By /s/ C HRISTOPHER M. A TKIN

Title: **Associate Director**

By /s/ J OSELIN F ERNANDES

Title: **Associate Director**

WACHOVIA BANK, NATIONAL ASSOCIATION

By /s/ J EANETTE A. G RIFFIN

Title: **Director**

WILLIAM STREET COMMITMENT CORPORATION

(With recourse only to the assets of William Street Commitment Corporation)

By /s/ M. W ALTZ

Title: **Assistant Vice President**

THE BANK OF NEW YORK

By /s/ C HRISTOPHER T. K ORDES

Title: **Vice President**

BNP PARIBAS

By /s/ T IM K ING

Title: **Managing Director**

By /s/ G AVE P LUNKETT

Title: **Vice President**

CREDIT SUISSE FIRST BOSTON, acting through its Cayman Islands Branch

By /s/ P AUL L. C OLON

Title: **Director**

By /s/ K ARIM B LASETTI

Title: **Associate**

DEUTSCHE BANK AG NEW YORK BRANCH

By /s/ Frederick W. Laird

Title: Managing Director

By /s/ Vincent K. Wong

Title: Vice President

LEHMAN BROTHERS BANK, FSB

By /s/ Gary T. Taylor

Title: Senior Vice President

MERRILL LYNCH BANK USA

By /s/ Louis Alder

Title: Director

MIZUHO CORPORATE BANK, LTD.

By /s/ [Illegible]

Title: Deputy General Manager

MORGAN STANLEY BANK

By /s/ Daniel Twenge

Title: Vice President

SUMITOMO MITSUI BANKING CORPORATION, NEW YORK

By /s/ Yoshiro Hyakutome

Title: Joint General Manager

SUNTRUST BANK

By /s/ William Brooks Hubbard

Title: Director

BRANCH BANKING AND TRUST COMPANY OF VIRGINIA

By /s/ Susan M. Raher

Title: Senior Vice President

FIFTH THIRD BANK (CENTRAL INDIANA)

By /s/ Jennifer M Wolter

Title: Officer

MELLON BANK, N.A.

By /s/ John M. Dimarsico

Title: Assistant Vice President

STATE STREET BANK AND TRUST COMPANY

By /s/ Lise Anne Boutiette

Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By /s/ [Illegible]

Title: Senior Vice President

By /s/ Elizabeth S. Collin

Title: Vice President

U.S. BANK, NATIONAL ASSOCIATION

By /s/ [ILLEGIBLE]

Title: **Senior Vice President**

NATIONAL CITY BANK OF INDIANA

By /s/ THOMAS E. BALE

Title: **Vice President**

Exhibit 4.11

EXECUTION COPY

LOAN AGREEMENT

Dated as of December 28, 2005

among

WELLPOINT, INC.,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent
and
The Other Lenders Party Hereto

CITIGROUP GLOBAL MARKETS INC.
and
MERRILL LYNCH BANK USA,
as Co-Documentation Agents

BANC OF AMERICA SECURITIES LLC
and
GOLDMAN SACHS CREDIT PARTNERS, L.P.,
as Joint Lead Arrangers
and
Joint Book Managers

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LOAN AGREEMENT

This LOAN AGREEMENT (" Agreement ") is entered into as of December 28, 200 5, among WELLPOINT, INC., an Indiana corporation (the " Borrower "), each lender from time to time party hereto (collectively, the "Lenders" and individually, a " Lender "), CITIGROUP GLOBAL MARKETS INC. and MERRILL LYNCH BANK USA as Co-Documentation Agents (the "Co- Documentation Agents "), BANC OF AMERICA SECURITIES LLC (" BAS ") and GOLDMAN SACHS CREDIT PARTNERS, L.P. (" GSCP "), as Joint Lead Arrangers and Joint Book Managers (the " Arrangers "), and BANK OF AMERICA, N.A., as Administrative Agent.

The Borrower has requested that the Lenders provide a term loan facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

" Administrative Agent " means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

" Administrative Agent's Office " means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02 , or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

" Administrative Questionnaire " means an Administrative Questionnaire in a form supplied by the Administrative Agent.

" Affiliate " means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

" Aggregate Commitments " means the Commitments of all the Lenders.

" Agreement " means this Loan Agreement.

" Applicable Percentage " means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of (a) prior to the Closing Date, the Aggregate Commitments represented by such Lender's Commitment at such time and (b) on and after the Closing Date, the aggregate outstanding principal amount of the Loans represented by the aggregate outstanding principal amount of such Lender's Loan at such time. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on

Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

" Applicable Rate " means, from time to time, the following percentages per annum in respect of the Eurodollar Rate Loans and the Base Rate Loans, as the case may be, based upon the Debt Rating as set forth below:

Applicable Rate

Pricing Level	Debt Ratings S&P/Moody's	Eurodollar Rate+	Base Rate+
1	Equal to or greater than A/A2 but less than A+/A1	0.30%	0.0%
2	Equal to or greater than A-/A3 but less than A/A2	0.35%	0.0%
3	Equal to or greater than BBB+/Baa1 but less than A-/A3	0.40%	0.0%
4	Equal to or greater than BBB/Baa2 but less than BBB+/Baa1	0.50%	0.0%
5	Less than BBB/Baa2	0.625%	0.0%

" Debt Rating " means, as of any date of determination, the rating as determined by either S&P or Moody's (collectively, the " Debt Ratings ") of the Borrower's non-credit-enhanced, senior unsecured long-term debt; provided that if a Debt Rating is issued by each of the foregoing rating agencies, then the higher of such Debt Ratings shall apply (with the Debt Rating for Pricing Level 1 being the highest and the Debt Rating for Pricing Level 5 being the lowest) unless there is a split in Debt Ratings of more than one level, in which case the Pricing Level that is one level lower than the Pricing Level of the higher Debt Rating shall apply.

Initially, the Applicable Rate shall be determined based upon Pricing Level 3 set forth above. Thereafter, each change in the Applicable Rate resulting from a publicly announced change in the Debt Rating shall be effective during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change. If either S&P or Moody's shall cease to have in effect a rating of the Borrower's non-credit enhanced, senior unsecured long-term debt and Fitch Ratings shall have in effect a rating of such debt, then the ratings of Fitch Ratings will be substituted for the ratings of such agency for all the purposes of the foregoing provisions of this definition of "Applicable Rate".

" Approved Fund " means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

" Arrangers " means BAS and GSCP, each in its capacity as a joint lead arranger and joint book manager.

" Assignee Group " means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

" Assignment and Assumption " means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit C or any other form approved by the Administrative Agent.

" Audited Financial Statements " means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2004 and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of the Borrower and its Subsidiaries, including the notes thereto.

" Authorized Officer " the chief executive officer, president, chief financial officer or treasurer of a Loan Party, acting singly. Any document delivered hereunder that is signed by an Authorized Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Authorized Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

" Bank of America " means Bank of America, N.A. and its successors.

" Base Rate " means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

" Base Rate Loan " means the Loans during the periods in which they bear interest based on the Base Rate.

" Borrower " has the meaning specified in the introductory paragraph hereto.

" Business Day " means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

" Capitalized Lease " of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

" Capitalized Lease Obligations " of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

" Cash Equivalents " means any of the following types of investments, to the extent owned by the Borrower free and clear of all Liens:

(a) readily marketable obligations issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof having maturities of not more than 360 days from the date of acquisition thereof; provided that the full faith and credit of the United States is pledged in support thereof;

(b) time deposits with, or insured certificates of deposit or bankers' acceptances of, any commercial bank that (i) (A) is a Lender or (B) is organized under the laws of the United States, any state thereof or the District of Columbia or is the principal banking subsidiary of a bank holding company organized under the laws of the United States, any state thereof or the District of Columbia, and is a member of the Federal Reserve System, (ii) issues (or the parent of which issues) commercial paper rated as described in clause (c) of this definition and (iii) has combined capital and surplus of at least $1,000,000,000, in each case with maturities of not more than 180 days from the date of acquisition thereof;

(c) commercial paper issued by any Person organized under the laws of any state of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's or at least "A-1" (or the then equivalent grade) by S&P, in each case with maturities of not more than 180 days from the date of acquisition thereof; and

(d) Investments, classified in accordance with GAAP as current assets of the Borrower or any of its Subsidiaries, in money market investment programs registered under the Investment Company Act of 1940, which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to investments of the character, quality and maturity described in clauses (a), (b) and (c) of this definition.

" Change in Law " means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) compliance by any Lender (or, for the purpose of Section 3.04(b) , any Lending Office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority.

" Change of Control " means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of equity interests representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding equity interests in the Borrower

or (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were not (i) directors of the Borrower on the date of this Agreement, (ii) nominated by the board of directors of the Borrower, or (iii) appointed by directors referred to in the preceding clauses (i) and (ii).

" Closing Date " means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01 .

" Code " means the Internal Revenue Code of 1986, as amended from time to time.

" Commitment " means, as to each Lender, its obligation to make a Loan to the Borrower pursuant to Section 2.01 , in a principal amount equal to the amount set forth opposite such Lender's name on Schedule 2.01 , as it may be reduced pursuant to Section 2.04 , or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement, provided , that (a) if the Securities are issued during the period between the date hereof and the date the Loans are made, the Commitment of each Lender shall be reduced ratably by an amount equal to the Net Cash Proceeds from the issuance of the Securities and (b) the Commitment of each Lender shall be reduced ratably by the amount, if any, by which the sum of the aggregate undrawn commitments and aggregate outstanding borrowings under the Permanent Credit Facilities exceeds $2,500,000,000 during such period.

" Contingent Obligation " of a Person means any obligation arising under any agreement, undertaking or arrangement by which (a) such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the financial obligation or liability of any other Person, or (b) agrees to maintain the net worth or working capital or other financial condition of any other Person, or (c) otherwise assures any creditor of such other Person against loss, including, without limitation, in each case, any comfort letter, operating agreement or take-or-pay contract or application for a letter of credit, but excluding in each case obligations incurred by either Loan Party or any Insurance Subsidiary under insurance policies or contracts entered into in the ordinary course of business and endorsements of instruments for deposit or collection in the ordinary course of business.

" Control " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " Controlling " and " Controlled " have meanings correlative thereto.

" Controlled Group " means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with one or both of the Loan Parties and/or one or more of the Subsidiaries, are treated as a single employer (i) under Section 414(b) or (c) of the Code or (ii) for the purposes of Section 302 of ERISA or Section 412 of the Code, under Section 414(b), (c), (m) or (o) of the Code.

" Debt " of a Person means such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of property or services (other than

accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (c) obligations described in clauses (a), (b), (d), (e), (f) and (g), whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, bonds, or similar instruments, (e) Capitalized Lease Obligations, (f) Contingent Obligations in respect of Debt and (g) obligations for which such Person is obligated pursuant to or in respect of a letter of credit.

" Debtor Relief Laws " means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

" Default " means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

" Default Rate " means an interest rate equal to (a) the Base Rate plus (b) the Applicable Rate, if any, applicable to Base Rate Loans plus (c) 2% per annum; provided, however , that with respect to Eurodollar Rate Loans, the Default Rate shall be an interest rate equal to the interest rate or rates (including any Applicable Rate) otherwise applicable to such Loans plus 2% per annum.

" Defaulting Lender " means any Lender that (a) has failed to fund any portion of the Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

" Disclosed Matter " means the actions, suits and proceedings and the environmental matters disclosed in Schedule 5.08 hereto.

" Dollar " and " $ " mean lawful money of the United States.

" Eligible Assignee " means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

" Environmental Laws " means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees or binding agreements relating to the environment or the release of any Hazardous Materials into the environment.

" Environmental Liability " means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of

the Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

" Equity Interests " means with respect to any Person, the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended from time to time.

" Eurodollar Rate " means for any Interest Period with respect to Eurodollar Rate Loans or any portion thereof:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding clause (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the portion of the Eurodollar Rate Loans being continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

" Eurodollar Rate Loan " means the Loans during the period in which they bear interest at a rate based on the Eurodollar Rate.

" Event of Default " has the meaning specified in Section 8.01 .

" Excluded Taxes " means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income including in the case of a Lender that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) any backup withholding tax) (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any withholding tax imposed by the jurisdiction in which the Borrower is resident that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or the date on which a Participant becomes entitled to the benefits of Section 3.01 pursuant to Section 10.06(d) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e) , except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a) .

" Existing 5-Year Credit Agreement " means that certain Amended and Restated Five-Year Credit Agreement dated as of November ___, 2005 among the Borrower, Bank of America, N.A., as administrative agent, and the lenders party thereto, as amended, amended and restated or otherwise modified from time to time.

" Federal Funds Rate " means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

" Fee Letter " means the letter agreement between the Borrower, the Administrative Agent and BAS dated September 27, 2005.

" Financial Officer " of a Person means the chief financial officer, principal accounting officer, treasurer or controller of such Person or any officer having substantially the same position for such Person.

" Fiscal Quarter " means one of the four three-month accounting periods comprising a Fiscal Year.

" Fiscal Year " means the twelve-month accounting period ending December 31 of each year.

" Fitch Ratings " means Fitch Ratings, a wholly-owned subsidiary of Fimalac, S.A., and any successor thereto.

" Foreign Lender " means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

" FRB " means the Board of Governors of the Federal Reserve System of the United States.

" Fund " means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

" GAAP " means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

" Governmental Authority " means any government (foreign or domestic) or any state or other political subdivision thereof or any governmental body, agency, authority, department or commission (including any board of insurance, insurance department or insurance commission and any taxing authority or political subdivision) or any instrumentality thereof (including any court or tribunal) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation, partnership or other entity directly or indirectly owned or controlled by or subject to the control of any of the foregoing (including any supra-national bodies such as the European Union or the European Central Bank).

" Granting Lender " has the meaning specified in Section 10.06(h) .

" Guarantor " means Anthem Holding Corp., a wholly-owned Subsidiary of the Borrower.

" Guaranty " means the Guaranty made by the Guarantor in favor of the Administrative Agent and the Lenders, substantially in the form of Exhibit D .

" Hazardous Materials " means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or

petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

" Hedging Agreement " means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement or puts and calls on any of the foregoing and with respect to equity securities.

" HMO " means a health maintenance organization (or similar entity) doing business as such (or required to qualify or to be licensed as such) under HMO Regulations.

" HMO Regulation " means all laws, regulations, directives and administrative orders applicable under federal or state law to health maintenance organizations (or similar entities) and any regulations, orders and directives promulgated or issued pursuant thereto.

" HMO Regulator " means any Person charged with the administration, oversight or enforcement of an HMO Regulation and the Blue Cross Blue Shield Association.

" Holdco " means WellPoint Holding Corp., a wholly-owned subsidiary of the Borrower.

" Indemnified Taxes " means Taxes other than Excluded Taxes.

" Indemnitees " has the meaning specified in Section 10.04(b) .

" Indiana Insurance Law " means the Indiana Insurance Law (Title 27 of the Indiana Code), as the same may be amended or supplemented from time to time.

" Insurance Regulations " means any Laws applicable to an insurance company.

" Insurance Regulator " means any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

" Insurance Subsidiary " means any Subsidiary that is now or hereafter engaged in the insurance business or is an HMO.

" Interest Payment Date " means, (a) as to the Loans when they are Eurodollar Rate Loans, the last day of each Interest Period applicable to such Loans and the Maturity Date; provided, however, that if any Interest Period for the Eurodollar Rate Loans exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to the Loans when they are Base Rate Loans, the last Business Day of each March, June, September and December and the Maturity Date.

" Interest Period " means, as to the Loans when they are Eurodollar Rate Loans, the period commencing on the date the Eurodollar Rate Loans (or portion thereof) are converted to

or continued as Eurodollar Rate Loans and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Loan Notice; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Stated Maturity Date.

" Investment " of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business) or contribution of capital by such Person to any other Person or any investment in, or purchase or other acquisition of, the stock, partnership interests, notes, debentures or other securities of any other Person made by such Person.

" IRS " means the United States Internal Revenue Service.

" Laws " means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, executive orders, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority.

" Lender " has the meaning specified in the introductory paragraph hereto.

" Lending Office " means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

" License " means any license, certificate of authority, permit or other authorization which is required to be obtained from any Governmental Authority in connection with the operation, ownership or transaction of insurance business.

" Lien " means any security interest, lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement); provided , however , that a "Lien" shall not be deemed to arise from repurchase transactions or reverse repurchase transactions or from programs where the Borrower or any Subsidiary lends securities.

" Liquidity " means an amount equal to (a) the sum of (i) the unrestricted cash, Cash Equivalents and Permitted Investments of the Borrower, all unregulated 100% directly-owned subsidiaries of the Borrower and WellChoice and (ii) the aggregate available and unborrowed amount under all Permanent Credit Facilities minus (b) the aggregate principal amount of outstanding commercial paper issued by the Borrower.

" Loan " has the meaning specified in Section 2.01 .

" Loan Documents " means this Agreement, each Note, and the Guaranty.

" Loan Notice " means a notice of (a) the Loans, (b) a conversion of the Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a) , which, if in writing, shall be substantially in the form of Exhibit A .

" Loan Parties " means, collectively, the Borrower and the Guarantor.

" Margin Stock " has the meaning assigned to such term under Regulation U of the FRB.

" Material Adverse Effect " means any material adverse effect on (a) the business, property, financial condition or operations of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of either of the Loan Parties to perform any of the Obligations or (c) the rights or remedies available to the Lenders under this Agreement.

" Material Insurance Subsidiary " means any Insurance Subsidiary that is a Material Subsidiary.

" Material Subsidiary " means, at any time, any Subsidiary of the Borrower which, together with its Subsidiaries, has either assets or revenues from operations that exceed 10% of the combined assets or combined revenues from operations, respectively, of the Borrower and its Subsidiaries taken as a whole.

" Maturity Date " means the earliest of (a) 364 days after the Closing Date, (b) the second Business Day after the date of the making of the Loans if the certificate of merger with respect to the Merger has not been filed and all conditions set forth in Section 6.2 and 6.3 of the Merger Agreement that are to be satisfied on or immediately prior to the Merger Effective Date have not been satisfied or waived, in each case by the second Business Day after the making of the Loans, and (c) the date of acceleration of the Loans pursuant to Section 8.02 .

" Merger " means the merger of Holdco with WellChoice in accordance with Merger Agreement in which Holdco will be the surviving corporation.

" Merger Agreement " means the Agreement and Plan of Merger, dated as of September 27, 2005, among the Borrower, WellChoice and Holdco.

" Merger Effective Date " means the Effective Time (as defined in the Merger Agreement).

" Moody's " means Moody's Investors Service, Inc. and any successor thereto.

" Multiemployer Plan " means a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which either Loan Party or any member of the Controlled Group is obligated to make contributions.

" NAIC " means the National Association of Insurance Commissioners or any successor thereto, or in lieu thereof, any other association, agency or other organization performing advisory, coordination or other like functions among insurance departments, insurance commissioners and similar Governmental Authorities of the various states of the United States toward the promotion of uniformity in the practices of such Governmental Authorities.

" Net Cash Proceeds " means, with respect to the incurrence or issuance of any Debt, or the sale or issuance of any Equity Interests (including, without limitation, any capital contribution) in any Person, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person for its own account in connection with any such transaction, after deducting therefrom only (without duplication), out-of-pocket expenses, including brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions.

" Net Income " means, for any computation period, with respect to the Borrower on a consolidated basis with the Subsidiaries, cumulative net income earned during such period as determined in accordance with GAAP.

" Net Tangible Assets " means the consolidated assets of the Borrower and its Subsidiaries, determined in accordance with GAAP less: (i) all current liabilities and minority interests and (ii) goodwill and other intangibles (other than patents, trademarks, licenses, copyrights and other intellectual property and prepaid assets).

" Net Worth " means the consolidated shareholders' equity of the Borrower determined in accordance with GAAP.

" New Credit Agreements " means one or more unsecured credit agreements with banks and other financial institutions which the Borrower may from time to time enter into.

" Note " means a promissory note made by the Borrower in favor of a Lender evidencing the Loan made by such Lender, substantially in the form of Exhibit B .

" Obligations " means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to the Loans, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

" Organization Documents " means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

" Other Taxes " means all present or future stamp or documentary taxes or any other excise or property taxes or similar charges or levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

" Outstanding Amount " means, with respect to the Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any prepayments or repayments of the Loans, as the case may be, occurring on such date.

" Participant " has the meaning specified in Section 10.06(d) .

" PBGC " means the Pension Benefit Guaranty Corporation.

" Permanent Credit Facilities " means, as of any date, the Existing 5-Year Credit Agreement or the New Credit Agreements that are in effect on such date.

" Permitted Investments " means readily marketable securities acquired in conformance with the Borrower's "investment policy" as of the Closing Date or, in the case of any Subsidiary, such Subsidiary's investment policy as of the Closing Date (a copy of which respective investment policies has been delivered to the Administrative Agent and the Lenders) and any successors or amendments to such investment policies so long as such amendments do not substantially modify such investment policies; provided, however that (i) the amount invested in equity securities (other than such securities of Subsidiaries of the Borrower) at any one time shall not exceed 30% of the amount invested in all securities (other than securities of Subsidiaries of the Borrower) and (ii) the amount invested in repurchase agreements or reverse repurchase agreements at any one time shall not exceed 30% of the amount invested in all securities (other than securities of Subsidiaries of the Borrower).

" Permitted Liens " means, as applied to the Borrower and the Subsidiaries:

(a) any Lien in favor of the Administrative Agent or the Lenders given to secure the payment and performance of the Obligations;

(b) Liens securing obligations in an aggregate amount not in excess of 10% of Net Tangible Assets (determined at the end of the immediately preceding Fiscal Quarter of the Borrower ending on or prior to the date such Lien is created) with the amount of any such obligation determined when the Lien is incurred and, if applicable, when the

amount of such obligation is increased (other than as a result of the accrual of interest thereon);

(c) (i) Liens on real estate for real estate taxes not yet delinquent and (ii) Liens for taxes, assessments, judgments, governmental charges or levies, or claims that are not yet due or the non-payment of which is being diligently contested in good faith by appropriate proceedings;

(d) Liens of carriers, warehousemen, mechanics, laborers, and materialmen incurred in the ordinary course of business for sums that are not overdue by more than 60 days or being diligently contested in good faith by appropriate proceedings;

(e) Liens incurred in the ordinary course of business in connection with worker's compensation and unemployment insurance and other social security laws and regulations;

(f) restrictions on the transfer of assets imposed by any applicable federal, state or local statute, regulation or ordinance;

(g) easements, rights-of-way, zoning restrictions and other similar encumbrances on the use of real property which do not interfere with the ordinary conduct of the business of the Borrower or any Subsidiary, or Liens incidental to the conduct of the business of the Borrower or any Subsidiary or to the ownership of its properties which were not incurred in connection with Debt or other extensions of credit and which do not in the aggregate materially detract from the value of such properties or materially impair their use in the operation of the business of the Borrower or any Subsidiary;

(h) purchase money mortgages or security interests, conditional sale arrangements and other similar security interests (hereinafter referred to individually as a " Purchase Money Security Interest "); provided, however, that:

(i) the transaction in which any Purchase Money Security Interest is proposed to be created is not otherwise prohibited by this Agreement;

(ii) any Purchase Money Security Interest shall attach only to the property or assets acquired in such transaction and shall not extend to or cover any other assets or properties of such Loan Party or Subsidiary; and

(iii) the Debt secured or covered by any Purchase Money Security Interest shall not exceed the cost of the property or asset acquired, including extensions, renewals and replacements thereof (and any interest, fees and premiums payable in connection therewith);

(i) Liens consisting of deposits made by the Borrower or any Insurance Subsidiary with the insurance authority in its jurisdiction of domicile or other statutory Liens or Liens or claims, reserves or contingent payment arrangements imposed or required by applicable insurance law or regulation against the assets of the Borrower or

such Insurance Subsidiary or securing regulatory capital or other financial responsibility requirements;

(j) Purchase Money Security Interests in equipment constituting inventory of the Borrower or any Subsidiary which is leased (or held for lease) by the Borrower or such Subsidiary to its customers in the ordinary course of business and other Liens on lease receivables, equipment and cash collateral accounts established in connection therewith;

(k) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(l) Liens securing obligations to share with the federal Center for Medicare and Medicaid Services potential gains from the sale or other disposition of depreciable assets used in the administration of the Medicare program;

(m) Liens on the property or assets prior to the acquisition thereof by the Borrower or any Subsidiary or existing on a Person which becomes a Subsidiary after the date of this Agreement, in each case, securing obligations (and any extension, renewal or replacement thereof that does not increase the outstanding principal amount thereof and any interest, fees and premiums payable in connection therewith) which are not prohibited by this Agreement (after giving effect to the acquisition of such Subsidiary), provided that (i) such Liens existed at the time such Person became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not spread to cover any additional property or assets of such corporation after the time such Person becomes a Subsidiary, and (iii) no additional amount of Debt shall be secured by such Liens in reliance upon the provisions of this clause;

(n) Liens arising solely by virtue of any statutory or common law provisions relating to bankers' liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Borrower in excess of those set forth by regulations promulgated by the FRB and (ii) such deposit account is not intended by the Borrower or any of its Subsidiaries to provide collateral to the depository institution in respect of specifically identified or contemplated obligations;

(o) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 7.01 ; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary (except proceeds thereof) and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof (including any interest, fees and premiums payable in connection therewith);

(p) Liens securing obligations in the ordinary course of business of the Borrower and its Subsidiaries owing to securities intermediaries, brokers and other financial institutions where cash and Cash Equivalents of the Borrower and such Subsidiaries are held; and

(q) Liens securing obligations of Debt permitted pursuant to clause (vii) of Section 7.04.

" Person " means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

" Plan " means an employee pension benefit plan, as defined in Section 3(2) of ERISA which is subject to Title IV of ERISA, as to which either Loan Party or any member of the Controlled Group contributes, maintains or sponsors.

" Pre-Commitment Information " has the meaning given in Section 4.01(a)(vi)(D) .

" Purchase " means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which either Loan Party or any Subsidiary (a) acquires any going business or all or substantially all of the assets of any firm, corporation or division or line of business thereof, whether through purchase of assets, merger or otherwise, or (b) directly or indirectly acquires (in one transaction or as of the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership.

" Register " has the meaning specified in Section 10.06(c) .

" Related Parties " means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

" Reportable Event " means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event; provided , that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

" Required Lenders " means, as of any date of determination prior to the making of the Loans, Lenders having more than 50% of the Aggregate Commitments or, as of any date thereafter, Lenders holding in the aggregate more than 50% of the Total Outstandings; provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

" S&P " means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

" SAP " means, with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the insurance commissioner (or other similar authority) in the jurisdiction of such Insurance Subsidiary for the preparation of annual statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary in effect from time to time.

" SEC " means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

" Securities " means the unsecured senior notes or other securities of the Borrower to be issued in connection with the permanent financing of the Merger (and, for the avoidance of any doubt, shall not mean any commercial paper issued by the Borrower pursuant to its commercial paper program).

" SPC " has the meaning specified in Section 10.06(h) .

" Stated Maturity Date " means the date that is 364 days after the Closing Date.

" Subsidiary " of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

" Taxes " means all present or future taxes, levies, imposts, duties, deductions, withholdings or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

" Termination Event " means, with respect to a Plan, (a) a Reportable Event, (b) the withdrawal of a Loan Party or any other member of the Controlled Group from such Plan during a plan year in which such Loan Party or member of the Controlled Group was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the termination of such Plan, the filing of a notice of intent to terminate such Plan or the treatment of an amendment of such Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Plan or (e) any event or condition which could reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Plan.

" Threshold Amount " means $125,000,000.

" Total Debt " means, at any time, all Debt that would be required to appear as liabilities on the consolidated balance sheet of the Borrower and its Subsidiaries prepared in

accordance with GAAP (including, in any event, surplus notes issued by any Insurance Subsidiary) plus all Contingent Obligations of the Borrower or any Subsidiary in respect of Debt of Persons other than the Borrower or any Subsidiary.

" Total Debt to Capital Ratio " means, at any time, the ratio of (a) the Total Debt at such time to (b) the sum of Total Debt plus the Borrower's Net Worth at such time.

" Total Outstandings " means the aggregate Outstanding Amount of the Loans.

" Transactions " means the execution, delivery and performance by the Loan Parties of the Loan Documents, the making of the Loans, the use of the proceeds thereof, the completion of the Merger, the issuance of the Securities and the other transactions contemplated hereby.

" Type " means, with respect to the Loans, their character as Base Rate Loans or Eurodollar Rate Loans.

" Unfunded Liability " means the amount (if any) by which the present value of all vested and unvested accrued benefits under a Plan exceeds the fair market value of assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans based on the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan.

" United States " and " U.S. " mean the United States of America.

" WellChoice " means WellChoice Inc., a Delaware corporation.

" WellChoice Credit Agreement " means that certain Credit and Guaranty Agreement dated as of October 17, 2002, among WellChoice, Inc. as borrower, Empire HealthChoice Assurance, Inc. and Empire HealthChoice HMO, Inc., as applicants, the lenders party thereto and The Bank of New York, as administrative agent, as amended from time to time.

" WellPoint Notes " means the Guarantor's Senior unsecured 6 3/8% notes due 2006, issued on June 15, 2001, and the Guarantor's 6 3/8% Senior notes due 2012, issued on January 16, 2002.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words " include ," " includes " and " including " shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word " shall ." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or

modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words " herein ," " hereof " and " hereunder ," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words " asset " and " property " shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word " from " means " from and including ;" the words " to " and " until " each mean " to but excluding ;" and the word " through " means " to and including ."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms .

(a) Generally . All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time.

(b) Changes in GAAP . If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II
THE COMMITMENTS AND THE LOANS

2.01 Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make one loan (such loan, a " Loan " and collectively all such loans, the " Loans ") to the Borrower on the Closing Date in an amount not to exceed such Lender's Commitment. The Borrower may make only one borrowing under this Agreement, and upon such borrowing, each Lender's Commitment shall permanently reduce to the principal amount of the Loan made by such Lender. The Loans shall initially be made as Base Rate Loans and thereafter at the Borrower's option may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 Loans, Conversions and Continuations of Loans.

(a) The Loans, each conversion of the Loans (or a portion thereof) from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. The notice of the request for the Loans must be received by the Administrative Agent not later than 12:00 p.m. on the requested date of the Loans and shall specify such requested date and the principal amount of the Loans to be borrowed, which shall be in a whole multiple of $1,000,000. Each such notice for conversion of the Loans or continuation of Eurodollar Rate Loans must be received by the Administrative Agent not later than 12:00 p.m. (i) three Business Days prior to the requested date of conversion to or continuation of Eurodollar Rate Loans or (ii) on the requested date of any conversion of Eurodollar Rate Loans to Base Rate Loans. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice, appropriately completed and signed by an Authorized Officer of the Borrower. All the Loans at any time shall be either Eurodollar Rate Loans or Base Rate Loans. Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a conversion of the Loans from one Type to the other, or a continuation of the Eurodollar Rate Loans, (ii) the requested date of the conversion or continuation, as the case may be (which shall be a Business Day), and (iii) if applicable, the duration of the Interest Period with respect to the Eurodollar Rate Loans or portion thereof. If the Borrower fails to give a timely notice requesting a conversion or continuation, then the Loans shall be converted to Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect. If the Borrower requests a conversion to, or continuation of Eurodollar Rate Loans (or portion thereof) in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Lender thereof, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in Section 2.02(a) . On the Closing Date, each Lender shall make the amount of its Loan available to the Administrative Agent in

immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. Upon satisfaction of the applicable conditions set forth in Section 4.01 , the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower.

(c) Except as otherwise provided herein, Eurodollar Rate Loans (or the applicable portion thereof) may be continued or converted only on the last day of the respective Interest Period. During the existence of an Event of Default, the Loans may not be converted to or continued as Eurodollar Rate Loans if the Required Lenders shall have prohibited the same in writing to the Administrative Agent and the Borrower.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than ten Interest Periods in effect with respect to Loans.

2.03 Prepayments.

(a) Optional . The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay the Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of Eurodollar Rate Loans shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05 , provided , that any prepayment of Base Rate Loans which is made in connection with, or results in, the prepayment in full of all Loans shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05 . Each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Applicable Percentages.

(b) Mandatory . The Borrower shall prepay the Loans, without premium or penalty, (i) to the extent the amount by which the sum of the aggregate undrawn commitments and aggregate outstanding borrowings under the Permanent Credit Facilities exceeds $2,500,000,000 after the date the Loans are made, in an amount equal to such excess, with such prepayment to be made one Business Day after any such excess is determined, and (ii) in an amount equal to 100% of the Net Cash Proceeds from the issuance of the Securities after the date the Loans are made, with such prepayment to be made one Business Day after receipt of such Net Cash Proceeds. Any prepayment of the Loans shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05 . Each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Applicable Percentages.

2.04 Termination or Reduction of Commitments. The Borrower may, prior to the Closing Date and upon notice to the Administrative Agent, terminate the Aggregate Commitments or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. three Business Days prior to the date of termination or reduction, and (ii) any such partial reduction shall be in an aggregate amount of $5,000,000 or any whole multiple of $1,000,000 in excess thereof. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Applicable Percentage.

2.05 Repayment of Loan. The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of Loans outstanding on such date.

2.06 Interest.

(a) Subject to Section 2.06(b) , (i) the principal amount of the Eurodollar Rate Loans shall bear interest for the respective Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the respective Applicable Rate; and (ii) the Base Rate Loans shall bear interest on the outstanding principal amount thereof at a rate per annum equal to the Base Rate plus the respective Applicable Rate.

(b) (i) If any principal of or interest on the Loans or any fee or other amount payable by the Loan Parties hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after

judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.07 Fees. The Borrower shall pay to the Administrative Agent for its account fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.08 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on the Loans for the day on which the Loans are made, and shall not accrue on the Loans, or any portion thereof, for the day on which the Loans or such portion is paid. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.09 Evidence of Debt. The Loan made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loan in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loan and payments with respect thereto.

2.10 Payments Generally; Administrative Agent's Clawback.

(a) General . All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day,

payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent . Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of the Loans that such Lender will not make available to the Administrative Agent such Lender's Loan, the Administrative Agent may assume that such Lender has made such Loan available on such date in accordance with Section 2.02 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its Loan available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its Loan to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrower; Presumptions by Administrative Agent . Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this Section 2.10(b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent . If any Lender makes available to the Administrative Agent funds for its Loan as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several . The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make its Loan or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or to make its payment under Section 10.04(c) .

(e) Funding Source . Nothing herein shall be deemed to obligate any Lender to obtain the funds for its Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for its Loan in any particular place or manner.

2.11 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on the Loan made by it resulting in such Lender's receiving payment of a proportion of the amount of its Loan and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this Section 2.11 shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section 2.11 shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

ARTICLE III
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes . Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by applicable law to deduct any Indemnified

Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower . Without limiting Section 3.01(a) , the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower . The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability, along with calculations of such amounts, delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments . As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders . Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), on or prior to the Closing Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 10.06(b) (unless the respective Lender was already a Lender hereunder) immediately prior to such assignment or transfer, on the date of such assignment or transfer to such Lender, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that the Borrower is resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the Closing Date, or in the case of a Foreign Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 10.06(b) (unless the respective Foreign Lender was already a Foreign Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Foreign Lender (and from time to time thereafter upon the request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) duly and validly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly and validly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate (a "Non-Bank Certificate") to the effect that such Foreign Lender is not (A) a "bank" within the meaning of Section 881 (c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly and validly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

In addition, each Foreign Lender agrees that from time to time after the Closing Date provided there has not been a Change in Law that makes it unable to do so, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower new duly completed original signed copies of Internal Revenue Service Form W-8ECI, Form W-8BEN (with respect to the benefits of any income tax treaty), or Form W-8BEN (with respect to the portfolio interest exemption) and a Non-Bank Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Foreign Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note. Notwithstanding anything to the contrary contained in Section 3.01(a) , (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Foreign Lender to the extent that such Foreign Lender has not provided to the Borrower United States Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding (or, in the case of a Foreign Lender that has established a

reduced rate of withholding, up to such reduced rate) and (y) the Borrower shall not be obligated pursuant to Section 3.01(a) to gross up payments to be made to a Foreign Lender in respect of income or similar taxes imposed by the United States or to indemnify the Administrative Agent or the relevant Foreign Lender pursuant to Section 3.01(c) if such Foreign Lender has not provided the Borrower the Internal Revenue Service Forms required to be provided the Borrower pursuant to this Section 3.01(e) .

(f) Treatment of Certain Refunds . If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 3.01 , it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 3.01 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section 3.01(f) shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it reasonably deems confidential) to the Borrower or any other Person.

(g) Each Lender that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) for United States federal income tax purposes agrees to provide the Borrower with two accurate and complete signed original copies of Internal Revenue Service Form W-9 (Request for Taxpayer Identification Number and Certification), or any successor form, on or prior to the date hereof (or on the date such Lender becomes a Lender hereunder as provided in Section 10.06(b)) and when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate.

(h) If the Borrower is required to pay any Lender any additional amounts pursuant to this Section 3.01 , such Lender shall, upon the reasonable request of the Borrower, use reasonable efforts to select an alternative Lending Office which would not result in the imposition of such Taxes or Other Taxes; provided , however , that no Lender shall be obligated to select an alternative Lending Office if such Lender Party determines that (i) as a result of such selection such Lender would be in violation of an applicable law, regulation, or treaty, or would incur unreasonable additional costs or expenses or (ii) such selection would be inadvisable for regulatory reasons or inconsistent with the interests of such Lender.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower

through the Administrative Agent, any obligation of such Lender to continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a conversion to or continuation of Eurodollar Rate Loans (or any portion thereof) that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period, or (c) the Eurodollar Rate for any requested Interest Period does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a conversion to or continuation of Eurodollar Rate Loans.

3.04 Increased Costs; Reserves on Eurodollar Rate Loans.

(a) Increased Costs Generally . If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.04(e));

(ii) change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender); or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of maintaining any Eurodollar Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower will pay to such Lender, such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements . If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender’s holding company,

if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement . A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section 3.04(a) or (b) and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests . Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 3.04 shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section 3.04 for any increased costs incurred or reductions suffered more than 180 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Rate Loans . The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of Eurodollar Rate Loans equal to the actual costs of such reserves allocated to such Loans by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loans, provided the Borrower shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon written demand (which demand shall set forth in reasonable detail the basis thereof) of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) except as a result of a default by such Lender, any continuation, conversion, payment or prepayment of the Loans other than a Base Rate Loan on a day other than the last day of the respective Interest Period (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) except as a result of a default by such Lender, any failure by the Borrower (for a reason other than the failure of such Lender to make its Loan) to prepay, continue or convert the Loans other than Base Rate Loans on the date or in the amount notified by the Borrower; or

(c) except as a result of a default by such Lender, any assignment of Eurodollar Rate Loans on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.13 ;

excluding any loss of anticipated profits but including any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05 , each Lender shall be deemed to have funded its portion of Eurodollar Rate Loans at the Eurodollar Rate for such Loans by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office . If any Lender requests compensation under Section 3.04 , or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 , or if any Lender gives a notice pursuant to Section 3.02 , then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loan hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04 , as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02 , as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders . If any Lender requests compensation under Section 3.04 , or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 , the Borrower may replace such Lender in accordance with Section 10.13 .

3.07 Survival. Subject to Section 3.04(d) , all of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV
CONDITIONS PRECEDENT TO LOAN

4.01 Conditions of Loan. The obligation of each Lender to make its Loan hereunder is subject to satisfaction of the following conditions precedent on or before June 30, 2006.

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by an Authorized Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) executed counterparts of this Agreement and the Guaranty, sufficient in number for distribution to the Administrative Agent, each of the Lenders and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Authorized Officers of each Loan Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Authorized Officer thereof authorized to act as an Authorized Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party, and such other documents as the Administrative Agent may reasonably require;

(iv) the Organization Documents of each Loan Party and such other documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) favorable opinions of Baker & Daniels LLP, general counsel of the Loan Parties, and White & Case LLP, special counsel to the Loan Parties, as to the matters set forth in Exhibit E and such other matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(vi) a certificate signed by an Authorized Officer of the Borrower, dated the Closing Date, certifying (A) that on such date (after giving effect to the applicability of Articles VI and VII) no Default or Event of Default has occurred and is continuing, (B) each of the representations and warranties set forth in Article V is true and correct in all material respects as of such date, (C) the current Debt Ratings, which shall be not less than BBB by S&P and Baa2 by Moody's, and (D) that (a) all information (taken as a whole) that has been made available to the Administrative Agent, the Arrangers or the

Lenders by or on behalf of the Borrower or any of its representatives in connection with the negotiation of this Agreement and the commitments therefor is accurate in all material respects taken as a whole on such date, except to the extent that such information specifically refers to an earlier date, in which case it shall be accurate in all material respects taken as a whole as of such earlier date, and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not materially misleading (all such information made available to the Administrative Agent or to the Arrangers prior to September 27, 2005, the " Pre-Commitment Information ");

(vii) evidence that, after giving pro forma effect to the Merger (including the termination of the WellChoice Credit Agreement) (a) the Total Debt to Capital Ratio is not more than 40% and (b) Liquidity is not less than $500,000,000; and

(b) The payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent due and payable on or prior to the execution of this Agreement, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(c) The anticipated final terms and conditions of each aspect of the Merger, including, without limitation, all tax aspects thereof, shall not have been altered, amended or otherwise changed or supplemented from the form of the draft Merger Agreement previously delivered to the Administrative Agent and the Arrangers dated September 23, 2005, or any condition therein (other than a condition based on a Material Adverse Effect (as defined in the Merger Agreement) on WellChoice) waived, in each case in any respect that is materially adverse to the repayment of the Loans.

(d) The Administrative Agent shall have received satisfactory evidence that, except for the filing of the certificate of merger with respect to the Merger and the conditions set forth in Section 6.2 and 6.3 of the Merger Agreement that are to be satisfied on or immediately prior to the Merger Effective Date and the making of the Loans, all conditions (including the receipt of all necessary governmental approvals) for the effectiveness of the Merger have been satisfied.

(e) Since December 31, 2004, no changes, occurrences or developments shall have occurred regarding the Borrower, WellChoice, any of their Subsidiaries or the Transactions that, either individually or in the aggregate, have had a material adverse effect on the business, results of operations or financial condition of the Borrower and its Subsidiaries (which for this purpose shall include WellChoice and its Subsidiaries), taken as a whole, other than any effect relating to (i) the United States or global economy or securities market in general; (ii) the announcement of the effectiveness of the Merger Agreement or the transactions contemplated thereby; (iii) changes in applicable law or regulations or GAAP or regulatory accounting principles; or (iv) general changes in the health benefits business, provided that with respect to each of (i) , (ii) , (iii) and (iv) , such effect has been no more adverse with respect to the Borrower and its Subsidiaries (which for this purpose shall include

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Exhibit 31.1

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, Larry C. Glasscock, certify that:

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

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

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

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

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

/s/ LARRY C. GLASSCOCK

Chairman, President and Chief Executive Officer

Exhibit 31.2

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, David C. Colby, certify that:

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

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

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

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

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2006

/s/ David C. Colby

Executive Vice President and Chief Financial Officer

Exhibit 32.1

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 Annual Report of WellPoint, Inc. (the "Company") on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Larry C. Glasscock, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ L ARRY C. G LASSCOCK

Larry C. Glasscock
Chairman, President and Chief Executive Officer
February 23, 2006

Exhibit 32.2

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 Annual Report of WellPoint, Inc. (the "Company") on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David C. Colby, 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/ D AVID C. C OLBY

David C. Colby
Executive Vice President and Chief Financial Officer
February 23, 2006