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

(Mark One)

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

For the Quarterly Period Ended June 30, 2018
OR

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

For the transition period from _____ to _____
Commission file number: 001-16751

ANTHEM, INC.

(Exact name of registrant as specified in its charter)

INDIANA

(State or other jurisdiction of
incorporation or organization)

35-2145715

(I.R.S. Employer
Identification Number)

120 MONUMENT CIRCLE
INDIANAPOLIS, INDIANA
(Address of principal executive offices)

46204-4903
(Zip Code)

Registrant's telephone number, including area code: (800) 331-1476

Not Applicable

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Title of Each Class
Common Stock, \$0.01 par value

Outstanding at July 12, 2018
259,953,678 shares

Anthem, Inc.
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2018
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Anthem, Inc.
Consolidated Balance Sheets

	June 30, 2018	December 31, 2017
	(Unaudited)	
<i>(In millions, except share data)</i>		
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,682.0	\$ 3,608.9
Fixed maturity securities, current (amortized cost of \$17,152.7 and \$17,054.5)	17,081.6	17,377.3
Equity securities, current	2,435.3	3,599.2
Other invested assets, current	23.8	17.2
Accrued investment income	161.6	162.5
Premium receivables	4,268.3	3,605.2
Self-funded receivables	2,650.0	2,579.7
Other receivables	2,182.6	2,266.5
Income taxes receivable	154.5	341.9
Securities lending collateral	624.6	455.1
Other current assets	3,106.1	2,249.3
Total current assets	37,370.4	36,262.8
Long-term investments:		
Fixed maturity securities (amortized cost of \$489.7 and \$556.0)	487.5	560.8
Equity securities	32.9	32.8
Other invested assets	3,495.2	3,343.8
Property and equipment, net	2,392.2	2,174.9
Goodwill	20,414.5	19,231.2
Other intangible assets	9,224.3	8,368.4
Other noncurrent assets	950.4	565.3
Total assets	\$ 74,367.4	\$ 70,540.0
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 7,545.3	\$ 7,991.5
Reserves for future policy benefits	72.1	69.9
Other policyholder liabilities	3,009.8	2,950.3
Total policy liabilities	10,627.2	11,011.7
Unearned income	2,089.9	860.3
Accounts payable and accrued expenses	5,931.4	5,024.4
Security trades pending payable	159.9	112.6
Securities lending payable	624.3	454.4
Short-term borrowings	1,120.0	1,275.0
Current portion of long-term debt	650.2	1,274.6
Other current liabilities	3,302.8	3,343.0
Total current liabilities	24,505.7	23,356.0
Long-term debt, less current portion	17,515.4	17,382.2
Reserves for future policy benefits, noncurrent	644.7	647.3
Deferred tax liabilities, net	1,902.2	1,726.5
Other noncurrent liabilities	1,074.4	925.1
Total liabilities	45,642.4	44,037.1
Commitment and contingencies – Note 11		
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 – 260,132,949 and 256,084,913	2.6	2.6
Additional paid-in capital	9,747.9	8,547.4
Retained earnings	19,757.3	18,054.4
Accumulated other comprehensive loss	(782.8)	(101.5)
Total shareholders' equity	<u>28,725.0</u>	<u>26,502.9</u>
Total liabilities and shareholders' equity	<u><u>\$ 74,367.4</u></u>	<u><u>\$ 70,540.0</u></u>

See accompanying notes.

Anthem, Inc.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
<i>(In millions, except per share data)</i>				
Revenues				
Premiums	\$ 21,248.4	\$ 20,813.1	\$ 42,151.2	\$ 41,764.4
Administrative fees and other revenue	1,466.4	1,384.9	2,905.9	2,753.1
Total operating revenue	22,714.8	22,198.0	45,057.1	44,517.5
Net investment income	229.3	200.2	458.5	407.4
Net realized gains (losses) on financial instruments	4.0	16.2	(22.1)	23.5
Other-than-temporary impairment losses on investments:				
Total other-than-temporary impairment losses on investments	(4.4)	(7.3)	(12.3)	(16.9)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	—	0.1	—	1.6
Other-than-temporary impairment losses recognized in income	(4.4)	(7.2)	(12.3)	(15.3)
Total revenues	22,943.7	22,407.2	45,481.2	44,933.1
Expenses				
Benefit expense	17,727.8	17,917.2	34,773.7	35,460.0
Selling, general and administrative expense:				
Selling expense	323.6	345.5	641.8	694.1
General and administrative expense	3,104.4	2,708.3	6,214.7	5,551.0
Total selling, general and administrative expense	3,428.0	3,053.8	6,856.5	6,245.1
Interest expense	191.7	189.9	375.9	424.9
Amortization of other intangible assets	93.6	40.6	173.1	82.4
(Gain) loss on extinguishment of debt	(0.9)	—	18.2	—
Total expenses	21,440.2	21,201.5	42,197.4	42,212.4
Income before income tax expense	1,503.5	1,205.7	3,283.8	2,720.7
Income tax expense	450.1	350.4	917.9	855.5
Net income	\$ 1,053.4	\$ 855.3	\$ 2,365.9	\$ 1,865.2
Net income per share				
Basic	\$ 4.07	\$ 3.23	\$ 9.20	\$ 7.05
Diluted	\$ 3.98	\$ 3.16	\$ 8.97	\$ 6.89
Dividends per share	\$ 0.75	\$ 0.65	\$ 1.50	\$ 1.30

See accompanying notes.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
<i>(In millions)</i>				
Net income	\$ 1,053.4	\$ 855.3	\$ 2,365.9	\$ 1,865.2
Other comprehensive (loss) income, net of tax:				
Change in net unrealized gains/losses on investments	(72.0)	100.9	(316.7)	181.1
Change in non-credit component of other-than-temporary impairment losses on investments	—	0.9	0.2	4.5
Change in net unrealized losses on cash flow hedges	2.9	(79.8)	31.7	(62.8)
Change in net periodic pension and postretirement costs	7.7	4.2	15.4	8.1
Foreign currency translation adjustments	(0.8)	0.7	(0.4)	2.1
Other comprehensive (loss) income	(62.2)	26.9	(269.8)	133.0
Total comprehensive income	\$ 991.2	\$ 882.2	\$ 2,096.1	\$ 1,998.2

See accompanying notes.

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

	Six Months Ended June 30	
	2018	2017
<i>(In millions)</i>		
Operating activities		
Net income	\$ 2,365.9	\$ 1,865.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses (gains) on financial instruments	22.1	(23.5)
Other-than-temporary impairment losses recognized in income	12.3	15.3
Loss on extinguishment of debt	18.2	—
Loss on disposal of assets	0.5	0.4
Deferred income taxes	1.9	(209.9)
Amortization, net of accretion	495.1	385.0
Depreciation expense	60.6	54.5
Share-based compensation	78.1	87.1
Changes in operating assets and liabilities:		
Receivables, net	(570.1)	(134.7)
Other invested assets	(11.0)	(22.4)
Other assets	(445.2)	(322.4)
Policy liabilities	(609.9)	254.0
Unearned income	1,157.6	865.9
Accounts payable and accrued expenses	28.8	(53.0)
Other liabilities	70.1	81.5
Income taxes	187.4	281.7
Other, net	(105.3)	(43.4)
Net cash provided by operating activities	2,757.1	3,081.3
Investing activities		
Purchases of fixed maturity securities	(4,885.8)	(7,637.0)
Proceeds from fixed maturity securities:		
Sales	3,864.5	5,152.9
Maturities, calls and redemptions	1,016.6	966.4
Purchases of equity securities	(657.9)	(506.0)
Proceeds from sales of equity securities	1,777.1	214.7
Purchases of other invested assets	(246.7)	(162.3)
Proceeds from sales of other invested assets	197.8	121.8
Change in collateral and settlements of non-hedging derivatives	—	(2.1)
Changes in securities lending collateral	(170.0)	(134.8)
Purchases of subsidiaries, net of cash acquired	(1,722.5)	—
Purchases of property and equipment	(532.5)	(297.5)
Proceeds from sales of property and equipment	—	3.3
Other, net	15.2	11.8
Net cash used in investing activities	(1,344.2)	(2,268.8)
Financing activities		
Net (repayments of) proceeds from commercial paper borrowings	(703.7)	1,347.8
Proceeds from long-term borrowings	834.9	—
Repayments of long-term borrowings	(663.0)	(929.9)
Proceeds from short-term borrowings	3,330.0	2,190.0
Repayments of short-term borrowings	(3,485.0)	(2,050.0)
Changes in securities lending payable	169.9	134.8
Changes in bank overdrafts	69.4	(146.2)
Proceeds from sale of put options	0.3	—
Proceeds from issuance of common stock under Equity Units stock purchase contracts	1,250.0	—
Repurchase and retirement of common stock	(795.0)	(509.0)

Change in collateral and settlements of debt-related derivatives	21.9	(128.4)
Cash dividends	(388.3)	(344.0)
Proceeds from issuance of common stock under employee stock plans	94.8	151.0
Taxes paid through withholding of common stock under employee stock plans	(75.6)	(45.6)
Net cash used in financing activities	(339.4)	(329.5)
Effect of foreign exchange rates on cash and cash equivalents	(0.4)	2.9
Change in cash and cash equivalents	1,073.1	485.9
Cash and cash equivalents at beginning of period	3,608.9	4,075.3
Cash and cash equivalents at end of period	\$ 4,682.0	\$ 4,561.2

See accompanying notes.

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

<i>(In millions)</i>	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
	Number of Shares	Par Value				
December 31, 2017 (audited)	256.1	\$ 2.6	\$ 8,547.4	\$ 18,054.4	\$ (101.5)	\$ 26,502.9
Adoption of Accounting Standards Update No 2016-01 (Note 2)	—	—	—	320.2	(320.2)	—
January 1, 2018	256.1	2.6	8,547.4	18,374.6	(421.7)	26,502.9
Net income	—	—	—	2,365.9	—	2,365.9
Other comprehensive loss	—	—	—	—	(269.8)	(269.8)
Premiums for and settlement of equity options	—	—	0.3	—	—	0.3
Issuance of common stock under Equity Units stock purchase contracts	6.0	—	1,250.0	—	—	1,250.0
Repurchase and retirement of common stock	(3.4)	—	(116.6)	(678.4)	—	(795.0)
Dividends and dividend equivalents	—	—	—	(396.1)	—	(396.1)
Issuance of common stock under employee stock plans, net of related tax benefits	1.4	—	97.3	—	—	97.3
Convertible debenture repurchases and conversions	—	—	(30.5)	—	—	(30.5)
Adoption of Accounting Standards Update No 2018-02 (Note 2)	—	—	—	91.3	(91.3)	—
June 30, 2018	260.1	\$ 2.6	\$ 9,747.9	\$ 19,757.3	\$ (782.8)	\$ 28,725.0
January 1, 2017	263.7	\$ 2.6	\$ 8,805.1	\$ 16,560.6	\$ (267.9)	\$ 25,100.4
Net income	—	—	—	1,865.2	—	1,865.2
Other comprehensive income	—	—	—	—	133.0	133.0
Repurchase and retirement of common stock	(2.8)	—	(95.0)	(414.0)	—	(509.0)
Dividends and dividend equivalents	—	—	—	(344.8)	—	(344.8)
Issuance of common stock under employee stock plans, net of related tax benefits	2.2	—	188.0	—	—	188.0
Convertible debenture repurchases and conversions	—	—	(1.1)	—	—	(1.1)
June 30, 2017	263.1	\$ 2.6	\$ 8,897.0	\$ 17,667.0	\$ (134.9)	\$ 26,431.7

See accompanying notes.

Anthem, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
June 30, 2018

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

1. Organization

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

We are one of the largest health benefits companies in the United States in terms of medical membership, serving 39.5 medical members through our affiliated health plans as of June 30, 2018. We offer a broad spectrum of network-based managed care plans to Large Group, Small Group, Individual, Medicaid and Medicare markets. Our managed care plans include: Preferred Provider Organizations, or PPOs; health maintenance organizations, or HMOs; Point-of-Service, or POS, plans; traditional indemnity plans and other hybrid plans, including Consumer-Driven Health Plans, or CDHPs; and hospital only and limited benefit products. In addition, we provide a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services. We provide an array of specialty and other insurance products and services such as dental, vision, life and disability insurance benefits, radiology benefit management and analytics-driven personal health care. We also provide services to the federal government in connection with the Federal Employee Program[®].

We are an independent licensee of the Blue Cross and Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California and as the Blue Cross and Blue Shield, or BCBS, licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (in the New York City metropolitan area and upstate New York), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas, we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, and Empire Blue Cross Blue Shield or Empire Blue Cross. We also conduct business through arrangements with other BCBS licensees in Louisiana, South Carolina and western New York. Through our subsidiaries, we also serve customers in over 25 states across the country as America’s 1st Choice, Amerigroup, Aspire Health, CareMore, Freedom Health, HealthLink, HealthSun, Optimum HealthCare, Simply Healthcare, and/or Unicare. We are licensed to conduct insurance operations in all 50 states and the District of Columbia through our subsidiaries.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation: The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. We have omitted certain footnote disclosures that would substantially duplicate the disclosures in our 2017 Annual Report on Form 10-K, unless the information contained in those disclosures materially changed or is required by GAAP. Certain prior year amounts have been reclassified to conform to the current year presentation. In the opinion of management, all adjustments, including normal recurring adjustments, necessary for a fair statement of the consolidated financial statements as of and for the three and six months ended June 30, 2018 and 2017 have been recorded. The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2018, or any other period. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2017 included in our 2017 Annual Report on Form 10-K.

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

currency translation adjustments” in our consolidated statements of comprehensive income. Additionally, we control a number of bank accounts that are used exclusively to hold customer funds for the administration of customer benefits and have cash and cash equivalents on deposit to meet certain regulatory requirements. These amounts totaled \$217.6 and \$182.3 at June 30, 2018 and December 31, 2017, respectively and are included in the cash and cash equivalents line on our consolidated balance sheets.

Revenue Recognition: Premiums for fully-insured contracts are recognized as revenue over the period insurance coverage is provided, and, if applicable, net of amounts recognized for the minimum medical loss ratio rebates or contractual or government-mandated premium stabilization programs. Administrative fees and other revenue includes 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. We charge these self-funded groups an administrative fee, which is based on the number of members in a group or the group’s claim experience. Under our self-funded arrangements, revenue is recognized as administrative services are performed, and benefit payments under these programs are excluded from benefit expense. For additional information about our revenues, see Note 2, “Basis of Presentation and Significant Accounting Policies” and Note 19, “Segment Information,” to our audited consolidated financial statements as of and for the year ended December 31, 2017 included in our 2017 Annual Report on Form 10-K. In addition, see Note 15, “Segment Information,” herein, for the disaggregation of revenues by segments and products.

Premium and self-funded receivables include the uncollected amounts from insured groups, individuals and government programs. Premium receivables are reported net of an allowance for doubtful accounts of \$281.6 and \$302.1 at June 30, 2018 and December 31, 2017, respectively. Self-funded receivables are reported net of an allowance for doubtful accounts of \$52.3 and \$153.2 at June 30, 2018 and December 31, 2017, respectively.

For our non-fully-insured contracts, we had no material contract assets, contract liabilities or deferred contract costs recorded on our consolidated balance sheet at June 30, 2018. For the three and six months ended June 30, 2018, revenue recognized from performance obligations related to prior periods, such as due to changes in transaction price, was not material. For contracts that have an original expected duration of greater than one year, revenue expected to be recognized in future periods related to unfulfilled contractual performance obligations and contracts with variable consideration related to undelivered performance obligations is not material.

Recently Adopted Accounting Guidance: In February 2018, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, or ASU 2018-02. On December 22, 2017, the federal government enacted a tax bill, H.R.1, *An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018*, or the Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act contains significant changes to corporate taxation, including, but not limited to, reducing the U.S. federal corporate income tax rate from 35% to 21% and modifying or limiting many business deductions. Current FASB guidance requires adjustments of deferred taxes due to a change in the federal corporate income tax rate to be included in income from operations. As a result, the tax effects of items within accumulated other comprehensive loss did not reflect the appropriate tax rate. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects resulting from the change in the federal corporate income tax rate. We adopted the amendments in ASU 2018-02 for our interim and annual reporting periods beginning on January 1, 2018 and reclassified \$91.3 of stranded tax effects from accumulated other comprehensive loss to retained earnings on our consolidated balance sheets. The adoption of ASU 2018-02 did not have any impact on our results of operations or cash flows.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*, or ASU 2017-09. This update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. We adopted ASU 2017-09 on January 1, 2018. The guidance has been and will be applied prospectively to awards modified on or after the adoption date. The adoption of ASU 2017-09 did not have any impact on our consolidated financial position, results of operations or cash flows.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, or ASU 2017-07. This amendment requires entities to disaggregate the service cost component from the other components of the

benefit cost and present the service cost component in the same income statement line item as other employee compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. Certain of our defined benefit plans have previously been frozen, resulting in no annual service costs, and the remaining service costs for our non-frozen plan are not material. We adopted ASU 2017-07 on January 1, 2018 and it did not have a material impact on our results of operations, cash flows or consolidated financial position.

In December 2016, the FASB issued Accounting Standards Update No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, or ASU 2016-20. In May 2016, the FASB issued Accounting Standards Update No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, or ASU 2016-12. In April 2016, the FASB issued Accounting Standards Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, or ASU 2016-10. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, or ASU 2016-08. These updates provide additional clarification and implementation guidance on the previously issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASU 2014-09. Collectively, these updates require a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. These updates supersede almost all existing revenue recognition guidance under GAAP, with certain exceptions, including an exception for our premium revenues, recorded on the Premiums line item on our consolidated statements of income, which will continue to be accounted for in accordance with the provisions of Accounting Standards Codification, or ASC, Topic 944, *Financial Services - Insurance*. Our administrative service and other contracts that are subject to these Accounting Standards Updates are recorded in the Administrative fees and other revenue line item on our consolidated statements of income and represents approximately 6.0% of our consolidated total operating revenue. We adopted these standards on January 1, 2018 using the modified retrospective approach. The adoption of these standards did not have a material impact on our beginning retained earnings, results of operations, cash flows or consolidated financial position.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, or ASU 2016-18. This update amends ASC Topic 230 to add and clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. We adopted ASU 2016-18 on January 1, 2018 using a retrospective approach. The adoption of ASU 2016-18 did not have a material impact on our consolidated statements of cash flows and did not impact our results of operations or consolidated financial position.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, or ASU 2016-15. This update addresses the presentation and classification on the statement of cash flows for eight specific items, with the objective of reducing existing diversity in practice in how certain cash receipts and cash payments are presented and classified. We adopted ASU 2016-15 on January 1, 2018. The adoption of ASU 2016-15 did not have a material impact on our consolidated statements of cash flows, results of operations or consolidated financial position.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, or ASU 2016-01. The amendments in ASU 2016-01 change the accounting for non-consolidated equity investments that are not accounted for under the equity method of accounting by requiring changes in fair value to be recognized in income. Additionally, ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values; requires entities to use the exit price when estimating the fair value of financial instruments; and modifies various presentation disclosure requirements for financial instruments. We adopted ASU 2016-01 on January 1, 2018 as a cumulative-effect adjustment and reclassified \$320.2 of unrealized gains on equity investments, net of tax, from accumulated other comprehensive loss to retained earnings on our consolidated balance sheet. Effective January 1, 2018, our results of operations include the changes in fair value of these financial instruments.

Recent Accounting Guidance Not Yet Adopted: In July 2018, the FASB issued Accounting Standards Update No. 2018-10, *Codification Improvements to Topic 842, Leases*, or ASU 2018-10. The amendments in ASU 2018-10 provide additional clarification and implementation guidance on certain aspects of the previously issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842), or ASU 2016-02 and have the same effective and transition requirements as ASU 2016-02. Upon the effective date, ASU 2016-02 will supersede the current lease guidance in ASC Topic 840, *Leases*. Under the new guidance, lessees will be required to recognize for all leases, with the exception of short-term leases, a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. Concurrently, lessees will be required to recognize a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The guidance is required to be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative periods presented in the financial statements. We are currently evaluating the effects the adoption of ASU 2016-02 will have on our consolidated financial statements, results of operations and cash flows.

In July 2018, the FASB issued Accounting Standards Update No. 2018-09, *Codification Improvements*, or ASU 2018-09. This amendment makes changes to a variety of topics to clarify, correct errors in, or make minor improvements to the Accounting Standards Codification. The majority of the amendments in ASU 2018-09 will be effective for us in annual periods beginning after December 15, 2018. We are currently evaluating the effects the adoption of ASU 2018-09 will have on our consolidated financial statements, results of operations and cash flows.

In February 2018, the FASB issued Accounting Standards Update No. 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, or ASU 2018-03. This amendment clarifies certain aspects of the new guidance (ASU 2016-01) on recognizing and measuring financial instruments and presentation requirements for certain fair value option liabilities. ASU 2018-03 is effective for us with our interim period beginning July 1, 2018. The standard requires entities to record a cumulative-effect adjustment to the statement of financial position at the beginning of the fiscal year in which the amendments are adopted. The adoption of ASU 2018-03 will not have a material impact on our results of operations, cash flows or consolidated financial position.

There were no other new accounting pronouncements that were issued or became effective since the issuance of our 2017 Annual Report on Form 10-K that had, or are expected to have, a material impact on our consolidated financial position, results of operations or cash flows.

3. Business Acquisitions

Acquisition of America's 1st Choice

On February 15, 2018, we completed our acquisition of Freedom Health, Inc., Optimum HealthCare, Inc., America's 1st Choice of South Carolina, Inc. and related entities, or collectively, America's 1st Choice, a Medicare Advantage organization that offers HMO products, including Chronic Special Needs Plans and Dual-Eligible Special Needs Plans under its Freedom Health and Optimum HealthCare brands in Florida and its America's 1st Choice of South Carolina brand in South Carolina. Through its Medicare Advantage plans, America's 1st Choice currently serves approximately one hundred and thirty five thousand members in twenty-five Florida and three South Carolina counties. This acquisition aligns with our plans for continued growth in the Medicare Advantage and Special Needs populations.

In accordance with FASB accounting guidance for business combinations, the consideration transferred was allocated to the preliminary fair value of America's 1st Choice's assets acquired and liabilities assumed, including identifiable intangible assets. The excess of the consideration transferred over the preliminary fair value of net assets acquired resulted in preliminary goodwill of \$1,020.9 at June 30, 2018, all of which was allocated to our Government Business segment. Preliminary goodwill recognized from the acquisition of America's 1st Choice primarily relates to the future economic benefits arising from the assets acquired and is consistent with our stated intentions to strengthen our position and expand operations in the government sector to service Medicare Advantage and Special Needs populations. As of June 30, 2018, the initial accounting for the acquisition has not been finalized. Any subsequent adjustments made to the assets acquired or liabilities assumed during the measurement period will be recorded as an adjustment to goodwill. During the six months ended June 30, 2018, we increased preliminary goodwill by \$31.2 due to adjustments made to acquired intangible assets.

The preliminary fair value of the net assets acquired from America's 1st Choice includes \$688.0 of other intangible assets, which primarily consist of finite-lived customer relationships and provider networks with amortization periods ranging from 8 to 20 years. The results of operations of America's 1st Choice are included in our consolidated financial statements within our Government Business segment for the period following February 15, 2018. The pro forma effects of this acquisition for prior periods were not material to our consolidated results of operations.

Acquisition of HealthSun

On December 21, 2017, we completed our acquisition of HealthSun Health Plans, Inc., or HealthSun, which serves approximately forty thousand members in the state of Florida through its Medicare Advantage plans, and which received a five-star rating from the Centers for Medicare & Medicaid Services. This acquisition aligns with our plans for continued growth in the Medicare Advantage and dual-eligible populations.

In accordance with FASB accounting guidance for business combinations, the consideration transferred was allocated to the preliminary fair value of HealthSun's assets acquired and liabilities assumed, including identifiable intangible assets. The excess of the consideration transferred over the preliminary fair value of net assets acquired resulted in preliminary goodwill of \$1,602.8 at June 30, 2018, all of which was allocated to our Government Business segment. Preliminary goodwill recognized from the acquisition of HealthSun primarily relates to the future economic benefits arising from the assets acquired and is consistent with our stated intentions to strengthen our position and expand operations in the government sector to service Medicare Advantage and dual-eligible enrollees. As of June 30, 2018, the initial accounting for the acquisition has not been finalized. Any subsequent adjustments made to the assets acquired or liabilities assumed during the measurement period will be recorded as an adjustment to goodwill. During the six months ended June 30, 2018, we reduced preliminary goodwill by \$40.6 due to adjustments made to acquired intangible assets.

The preliminary fair value of the net assets acquired from HealthSun includes \$637.0 of other intangible assets, which primarily consist of finite-lived customer relationships with amortization periods ranging from 7 to 20 years. The results of operations of HealthSun are included in our consolidated financial statements within our Government Business segment for the period following December 21, 2017. The pro forma effects of this acquisition for prior periods were not material to our consolidated results of operations.

4. Investments

Fixed Maturity Securities

We evaluate our available-for-sale fixed maturity securities for other-than-temporary declines based on qualitative and quantitative factors. There were no individually significant other-than-temporary impairment losses on investments during the three and six months ended June 30, 2018 and 2017. We continue to review our investment portfolios under our impairment review policy. Given the inherent uncertainty of changes in market conditions and the significant judgments involved, there is a continuing risk that further declines in fair value may occur and additional material other-than-temporary impairment losses on investments may be recorded in future periods.

A summary of current and long-term fixed maturity securities, available-for-sale, at June 30, 2018 and December 31, 2017 is as follows:

			Gross Unrealized Losses				Non-Credit Component of Other-Than- Temporary Impairments Recognized in Accumulated Other Comprehensive Loss
	Cost or Amortized Cost	Gross Unrealized Gains	Less than 12 Months	12 Months or Greater	Estimated Fair Value		
June 30, 2018							
Fixed maturity securities:							
United States Government securities	\$ 498.0	\$ 0.8	\$ (6.3)	\$ (0.8)	\$ 491.7	\$	—
Government sponsored securities	111.1	0.1	(0.8)	(0.5)	109.9		—
States, municipalities and political subdivisions, tax-exempt	5,096.5	98.0	(19.0)	(10.5)	5,165.0		—
Corporate securities	7,891.3	55.2	(140.2)	(23.8)	7,782.5		—
Residential mortgage-backed securities	2,832.2	29.8	(38.2)	(23.2)	2,800.6		—
Commercial mortgage-backed securities	75.6	0.2	(0.5)	(2.0)	73.3		—
Other securities	1,137.7	15.6	(5.8)	(1.4)	1,146.1		—
Total fixed maturity securities	\$ 17,642.4	\$ 199.7	\$ (210.8)	\$ (62.2)	\$ 17,569.1	\$	—
December 31, 2017							
Fixed maturity securities:							
United States Government securities	\$ 649.0	\$ 2.2	\$ (5.0)	\$ (0.7)	\$ 645.5	\$	—
Government sponsored securities	90.3	0.3	(0.1)	(0.4)	90.1		—
States, municipalities and political subdivisions, tax-exempt	5,854.6	192.6	(5.0)	(7.3)	6,034.9		—
Corporate securities	7,362.8	165.8	(30.2)	(12.6)	7,485.8		(0.3)
Residential mortgage-backed securities	2,520.0	38.5	(8.0)	(11.6)	2,538.9		—
Commercial mortgage-backed securities	80.1	0.7	(0.1)	(2.0)	78.7		—
Other securities	1,053.7	14.4	(2.4)	(1.5)	1,064.2		—
Total fixed maturity securities	\$ 17,610.5	\$ 414.5	\$ (50.8)	\$ (36.1)	\$ 17,938.1	\$	(0.3)

For fixed maturity securities in an unrealized loss position at June 30, 2018 and December 31, 2017, the following table summarizes the aggregate fair values and gross unrealized losses by length of time those securities have continuously been in an unrealized loss position:

(Securities are whole amounts)	Less than 12 Months			12 Months or Greater		
	Number of Securities	Estimated Fair Value	Gross Unrealized Loss	Number of Securities	Estimated Fair Value	Gross Unrealized Loss
June 30, 2018						
Fixed maturity securities:						
United States Government securities	33	\$ 255.1	\$ (6.3)	12	\$ 84.5	\$ (0.8)
Government sponsored securities	21	40.1	(0.8)	16	13.9	(0.5)
States, municipalities and political subdivisions, tax-exempt	788	1,428.1	(19.0)	161	254.1	(10.5)
Corporate securities	2,446	5,284.7	(140.2)	303	382.4	(23.8)
Residential mortgage-backed securities	767	1,585.5	(38.2)	310	492.4	(23.2)
Commercial mortgage-backed securities	16	26.7	(0.5)	11	26.7	(2.0)
Other securities	199	642.7	(5.8)	22	36.5	(1.4)
Total fixed maturity securities	4,270	\$ 9,262.9	\$ (210.8)	835	\$ 1,290.5	\$ (62.2)
December 31, 2017						
Fixed maturity securities:						
United States Government securities	36	\$ 450.4	\$ (5.0)	11	\$ 56.1	\$ (0.7)
Government sponsored securities	12	16.3	(0.1)	16	14.8	(0.4)
States, municipalities and political subdivisions, tax-exempt	414	641.4	(5.0)	189	355.5	(7.3)
Corporate securities	1,081	2,200.1	(30.2)	279	329.7	(12.6)
Residential mortgage-backed securities	445	1,050.3	(8.0)	287	478.0	(11.6)
Commercial mortgage-backed securities	7	13.7	(0.1)	12	27.2	(2.0)
Other securities	132	406.1	(2.4)	20	35.8	(1.5)
Total fixed maturity securities	2,127	\$ 4,778.3	\$ (50.8)	814	\$ 1,297.1	\$ (36.1)

The amortized cost and fair value of fixed maturity securities at June 30, 2018, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 564.3	\$ 564.2
Due after one year through five years	4,961.5	4,941.3
Due after five years through ten years	5,256.5	5,213.3
Due after ten years	3,952.3	3,976.4
Mortgage-backed securities	2,907.8	2,873.9
Total fixed maturity securities	\$ 17,642.4	\$ 17,569.1

Proceeds from sales, maturities, calls or redemptions of fixed maturity securities and the related gross realized gains and gross realized losses for the three and six months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Proceeds	\$ 2,653.8	\$ 2,744.8	\$ 4,881.1	\$ 6,119.3
Gross realized gains	30.9	41.2	60.6	86.7
Gross realized losses	(32.6)	(16.6)	(69.0)	(40.3)

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

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

Equity Securities

A summary of current and long-term equity securities at June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018	December 31, 2017
Equity securities:		
Exchange traded funds	\$ 631.0	\$ 1,300.3
Fixed maturity mutual funds	599.9	790.6
Common equity securities	925.2	1,253.7
Private equity securities	312.1	287.4
Total	\$ 2,468.2	\$ 3,632.0

The gains and losses related to equity securities for the three and six months ended June 30, 2018 are as follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Net realized gains and losses recognized on equity securities sold during the period	\$ 24.0	\$ 196.9
Unrealized gains and losses recognized on equity securities still held at June 30, 2018	(40.8)	(256.7)
Net realized losses recognized on equity securities	\$ (16.8)	\$ (59.8)

The gross realized gains and losses recognized on sales of equity securities were \$9.4 and \$3.0 , respectively, for the three months ended June 30, 2017. The gross realized gains and losses recognized on sales of equity securities were \$23.6 and \$5.0 , respectively, for the six months ended June 30, 2017.

Securities Lending Programs

We participate in securities lending programs whereby marketable securities in our investment portfolio are transferred to independent brokers or dealers in exchange for cash and securities collateral. The fair value of the collateral received at the time of the transactions amounted to \$624.3 and \$454.4 at June 30, 2018 and December 31, 2017 , respectively. The value of the collateral represented 102% and 104% of the market value of the securities on loan at June 30, 2018 and December 31, 2017 , respectively. We recognize the collateral as an asset under the caption “Securities lending collateral” on our consolidated balance sheets and we recognize a corresponding liability for the obligation to return the collateral to the borrower under the caption “Securities lending payable.” The securities on loan are reported in the applicable investment category on our consolidated balance sheets.

The remaining contractual maturity of our securities lending agreements at June 30, 2018 is as follows:

	Overnight and Continuous
Securities lending transactions	
United States Government securities	\$ 12.4
Corporate securities	481.4
Equity securities	130.5
Total	\$ 624.3

The market value of loaned securities and that of the collateral pledged can fluctuate in non-synchronized fashions. To the extent the loaned securities' value appreciates faster or depreciates slower than the value of the collateral pledged, we are exposed to the risk of the shortfall. As a primary mitigating mechanism, the loaned securities and collateral pledged are marked to market on a daily basis and the shortfall, if any, is collected accordingly. Secondly, the minimum collateral level is set at 102% of the value of the loaned securities, which provides a cushion before any shortfall arises. The investment of the cash collateral is subject to market risk, which is managed by limiting the investments to higher quality and shorter duration instruments.

5. Derivative Financial Instruments

We primarily invest in the following types of derivative financial instruments: interest rate swaps, futures, forward contracts, put and call options, swaptions, embedded derivatives and warrants. We also enter into master netting agreements which reduce credit risk by permitting net settlement of transactions. We had posted collateral of \$9.0 and \$11.5 related to our derivative financial instruments at June 30, 2018 and December 31, 2017, respectively.

A summary of the aggregate contractual or notional amounts and estimated fair values related to derivative financial instruments at June 30, 2018 and December 31, 2017 is as follows:

	Contractual/ Notional Amount	Balance Sheet Location	Estimated Fair Value	
			Asset	(Liability)
June 30, 2018				
Hedging instruments				
Interest rate swaps - fixed to floating	\$ 1,200.0	Other assets/other liabilities	\$ 1.0	\$ (15.0)
Non-hedging instruments				
Interest rate swaps	261.5	Equity securities	9.4	(0.4)
Options	100.0	Other assets/other liabilities	—	—
Futures	307.3	Equity securities	1.4	(2.4)
Subtotal non-hedging	668.8	Subtotal non-hedging	10.8	(2.8)
Total derivatives	\$ 1,868.8	Total derivatives	11.8	(17.8)
		Amounts netted	(11.8)	11.8
		Net derivatives	\$ —	\$ (6.0)
December 31, 2017				
Hedging instruments				
Interest rate swaps - fixed to floating	\$ 1,235.0	Other assets/other liabilities	\$ 2.0	\$ (5.3)
Interest rate swaps - forward starting pay fixed swaps	425.0	Other assets/other liabilities	—	(8.9)
Subtotal hedging	1,660.0	Subtotal hedging	2.0	(14.2)
Non-hedging instruments				
Interest rate swaps	171.3	Equity securities	1.0	(4.7)
Options	100.0	Other assets/other liabilities	—	(0.1)
Futures	116.8	Equity securities	0.1	(2.5)
Subtotal non-hedging	388.1	Subtotal non-hedging	1.1	(7.3)
Total derivatives	\$ 2,048.1	Total derivatives	3.1	(21.5)
		Amounts netted	(1.6)	1.6
		Net derivatives	\$ 1.5	\$ (19.9)

Fair Value Hedges

We have entered into various interest rate swap contracts to convert a portion of our interest rate exposure on our long-term debt from fixed rates to floating rates. The floating rates payable on all of our fair value hedges are benchmarked to LIBOR. A summary of our outstanding fair value hedges at June 30, 2018 and December 31, 2017 is as follows:

Type of Fair Value Hedges	Year Entered Into	Outstanding Notional Amount		Interest Rate Received	Expiration Date
		June 30, 2018	December 31, 2017		
Interest rate swap	2018	\$ 50.0	\$ —	4.101 %	September 1, 2027
Interest rate swap	2018	450.0	—	3.300	January 15, 2023
Interest rate swap	2018	90.0	—	4.350	August 15, 2020
Interest rate swap	2017	50.0	50.0	4.350	August 15, 2020
Interest rate swap	2015	200.0	200.0	4.350	August 15, 2020
Interest rate swap	2014	150.0	150.0	4.350	August 15, 2020
Interest rate swap	2013	10.0	10.0	4.350	August 15, 2020
Interest rate swap	2012	200.0	200.0	4.350	August 15, 2020
Interest rate swap	2012	—	625.0	1.875	January 15, 2018
Total notional amount outstanding		<u>\$ 1,200.0</u>	<u>\$ 1,235.0</u>		

The following amounts were recorded on our consolidated balance sheets related to cumulative basis adjustments for fair value hedges at June 30, 2018 and December 31, 2017 :

Balance Sheet Classification in Which Hedged Item is Included	Carrying Amount of Hedged Liability		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Liability	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Current portion of long term-debt	\$ 650.2	\$ 1,274.6	\$ 1.0	\$ 2.0
Long-term debt	17,515.4	17,382.2	(15.0)	(5.3)

Cash Flow Hedges

We have entered into a series of forward starting pay fixed interest rate swaps with the objective of reducing the variability of cash flows in the interest payments on anticipated future financings. We had \$425.0 in notional amounts outstanding under forward starting pay fixed interest rate swaps at December 31, 2017 . During the six months ended June 30, 2018, swaps in the notional amount of \$425.0 were terminated. We received an aggregate of \$24.4 from the swap counter parties upon termination.

The unrecognized loss for all outstanding, expired and terminated cash flow hedges included in accumulated other comprehensive loss, net of tax, was \$251.6 and \$ 233.0 at June 30, 2018 and December 31, 2017 , respectively. As of June 30, 2018 , the total amount of amortization over the next twelve months for all cash flow hedges is estimated to increase interest expense by approximately \$14.2 . No amounts were excluded from effectiveness testing.

A summary of the effect of cash flow hedges in accumulated other comprehensive loss for the three and six months ended June 30, 2018 and 2017 is as follows:

Type of Cash Flow Hedge	Hedge (Loss) Income Recognized in Other Comprehensive (Loss) Income	Income Statement Location of Loss Reclassification from Accumulated Other Comprehensive Loss	Hedge Loss Reclassified from Accumulated Other Comprehensive Loss
Three months ended June 30, 2018			
Forward starting pay fixed swaps	\$ —	Interest expense	\$ (3.4)
Three months ended June 30, 2017			
Forward starting pay fixed swaps	\$ (118.0)	Interest expense	\$ (1.5)
Six months ended June 30, 2018			
Forward starting pay fixed swaps	\$ 33.3	Interest expense	\$ (6.6)
Six months ended June 30, 2017			
Forward starting pay fixed swaps	\$ (99.7)	Interest expense	\$ (3.0)
Forward starting pay fixed swaps		Net realized gains (losses) on financial instruments	\$ (12.0)

Income Statement Relationship of Fair Value and Cash Flow Hedging

A summary of the relationship between the effects of fair value and cash flow hedges on the total amount of income and expense presented in our consolidated statements of income for the three and six months ended June 30, 2018 and 2017 is as follows:

	Classification and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships							
	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017		Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Net Realized Gains (Losses) on Financial Instruments	Interest Expense	Net Realized Gains (Losses) on Financial Instruments	Interest Expense	Net Realized Gains (Losses) on Financial Instruments	Interest Expense	Net Realized Gains (Losses) on Financial Instruments	Interest Expense
Total amount of income or expense in the income statement in which the effects of fair value or cash flow hedges are recorded	\$ 4.0	\$ (191.7)	\$ 16.2	\$ (189.9)	\$ (22.1)	\$ (375.9)	\$ 23.5	\$ (424.9)
Loss (gain) on fair value hedging relationships:								
Interest rate swaps								
Hedged items	(0.5)	—	—	(0.1)	(0.8)	—	—	0.2
Derivatives designated as hedging instruments	0.5	—	—	0.1	0.8	—	—	(0.2)
Loss on cash flow hedging relationships:								
Forward starting pay fixed swaps								
Amount of loss reclassified from accumulated other comprehensive loss into net income	—	(3.4)	—	(1.5)	—	(6.6)	—	(3.0)
Amount of loss reclassified from accumulated other comprehensive loss into net income due to ineffectiveness and missed forecasted transactions	—	—	—	—	—	—	(12.0)	—

Non-Hedging Derivatives

A summary of the effect of non-hedging derivatives on our consolidated statements of income for the three and six months ended June 30, 2018 and 2017 is as follows:

Type of Non-hedging Derivatives	Income Statement Location of Gain (Loss) Recognized	Derivative Gain (Loss) Recognized
Three months ended June 30, 2018		
Interest rate swaps	Net realized gains (losses) on financial instruments	\$ 16.9
Options	Net realized gains (losses) on financial instruments	0.5
Futures	Net realized gains (losses) on financial instruments	2.0
Total		<u>\$ 19.4</u>
Three months ended June 30, 2017		
Interest rate swaps	Net realized gains (losses) on financial instruments	\$ (2.0)
Options	Net realized gains (losses) on financial instruments	(10.6)
Futures	Net realized gains (losses) on financial instruments	(2.0)
Total		<u>\$ (14.6)</u>
Six months ended June 30, 2018		
Interest rate swaps	Net realized gains (losses) on financial instruments	\$ 14.5
Options	Net realized gains (losses) on financial instruments	(0.2)
Futures	Net realized gains (losses) on financial instruments	5.0
Total		<u>\$ 19.3</u>
Six months ended June 30, 2017		
Interest rate swaps	Net realized gains (losses) on financial instruments	\$ (1.4)
Options	Net realized gains (losses) on financial instruments	(21.1)
Futures	Net realized gains (losses) on financial instruments	(2.4)
Total		<u>\$ (24.9)</u>

6. Fair Value

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

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

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

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

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

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

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

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

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

Derivatives: Fair values are based on the quoted market prices by the financial institution that is the counterparty to the derivative transaction. We independently verify prices provided by the counterparties using valuation models that incorporate observable market inputs for similar derivative transactions. Derivatives are designated as Level II securities. Derivatives presented within the fair value hierarchy table below are presented on a gross basis and not on a master netting basis by counterparty.

A summary of fair value measurements by level for assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and December 31, 2017 is as follows:

	Level I	Level II	Level III	Total
June 30, 2018				
Assets:				
Cash equivalents	\$ 2,626.2	\$ —	\$ —	\$ 2,626.2
Fixed maturity securities, available-for-sale:				
United States Government securities	—	491.7	—	491.7
Government sponsored securities	—	109.9	—	109.9
States, municipalities and political subdivisions, tax-exempt	—	5,165.0	—	5,165.0
Corporate securities	2.8	7,475.3	304.4	7,782.5
Residential mortgage-backed securities	—	2,796.1	4.5	2,800.6
Commercial mortgage-backed securities	—	73.3	—	73.3
Other securities	—	1,120.5	25.6	1,146.1
Total fixed maturity securities, available-for-sale	2.8	17,231.8	334.5	17,569.1
Equity securities:				
Exchange traded funds	631.0	—	—	631.0
Fixed maturity mutual funds	—	599.9	—	599.9
Common equity securities	834.2	91.0	—	925.2
Private equity securities	—	—	312.1	312.1
Total equity securities	1,465.2	690.9	312.1	2,468.2
Other invested assets, current	23.8	—	—	23.8
Securities lending collateral	473.9	150.7	—	624.6
Derivatives	—	11.8	—	11.8
Total assets	\$ 4,591.9	\$ 18,085.2	\$ 646.6	\$ 23,323.7
Liabilities:				
Derivatives	\$ —	\$ (17.8)	\$ —	\$ (17.8)
Total liabilities	\$ —	\$ (17.8)	\$ —	\$ (17.8)
December 31, 2017				
Assets:				
Cash equivalents	\$ 1,956.4	\$ —	\$ —	\$ 1,956.4
Fixed maturity securities, available-for-sale:				
United States Government securities	—	645.5	—	645.5
Government sponsored securities	—	90.1	—	90.1
States, municipalities and political subdivisions, tax-exempt	—	6,034.9	—	6,034.9
Corporate securities	24.8	7,231.8	229.2	7,485.8
Residential mortgage-backed securities	—	2,533.9	5.0	2,538.9
Commercial mortgage-backed securities	—	78.7	—	78.7
Other securities	75.2	973.1	15.9	1,064.2
Total fixed maturity securities, available-for-sale	100.0	17,588.0	250.1	17,938.1
Equity securities:				
Exchange traded funds	1,300.3	—	—	1,300.3
Fixed maturity mutual funds	—	790.6	—	790.6
Common equity securities	1,146.6	107.1	—	1,253.7
Private equity securities	—	—	287.4	287.4
Total equity securities	2,446.9	897.7	287.4	3,632.0
Other invested assets, current	17.2	—	—	17.2
Securities lending collateral	214.1	241.0	—	455.1
Derivatives	—	3.1	—	3.1
Total assets	\$ 4,734.6	\$ 18,729.8	\$ 537.5	\$ 24,001.9
Liabilities:				
Derivatives	\$ —	\$ (21.5)	\$ —	\$ (21.5)

Total liabilities	\$	—	\$	(21.5)	\$	—	\$	(21.5)
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A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the three months ended June 30, 2018 and 2017 is as follows:

	Corporate Securities	Residential Mortgage- backed Securities	Other Securities	Equity Securities	Total
Three Months Ended June 30, 2018					
Beginning balance at April 1, 2018	\$ 260.5	\$ 4.7	\$ 13.7	\$ 303.4	\$ 582.3
Total gains (losses):					
Recognized in net income	1.1	—	—	7.0	8.1
Recognized in accumulated other comprehensive loss	(2.9)	—	0.1	—	(2.8)
Purchases	42.1	—	8.9	2.4	53.4
Sales	(10.9)	—	—	(0.7)	(11.6)
Settlements	(23.6)	(0.2)	(0.2)	—	(24.0)
Transfers into Level III	38.1	—	3.7	—	41.8
Transfers out of Level III	—	—	(0.6)	—	(0.6)
Ending balance at June 30, 2018	<u>\$ 304.4</u>	<u>\$ 4.5</u>	<u>\$ 25.6</u>	<u>\$ 312.1</u>	<u>\$ 646.6</u>
Change in unrealized gains (losses) included in net income related to assets still held at June 30, 2018	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7.4</u>	<u>\$ 7.4</u>
Three Months Ended June 30, 2017					
Beginning balance at April 1, 2017	\$ 230.0	\$ 7.2	\$ 28.6	\$ 223.3	\$ 489.1
Total gains (losses):					
Recognized in net income	0.9	—	—	(0.5)	0.4
Recognized in accumulated other comprehensive loss	0.1	—	0.1	0.4	0.6
Purchases	25.4	—	21.3	21.3	68.0
Sales	(7.3)	(3.9)	(0.8)	—	(12.0)
Settlements	(16.0)	(0.1)	(0.7)	—	(16.8)
Transfers into Level III	5.1	1.2	—	—	6.3
Transfers out of Level III	—	(1.5)	(13.7)	—	(15.2)
Ending balance at June 30, 2017	<u>\$ 238.2</u>	<u>\$ 2.9</u>	<u>\$ 34.8</u>	<u>\$ 244.5</u>	<u>\$ 520.4</u>
Change in unrealized gains (losses) included in net income related to assets still held at June 30, 2017	<u>\$ (0.9)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (0.9)</u>

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the six months ended June 30, 2018 and 2017 is as follows:

	Corporate Securities	Residential Mortgage- backed Securities	Other Securities	Equity Securities	Total
Six Months Ended June 30, 2018					
Beginning balance at January 1, 2018	\$ 229.2	\$ 5.0	\$ 15.9	\$ 287.4	\$ 537.5
Total gains (losses):					
Recognized in net income	0.8	—	—	(231.7)	(230.9)
Recognized in accumulated other comprehensive loss	(2.4)	—	—	—	(2.4)
Purchases	62.0	0.1	8.9	258.0	329.0
Sales	(14.5)	—	—	(1.6)	(16.1)
Settlements	(29.6)	(0.6)	(0.9)	—	(31.1)
Transfers into Level III	58.9	—	3.7	—	62.6
Transfers out of Level III	—	—	(2.0)	—	(2.0)
Ending balance at June 30, 2018	<u>\$ 304.4</u>	<u>\$ 4.5</u>	<u>\$ 25.6</u>	<u>\$ 312.1</u>	<u>\$ 646.6</u>
Change in unrealized gains (losses) included in net income related to assets still held at June 30, 2018	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37.6</u>	<u>\$ 37.6</u>
Six Months Ended June 30, 2017					
Beginning balance at January 1, 2017	\$ 238.8	\$ 12.0	\$ 42.8	\$ 187.8	\$ 481.4
Total (losses) gains:					
Recognized in net income	(0.4)	—	—	(0.2)	(0.6)
Recognized in accumulated other comprehensive loss	3.7	—	0.2	—	3.9
Purchases	60.2	1.5	30.8	57.3	149.8
Sales	(39.9)	(5.4)	(0.8)	(0.4)	(46.5)
Settlements	(35.6)	(0.3)	(1.1)	—	(37.0)
Transfers into Level III	13.4	1.2	1.2	—	15.8
Transfers out of Level III	(2.0)	(6.1)	(38.3)	—	(46.4)
Ending balance at June 30, 2017	<u>\$ 238.2</u>	<u>\$ 2.9</u>	<u>\$ 34.8</u>	<u>\$ 244.5</u>	<u>\$ 520.4</u>
Change in unrealized gains (losses) included in net income related to assets still held at June 30, 2017	<u>\$ (2.6)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2.6)</u>

Transfers between levels, if any, are recorded as of the beginning of the reporting period. There were no individually material transfers between levels during the three and six months ended June 30, 2018 or 2017 .

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. As disclosed in Note 3, “Business Acquisitions,” we completed our acquisition of America's 1st Choice on February 15, 2018. The preliminary values of net assets acquired in our acquisition of America's 1st Choice and resulting goodwill and other intangible assets were recorded at fair value primarily using Level III inputs. The majority of America's 1st Choice's assets acquired and liabilities assumed were recorded at their carrying values as of the respective date of acquisition, as their carrying values approximated their fair values due to their short-term nature. The preliminary fair values of intangible assets acquired in our acquisition of America's 1st Choice were internally estimated based on the income approach. The income approach estimates fair value based on the present value of the cash flows that the assets could be expected to generate in the future. We developed internal estimates for the expected cash flows and discount rate in the present value calculation. Other than the assets acquired and liabilities assumed in our acquisition of America's 1st Choice described above, there were no

material assets or liabilities measured at fair value on a nonrecurring basis during the three and six months ended June 30, 2018 or 2017 .

Our valuation policy is determined by members of our treasury and accounting departments. Whenever possible, our policy is to obtain quoted market prices in active markets to estimate fair values for recognition and disclosure purposes. Where quoted market prices in active markets are not available, fair values are estimated using discounted cash flow analyses, broker quotes or other valuation techniques. These techniques are significantly affected by our assumptions, including discount rates and estimates of future cash flows. Potential taxes and other transaction costs are not considered in estimating fair values. Our valuation policy is generally to obtain only one quoted price for each security from third party pricing services, which are derived through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. When broker quotes are used, we generally obtain only one broker quote per security. As we are responsible for the determination of fair value, we perform a monthly analysis on the prices received from the pricing services to determine whether the prices are reasonable estimates of fair value. This analysis is performed by our internal treasury personnel who are familiar with our investment portfolios, the pricing services engaged and the valuation techniques and inputs used. Our analysis includes a review of month-to-month price fluctuations. If unusual fluctuations are noted in this review, we may obtain additional information from other pricing services to validate the quoted price. There were no adjustments to quoted market prices obtained from the pricing services during the three and six months ended June 30, 2018 or 2017 .

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

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

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

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

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

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

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

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

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

A summary of the estimated fair values by level of each class of financial instrument that is recorded at its carrying value on our consolidated balance sheets at June 30, 2018 and December 31, 2017 is as follows:

	Carrying Value	Estimated Fair Value				
		Level I	Level II	Level III	Total	
June 30, 2018						
Assets:						
Other invested assets, long-term	\$ 3,495.2	\$ —	\$ —	\$ 3,495.2	\$ 3,495.2	
Liabilities:						
Debt:						
Short-term borrowings	1,120.0	—	1,120.0	—	1,120.0	
Commercial paper	99.9	—	99.9	—	99.9	
Notes	17,811.3	—	17,783.8	—	17,783.8	
Convertible debentures	254.4	—	1,291.6	—	1,291.6	
December 31, 2017						
Assets:						
Other invested assets, long-term	\$ 3,343.8	\$ —	\$ —	\$ 3,343.8	\$ 3,343.8	
Liabilities:						
Debt:						
Short-term borrowings	1,275.0	—	1,275.0	—	1,275.0	
Commercial paper	803.6	—	803.6	—	803.6	
Notes	17,592.7	—	18,815.1	—	18,815.1	
Convertible debentures	260.5	—	1,215.7	—	1,215.7	

7. Income Taxes

During the three months ended June 30, 2018 and 2017, we recognized income tax expense of \$450.1 and \$350.4, respectively, which represent effective tax rates of 29.9% and 29.1%, respectively. The increase in income tax expense and effective tax rate was primarily due to the reinstatement of the non-tax deductible Health Insurance Provider Fee, or HIP Fee, for 2018, which resulted in additional income tax expense of \$83.6. The increase in income tax expense and effective tax rate was further impacted by the tax benefits we recognized during the three months ended June 30, 2017 for prior acquisition costs incurred related to the terminated merger agreement with Cigna Corporation, or Cigna. The increase in income tax expense and effective tax rate was partially offset by the effect of the Tax Cuts and Jobs Act, which reduced the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018.

During the six months ended June 30, 2018 and 2017, we recognized income tax expense of \$917.9 and \$855.5, respectively, which represent effective tax rates of 28.0% and 31.4%, respectively. The increase in income tax expense was primarily due to the reinstatement of the HIP Fee for 2018, which resulted in additional income tax expense of \$166.9. The increase in income tax expense was further impacted by the tax benefits we recognized during the six months ended June 30, 2017 for prior acquisition costs incurred related to the terminated merger agreement with Cigna. The increase in income tax expense was partially offset by the effect of the Tax Cuts and Jobs Act. The decrease in the effective tax rate was primarily due to the lower U.S. federal corporate income tax rate, as reduced by the Tax Cuts and Jobs Act, partially offset by the reinstatement of the HIP Fee.

At June 30, 2018, we have not completed our accounting for all of the tax effects of the Tax Cuts and Jobs Act. We have made a reasonable estimate of the effects and will continue to make and refine our calculations as additional analysis is completed. Our estimates may also be affected as we gain a more thorough understanding of the Tax Cuts and Jobs Act.

8. Retirement Benefits

The components of net periodic benefit credit included in our consolidated statements of income for the three months ended June 30, 2018 and 2017 are as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended June 30		Three Months Ended June 30	
	2018	2017	2018	2017
Service cost	\$ 2.0	\$ 2.5	\$ 0.3	\$ 0.4
Interest cost	13.5	16.7	3.8	5.2
Expected return on assets	(36.7)	(37.0)	(6.0)	(5.6)
Recognized actuarial loss	6.0	5.5	0.8	2.8
Settlement loss	6.6	2.1	—	—
Amortization of prior service cost (credit)	0.1	(0.1)	(3.1)	(3.4)
Net periodic benefit credit	<u>\$ (8.5)</u>	<u>\$ (10.3)</u>	<u>\$ (4.2)</u>	<u>\$ (0.6)</u>

The components of net periodic benefit credit included in our consolidated statements of income for the six months ended June 30, 2018 and 2017 are as follows:

	Pension Benefits		Other Benefits	
	Six Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Service cost	\$ 4.1	\$ 5.0	\$ 0.6	\$ 0.7
Interest cost	27.1	33.3	7.6	10.4
Expected return on assets	(73.5)	(73.8)	(12.1)	(11.3)
Recognized actuarial loss	12.0	10.9	1.7	5.7
Settlement loss	13.2	3.8	—	—
Amortization of prior service cost (credit)	0.1	(0.2)	(6.2)	(6.8)
Net periodic benefit credit	<u>\$ (17.0)</u>	<u>\$ (21.0)</u>	<u>\$ (8.4)</u>	<u>\$ (1.3)</u>

For the year ending December 31, 2018, no material contributions are expected to be necessary to meet the Employee Retirement Income Security Act, or ERISA, required funding levels; however, we may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. No contributions were made to our retirement benefit plans during the six months ended June 30, 2018 and 2017.

9 . Medical Claims Payable

A reconciliation of the beginning and ending balances for medical claims payable, by segment (see Note 15, “Segment Information”), for the six months ended June 30, 2018 is as follows:

	Commercial & Specialty Business	Government Business	Total
Gross medical claims payable, beginning of period	\$ 3,406.6	\$ 4,584.9	\$ 7,991.5
Ceded medical claims payable, beginning of period	(78.0)	(26.9)	(104.9)
Net medical claims payable, beginning of period	3,328.6	4,558.0	7,886.6
Business combinations and purchase adjustments	—	199.2	199.2
Net incurred medical claims:			
Current period	11,852.4	22,881.4	34,733.8
Prior periods redundancies	(406.3)	(398.2)	(804.5)
Total net incurred medical claims	11,446.1	22,483.2	33,929.3
Net payments attributable to:			
Current period medical claims	9,495.6	18,650.8	28,146.4
Prior periods medical claims	2,540.4	3,817.8	6,358.2
Total net payments	12,036.0	22,468.6	34,504.6
Net medical claims payable, end of period	2,738.7	4,771.8	7,510.5
Ceded medical claims payable, end of period	4.0	30.8	34.8
Gross medical claims payable, end of period	\$ 2,742.7	\$ 4,802.6	\$ 7,545.3

At June 30, 2018 , the total of net incurred but not reported liabilities plus expected development on reported claims for the Commercial & Specialty Business was \$28.3 , \$353.6 and \$2,356.8 for the claim years 2016 and prior, 2017 and 2018, respectively.

At June 30, 2018 , the total of net incurred but not reported liabilities plus expected development on reported claims for the Government Business was \$36.5 , \$305.6 and \$4,429.7 for the claim years 2016 and prior, 2017 and 2018, respectively.

A reconciliation of the beginning and ending balances for medical claims payable, by segment (see Note 15, “Segment Information”), for the six months ended June 30, 2017 is as follows:

	Commercial & Specialty Business	Government Business	Total
Gross medical claims payable, beginning of period	\$ 3,267.0	\$ 4,625.6	\$ 7,892.6
Ceded medical claims payable, beginning of period	(521.3)	(17.8)	(539.1)
Net medical claims payable, beginning of period	2,745.7	4,607.8	7,353.5
Net incurred medical claims:			
Current period	14,423.4	21,263.1	35,686.5
Prior periods redundancies	(408.9)	(542.1)	(951.0)
Total net incurred medical claims	14,014.5	20,721.0	34,735.5
Net payments attributable to:			
Current period medical claims	11,495.2	17,045.2	28,540.4
Prior periods medical claims	2,371.1	3,699.8	6,070.9
Total net payments	13,866.3	20,745.0	34,611.3
Net medical claims payable, end of period	2,893.9	4,583.8	7,477.7
Ceded medical claims payable, end of period	469.5	22.3	491.8
Gross medical claims payable, end of period	\$ 3,363.4	\$ 4,606.1	\$ 7,969.5

The reconciliation of net incurred medical claims to benefit expense included in our consolidated statements of income is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Net incurred medical claims:				
Commercial & Specialty Business	\$ 5,957.9	\$ 7,264.4	\$ 11,446.1	\$ 14,014.5
Government Business	11,345.4	10,297.2	22,483.2	20,721.0
Total net incurred medical claims	17,303.3	17,561.6	33,929.3	34,735.5
Quality improvement and other claims expense	424.5	355.6	844.4	724.5
Benefit expense	\$ 17,727.8	\$ 17,917.2	\$ 34,773.7	\$ 35,460.0

10. Debt

We generally issue senior unsecured notes for long-term borrowing purposes. At June 30, 2018 and December 31, 2017, we had \$17,786.1 and \$16,329.1, respectively, outstanding under these notes.

On July 16, 2018, we repaid, at maturity, the \$650.0 outstanding balance of our 2.300% senior unsecured notes. On January 15, 2018, we repaid, at maturity, the \$625.0 outstanding balance of our 1.875% senior unsecured notes.

In May, 2015, we issued 25.0 Equity Units, in an aggregate principal amount of \$1,250.0. Each Equity Unit had a stated amount of \$50 (whole dollars) and consisted of a purchase contract obligating the holder to purchase a certain number of shares of our common stock on May 1, 2018, subject to earlier termination or settlement, for a price in cash of \$50 (whole dollars); and a 5% undivided beneficial ownership interest in \$1,000 (whole dollars) principal amount of our 1.900% remarketable subordinated notes, or RSNs, due 2028. On May 1, 2018, we settled each of the Equity Units stock purchase contracts at a settlement rate of 0.2412 shares of our common stock, using a market value formula set forth in the Equity Units purchase contracts. This resulted in the issuance of approximately 6.0 shares.

On March 2, 2018, we remarketed the RSNs and used the proceeds to purchase U.S. Treasury securities that were pledged to secure the stock purchase obligations of the holders of the Equity Units. The purchasers of the RSNs transferred the RSNs to us in exchange for \$1,250.0 principal amount of our 4.101% senior notes due 2028, or the 2028 Notes, and a cash payment of \$4.4 . We cancelled the RSNs upon receipt and recognized a loss on extinguishment of debt of \$18.2 . At the remarketing, we also issued \$850.0 aggregate principal amount of 4.550% notes due 2048, or the 2048 Notes, under our shelf registration statement. We used the proceeds from the 2048 Notes for working capital and general corporate purposes. Interest on the 2028 Notes and the 2048 Notes is payable on March 1 and September 1 of each year, commencing on September 1, 2018. We may redeem the 2048 Notes in whole at any time, or in part from time to time, and on or after May 1, 2020, we may redeem the 2028 Notes in whole at any time, or in part from time to time, at the applicable redemption prices. The 2028 Notes and the 2048 Notes are unsecured and unsubordinated obligations.

We have an unsecured surplus note with an outstanding principal balance of \$25.0 and \$24.9 at June 30, 2018 and December 31, 2017 , respectively.

We have a senior revolving credit facility, or the Facility, with a group of lenders for general corporate purposes. The Facility provides credit up to \$3,500.0 and matures on August 25, 2020 . There were no amounts outstanding under the Facility at any time during the six months ended June 30, 2018 or at December 31, 2017 .

We have two separate 364-day lines of credit with separate lenders for general corporate purposes. The facilities provide combined credit up to \$450.0 . We had \$450.0 outstanding under these lines of credit at June 30, 2018 and December 31, 2017 .

We have an authorized commercial paper program of up to \$2,500.0 , the proceeds of which may be used for general corporate purposes. At June 30, 2018 and December 31, 2017 , we had \$99.9 and \$803.6 , respectively, outstanding under this program.

We have outstanding senior unsecured convertible debentures due 2042, or the Debentures, which are governed by an indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee. We have accounted for the Debentures in accordance with the cash conversion guidance in FASB guidance for debt with conversion and other options. As a result, the value of the embedded conversion option has been bifurcated from its debt host and recorded as a component of additional paid-in capital (net of deferred taxes and equity issuance costs) in our consolidated balance sheets. During the six months ended June 30, 2018 , \$11.4 aggregate principal amount of the Debentures were surrendered for conversion by certain holders in accordance with the terms and provisions of the Indenture. We elected to settle the excess of the principal amount of the conversions with cash for total payments of \$38.0 . We did not recognize any gain or loss on the extinguishment of debt related to the Debentures, based on the fair values of the debt on the conversion settlement dates. The following table summarizes at June 30, 2018 the related balances, conversion rate and conversion price of the Debentures:

Outstanding principal amount	\$	384.7
Unamortized debt discount	\$	126.3
Net debt carrying amount	\$	254.4
Equity component carrying amount	\$	139.4
Conversion rate (shares of common stock per \$1,000 of principal amount)		13.8022
Effective conversion price (per \$1,000 of principal amount)	\$	72.4517

We had \$670.0 and \$825.0 in outstanding short-term borrowings from various Federal Home Loan Banks, or FHLBs, at June 30, 2018 and December 31, 2017 with fixed interest rates of 1.959% and 1.386% respectively.

All debt is a direct obligation of Anthem, Inc., except for the surplus note, the FHLB borrowings, and the 364-day lines of credit.

11. Commitments and Contingencies

Litigation and Regulatory Proceedings

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

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

With respect to many of the proceedings to which we are a party, we cannot provide an estimate of the possible losses, or the range of possible losses in excess of the amount, if any, accrued, for various reasons, including but not limited to some or all of the following: (i) there are novel or unsettled legal issues presented, (ii) the proceedings are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or decertified or the ultimate size and scope of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) in many cases, the plaintiffs have not specified damages in their complaint or in court filings. For those legal proceedings where a loss is probable, or reasonably possible, and for which it is possible to reasonably estimate the amount of the possible loss or range of losses, we currently believe that the range of possible losses, in excess of established reserves is, in the aggregate, from \$0.0 to approximately \$ 250.0 at June 30, 2018 . This estimated aggregate range of reasonably possible losses is based upon currently available information taking into account our best estimate of such losses for which such an estimate can be made.

Blue Cross Blue Shield Antitrust Litigation

We are a defendant in multiple lawsuits that were initially filed in 2012 against the BCBSA and Blue Cross and/or Blue Shield licensees, or Blue plans, across the country. The cases were consolidated into a single multi-district proceeding captioned *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the United States District Court for the Northern District of Alabama, or the Court. Generally, the suits allege that the BCBSA and the Blue plans have conspired to horizontally allocate geographic markets through license agreements, best efforts rules that limit the percentage of non-Blue revenue of each plan, restrictions on acquisitions rules governing the BlueCard and National Accounts programs and other arrangements in violation of the Sherman Antitrust Act, or Sherman Act, and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers, and actions filed in Alabama, Arkansas, California, Florida, Hawaii, Illinois, Indiana, Kansas, Kansas City, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Dakota, Rhode Island, South Carolina, Tennessee, Texas, Vermont and Virginia have been consolidated into the multi-district proceeding.

In response to cross motions for partial summary judgment by plaintiffs and defendants, the Court issued an order in April 2018 determining that the defendants' aggregation of geographic market allocations and output restrictions are to be analyzed under a per se standard of review, and the BlueCard program and other alleged Section 1 Sherman Act violations are to be analyzed under the rule of reason standard of review. The Court also found that there remain genuine issues of material fact as to whether defendants operate as a single entity with regard to the enforcement of the Blue Cross Blue Shield trademarks. The defendants have filed a motion for certification of the April order, requesting the Court to amend its order to allow an appeal to the Eleventh Circuit Court of Appeals. In June 2018, the Court certified its April order for interlocutory appeal to the Eleventh Circuit Court of Appeals. Also in June 2018, the defendants filed, with the Eleventh Circuit Court of Appeals, a petition for permission to appeal the April order, which Plaintiffs opposed. The defendants' petition remains pending. No dates have been set for either the final pretrial conferences or trials in these actions. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

Blue Cross of California Taxation Litigation

In July 2013, our California affiliate Blue Cross of California (doing business as Anthem Blue Cross), or BCC, was named as a defendant in a California taxpayer action filed in Los Angeles County Superior Court, captioned *Michael D. Myers v. State Board of Equalization, et al.* This action was brought under a California statute that permits an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law. Plaintiff contends that BCC, a licensed Health Care Service Plan, or HCSP, is an “insurer” for purposes of taxation despite acknowledging it is not an “insurer” under regulatory law. At the time, under California law, “insurers” were required to pay a gross premiums tax, or GPT, calculated as 2.35% on gross premiums. As a licensed HCSP, BCC has paid the California Corporate Franchise Tax, or CFT, the tax paid by California businesses generally. Plaintiff contends that BCC must pay the GPT rather than the CFT, and seeks a writ of mandate directing the taxing agencies to collect the GPT and an order requiring BCC to pay GPT back taxes, interest, and penalties, for the eight-year period prior to the filing of the complaint.

In March 2018, the Court denied BCC’s motion for judgment on the pleadings and similar motions brought by other entities. We filed a writ of mandate in the California Court of Appeal. The Court of Appeal accepted our writ, and we anticipate that the appeal hearing will occur in late 2018. Because GPT is constitutionally imposed in lieu of certain other taxes, BCC has filed protective tax refund claims with the city of Los Angeles, the California Department of Health Care Services and the Franchise Tax Board to protect its rights to recover certain taxes previously paid, should BCC eventually be determined to be subject to the GPT for the same tax periods. BCC intends to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

Express Scripts, Inc. Pharmacy Benefit Management Litigation

In March 2016, we filed a lawsuit against Express Scripts, Inc., or Express Scripts, our vendor for pharmacy benefit management, or PBM, services, captioned *Anthem, Inc. v. Express Scripts, Inc.*, in the U.S. District Court for the Southern District of New York. The lawsuit seeks to recover over \$14,800.0 in damages for pharmacy pricing that is higher than competitive benchmark pricing under the PBM Agreement between the parties, over \$158.0 in damages related to operational breaches, as well as various declarations under the PBM Agreement between the parties, including that Express Scripts: (i) breached its obligation to negotiate in good faith and to agree in writing to new pricing terms; (ii) is required to provide competitive benchmark pricing to us through the term of the PBM Agreement; (iii) has breached the PBM Agreement and that we can terminate the PBM Agreement; and (iv) is required under the PBM Agreement to provide post-termination services, at competitive benchmark pricing, for one year following any termination.

Express Scripts has disputed our contractual claims and is seeking declaratory judgments: (i) regarding the timing of the periodic pricing review under the PBM Agreement; (ii) that it has no obligation to ensure that we receive any specific level of pricing, that we have no contractual right to any change in pricing under the PBM Agreement and that its sole obligation is to negotiate proposed pricing terms in good faith; and (iii) that we do not have the right to terminate the PBM Agreement. In the alternative, Express Scripts claims that we have been unjustly enriched by its payment of \$4,675.0 at the time of the PBM Agreement. In March 2017, the court granted our motion to dismiss Express Scripts’ counterclaims for (i) breach of the implied covenant of good faith and fair dealing, and (ii) unjust enrichment with prejudice. The only remaining claims are for breach of contract and declaratory relief. We intend to vigorously pursue our claims and defend against any counterclaims, which we believe are without merit; however, the ultimate outcome cannot be presently determined.

ERISA Litigation

We are a defendant in a class action lawsuit that was initially filed in June 2016 against Anthem, Inc. and Express Scripts, which has been consolidated into a single multi-district lawsuit captioned *In Re Express Scripts/Anthem ERISA Litigation*, in the U.S. District Court for the Southern District of New York. The consolidated complaint was filed by plaintiffs against Express Scripts and us on behalf of all persons who are participants in or beneficiaries of any ERISA or non-ERISA healthcare plan from December 1, 2009 to the present in which we provided prescription drug benefits through the PBM Agreement with Express Scripts and paid a percentage based co-insurance payment in the course of using that prescription drug benefit. The plaintiffs allege that we breached our duties, either under ERISA or with respect to the implied covenant of good faith and fair dealing implied in the health plans, (i) by failing to adequately monitor Express Scripts’ pricing under the PBM Agreement and (ii) by placing our own pecuniary interest above the best interests of our insureds by allegedly agreeing to higher pricing in the PBM Agreement in exchange for the purchase price for our NextRx PBM business, and (iii) with respect to the non-ERISA members, by negotiating and entering into the PBM Agreement with Express Scripts

that was allegedly detrimental to the interests of such non-ERISA members. Plaintiffs seek to hold us and Express Scripts jointly and severally liable and to recover all losses suffered by the proposed class, equitable relief, disgorgement of alleged ill-gotten gains, injunctive relief, attorney's fees and costs and interest.

In April 2017, we filed a motion to dismiss the claims brought against us, and it was granted, without prejudice, in January 2018. Plaintiffs have filed a notice of appeal with the United States Court of Appeals for the Second Circuit. We intend to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

Cigna Corporation Merger Litigation

In July 2015, we and Cigna Corporation, or Cigna, announced that we entered into the Agreement and Plan of Merger, or Cigna Merger Agreement, pursuant to which we would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice, or DOJ, along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia, or District Court, seeking to block the merger. In February 2017, Cigna purported to terminate the Cigna Merger Agreement and commenced litigation against us in the Delaware Court of Chancery, or Delaware Court, seeking damages, including the \$1,850.0 termination fee pursuant to the terms of the Cigna Merger Agreement, and a declaratory judgment that its purported termination of the Cigna Merger Agreement was lawful, among other claims, which is captioned *Cigna Corp. v. Anthem Inc.*

Also in February 2017, we initiated our own litigation against Cigna in the Delaware Court seeking a temporary restraining order to enjoin Cigna from terminating the Cigna Merger Agreement, specific performance compelling Cigna to comply with the Cigna Merger Agreement and damages, which is captioned *Anthem Inc. v. Cigna Corp.* In April 2017, the U.S. Circuit Court of Appeals for the District of Columbia affirmed the ruling of the District Court, which blocked the merger. In May 2017, after the Delaware Court denied our motion to enjoin Cigna from terminating the Cigna Merger Agreement, we delivered to Cigna a notice terminating the Cigna Merger Agreement.

The litigation in Delaware is ongoing with trial scheduled to commence in February 2019. We believe Cigna's allegations are without merit and we intend to vigorously pursue our claims and defend against Cigna's allegations; however, the ultimate outcome of our litigation with Cigna cannot be presently determined.

U.S. Department of Justice (DOJ) Civil Investigative Demands

Beginning in December 2016, the DOJ has issued civil investigative demands to us to discover information about our chart review and risk adjustment programs under Parts C and D of the Medicare Program. We understand the DOJ is investigating the programs of other Medicare Advantage health plans, along with providers and vendors. We continue to cooperate with the DOJ's investigation, and the ultimate outcome cannot presently be determined.

Cyber Attack Regulatory Proceedings and Litigation

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

Upon discovery of the cyber attack, we took immediate action to remediate the security vulnerability and retained a cybersecurity firm to evaluate our systems and identify solutions based on the evolving landscape. We have provided credit monitoring and identity protection services to those who have been affected by this cyber attack. We have continued to implement security enhancements since this incident. We have incurred expenses subsequent to the cyber attack to investigate and remediate this matter and expect to continue to incur expenses of this nature in the foreseeable future. We recognize these expenses in the periods in which they are incurred.

Federal and state agencies, including state insurance regulators, state attorneys general, the Health and Human Services Office of Civil Rights and the Federal Bureau of Investigation, are investigating, or have investigated, events related to the cyber attack, including how it occurred, its consequences and our responses. In connection with the resolution of the National Association of Insurance Commissioners' multistate targeted market conduct and financial exam in December

2016, we agreed to provide a customized credit protection program, equivalent to a credit freeze, for our members who were under the age of eighteen on January 27, 2015. No fines or penalties were imposed on us. Additionally, there are ongoing investigations by both the HHS Office of Civil Rights and a multi-state group of Attorneys General that remain outstanding. Although we are cooperating in these investigations, we may be subject to fines or other obligations, which may have an adverse effect on how we operate our business and an adverse effect on our results of operations and financial condition.

Civil class actions were filed in various federal and state courts by current or former members and others seeking damages that they alleged arose from the cyber-attack. In June 2015, the Judicial Panel on Multidistrict Litigation entered an order transferring the consolidated civil actions to the U.S. District Court for the Northern District of California, or the U.S. District Court in a matter captioned *In Re Anthem, Inc. Data Breach Litigation*. The parties agreed to settle plaintiffs' claims on a class-wide basis for a total settlement payment of \$115.0. In August 2017, the U.S. District Court issued an order of preliminary approval of the settlement. The U.S. District Court held hearings on plaintiffs' motion for final approval and class counsel's fee petition in February and June 2018 and appointed a special master to review class counsel's fee petition. A ruling on final approval remains pending. Three state court cases related to the cyber attack are presently proceeding outside of this multidistrict litigation.

We have contingency plans and insurance coverage for certain expenses and potential liabilities of this nature and will pursue coverage for all applicable losses; however, the ultimate outcome of our pursuit of insurance coverage cannot be presently determined. We intend to vigorously defend the remaining state court cases and regulatory actions related to the cyber attack; however, their ultimate outcome cannot be presently determined.

Other Contingencies

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

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

Contractual Obligations and Commitments

Express Scripts, through our PBM Agreement, is the exclusive provider of certain PBM services to our plans, excluding certain of our subsidiaries that have exclusive agreements with different PBM service providers. The initial term of this PBM Agreement expires on December 31, 2019. Under the PBM Agreement, the Express Scripts PBM services include, but are not limited to, pharmacy network management, mail order and specialty drug fulfillment, claims processing, rebate management and specialty pharmaceutical management services. Accordingly, the PBM Agreement contains certain financial and operational requirements obligating both Express Scripts and us. Express Scripts' primary obligations relate to the performance of such services in a compliant manner and meeting certain pricing guarantees and performance standards. Our primary responsibilities relate to formulary management, product and benefit design, provision of data, payment for services, certain minimum volume requirements and oversight. The failure by either party to meet the respective requirements could potentially serve as a basis for financial penalties or early termination of the PBM Agreement. In March 2016, we filed a lawsuit against Express Scripts seeking to recover damages for pharmacy pricing that is higher than competitive benchmark pricing, damages related to operational breaches, as well as various declarations under the PBM Agreement between the

parties. For additional information regarding this lawsuit, refer to the *Litigation and Regulatory Proceedings* section above. We believe we have appropriately recognized all rights and obligations under this PBM Agreement at June 30, 2018 .

Vulnerability from Concentrations

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, investment securities, premium receivables and instruments held through hedging activities. All investment securities are managed by professional investment managers within policies authorized by our Board of Directors. Such policies limit the amounts that may be invested in any one issuer and prescribe certain investee company criteria. Concentrations of credit risk with respect to premium receivables are limited due to the large number of employer groups that constitute our customer base in the states in which we conduct business. As of June 30, 2018 , there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

12. Capital Stock

Use of Capital – Dividends and Stock Repurchase Program

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

A summary of the cash dividend activity for the six months ended June 30, 2018 and 2017 is as follows:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Cash Dividend per Share</u>	<u>Total</u>
Six Months Ended June 30, 2018				
January 30, 2018	March 9, 2018	March 23, 2018	\$0.75	\$191.9
April 24, 2018	June 8, 2018	June 25, 2018	\$0.75	\$196.4
Six Months Ended June 30, 2017				
February 22, 2017	March 10, 2017	March 24, 2017	\$0.65	\$172.2
April 27, 2017	June 9, 2017	June 23, 2017	\$0.65	\$171.8

On July 24, 2018, our Audit Committee declared a third quarter 2018 dividend to shareholders of \$0.75 per share, payable on September 25, 2018 to shareholders of record at the close of business on September 10, 2018 .

Under our Board of Directors' authorization, we maintain a common stock repurchase program. On December 7, 2017, the Board of Directors authorized a \$5,000.0 increase to the common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. The repurchases are effected from time to time in the open market, through negotiated transactions, including accelerated share repurchase agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Our stock repurchase program is discretionary, as we are under no obligation to repurchase shares. We repurchase shares under the program when we believe it is a prudent use of capital. The excess cost of the repurchased shares over par value is charged on a pro rata basis to additional paid-in capital and retained earnings.

A summary of common stock repurchases from July 1, 2018 through July 12, 2018 (subsequent to June 30, 2018) and for the six months ended June 30, 2018 and 2017 is as follows:

	July 1, 2018 Through July 12, 2018	Six Months Ended June 30	
		2018	2017
Shares repurchased	0.2	3.4	2.8
Average price per share	\$ 241.00	\$ 231.61	\$ 180.37
Aggregate cost	\$ 47.9	\$ 795.0	\$ 509.0
Authorization remaining at the end of the period	\$ 6,335.3	\$ 6,383.2	\$ 3,666.9

Equity Units

In May 2015, we issued 25.0 Equity Units in an aggregate principal amount of \$1,250.0. Each Equity Unit contained a purchase contract obligating the holder to purchase a certain number of shares of our common stock on May 1, 2018, subject to earlier termination or settlement. On May 1, 2018, we issued approximately 6.0 shares of our common stock pursuant to the purchase contract portion of the Equity Units, and we received \$1,250.0 in proceeds from the holders of the Equity Units for such common stock. The number of shares purchased was determined using a market value formula set forth in the Equity Units purchase contracts. For additional information relating to the Equity Units, see Note 10, "Debt" of this Form 10-Q and Note 12, "Debt," to our audited consolidated financial statements as of and for the year ended December 31, 2017 included in our 2017 Annual Report on Form 10-K.

Stock Incentive Plans

A summary of stock option activity for the six months ended June 30, 2018 is as follows:

	Number of Shares	Weighted- Average Option Price per Share	Weighted- Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2018	4.3	\$ 124.31		
Granted	0.8	231.87		
Exercised	(0.7)	104.37		
Forfeited or expired	(0.1)	182.22		
Outstanding at June 30, 2018	4.3	147.09	6.64	\$ 391.2
Exercisable at June 30, 2018	2.5	116.84	5.02	\$ 298.3

A summary of the nonvested restricted stock activity, including restricted stock units, for the six months ended June 30, 2018 is as follows:

	Restricted Stock Shares and Units	Weighted- Average Grant Date Fair Value per Share
Nonvested at January 1, 2018	2.0	\$ 152.20
Granted	0.9	231.81
Vested	(1.0)	147.61
Forfeited	(0.1)	185.72
Nonvested at June 30, 2018	1.8	180.90

During the six months ended June 30, 2018, we granted approximately 0.3 restricted stock units that are contingent upon us achieving earnings targets over the three year period from 2018 to 2020. These grants have been included in the activity shown above, but will be subject to adjustment at the end of 2020 based on results in the three year period.

During the six months ended June 30, 2018, we granted an additional 0.2 restricted stock units, associated with our 2015 grants, that were earned as a result of satisfactory completion of performance measures between 2015 and 2017. These grants and vested shares have been included in the activity shown above.

Fair Value

We use a binomial lattice valuation model to estimate the fair value of all stock options granted. For a more detailed discussion of our stock incentive plan fair value methodology, see Note 14, "Capital Stock," to our audited consolidated financial statements as of and for the year ended December 31, 2017 included in our 2017 Annual Report on Form 10-K.

The following weighted-average assumptions were used to estimate the fair values of options granted during the six months ended June 30, 2018 and 2017 :

	Six Months Ended June 30	
	2018	2017
Risk-free interest rate	2.90%	2.31%
Volatility factor	30.00%	32.00%
Quarterly dividend yield	0.323%	0.397%
Weighted-average expected life (years)	3.70	4.00

The following weighted-average fair values per option or share were determined for the six months ended June 30, 2018 and 2017 :

	Six Months Ended June 30	
	2018	2017
Options granted during the period	\$ 55.27	\$ 40.77
Restricted stock awards granted during the period	231.81	167.29

13. Accumulated Other Comprehensive Loss

A reconciliation of the components of accumulated other comprehensive loss at June 30, 2018 and 2017 is as follows:

	June 30	
	2018	2017
Investments, excluding non-credit component of other-than-temporary impairments:		
Gross unrealized gains	\$ 199.7	\$ 941.6
Gross unrealized losses	(273.0)	(95.3)
Net pre-tax unrealized (losses) gains	(73.3)	846.3
Deferred tax asset (liability)	15.4	(304.0)
Net unrealized (losses) gains on investments	(57.9)	542.3
Non-credit components of other-than-temporary impairments on investments:		
Unrealized losses	—	(0.2)
Deferred tax asset	—	0.1
Net unrealized non-credit component of other-than-temporary impairments on investments	—	(0.1)
Cash flow hedges:		
Gross unrealized losses	(318.5)	(355.8)
Deferred tax asset	66.9	124.6
Net unrealized losses on cash flow hedges	(251.6)	(231.2)
Defined benefit pension plans:		
Deferred net actuarial loss	(599.5)	(641.2)
Deferred prior service credits	(1.0)	(0.7)
Deferred tax asset	155.5	251.6
Net unrecognized periodic benefit costs for defined benefit pension plans	(445.0)	(390.3)
Postretirement benefit plans:		
Deferred net actuarial loss	(75.7)	(140.9)
Deferred prior service costs	39.8	52.9
Deferred tax asset	9.3	34.4
Net unrecognized periodic benefit costs for postretirement benefit plans	(26.6)	(53.6)
Foreign currency translation adjustments:		
Gross unrealized losses	(2.1)	(3.1)
Deferred tax asset	0.4	1.1
Net unrealized losses on foreign currency translation adjustments	(1.7)	(2.0)
Accumulated other comprehensive loss	\$ (782.8)	\$ (134.9)

Other comprehensive (loss) income reclassification adjustments for the three months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30	
	2018	2017
Investments:		
Net holding (loss) gain on investment securities arising during the period, net of tax benefit (expense) of \$21.4 and (\$67.0), respectively	\$ (76.8)	\$ 116.2
Reclassification adjustment for net realized loss (gain) on investment securities, net of tax (benefit) expense of (\$1.3) and \$8.3, respectively	4.8	(15.3)
Total reclassification adjustment on investments	(72.0)	100.9
Non-credit component of other-than-temporary impairments on investments:		
Non-credit component of other-than-temporary impairments on investments, net of tax expense of (\$0.0) and (\$0.4), respectively	—	0.9
Cash flow hedges:		
Holding gain (loss), net of tax (expense) benefit of (\$0.7) and \$36.6, respectively	2.9	(79.8)
Other:		
Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax expense of (\$2.7) and (\$2.9), respectively	7.7	4.2
Foreign currency translation adjustment, net of tax expense of (\$0.1) and (\$0.4), respectively	(0.8)	0.7
Net (loss) gain recognized in other comprehensive income, net of tax benefit (expense) of \$16.6 and (\$25.8), respectively	\$ (62.2)	\$ 26.9

Other comprehensive (loss) income reclassification adjustments for the six months ended June 30, 2018 and 2017 are as follows:

	Six Months Ended June 30	
	2018	2017
Investments:		
Net holding (loss) gain on investment securities arising during the period, net of tax benefit (expense) of \$98.5 and (\$113.3), respectively	\$ (333.0)	\$ 210.4
Reclassification adjustment for net realized loss (gain) on investment securities, net of tax (benefit) expense of (\$4.4) and \$15.8, respectively	16.3	(29.3)
Total reclassification adjustment on investments	(316.7)	181.1
Non-credit component of other-than-temporary impairments on investments:		
Non-credit component of other-than-temporary impairments on investments, net of tax expense of (\$0.1) and (\$2.5), respectively	0.2	4.5
Cash flow hedges:		
Holding gain (loss), net of tax (expense) benefit of (\$8.5) and \$33.9, respectively	31.7	(62.8)
Other:		
Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax expense of (\$5.3) and (\$5.2), respectively	15.4	8.1
Foreign currency translation adjustment, net of tax expense of (\$0.4) and (\$1.1), respectively	(0.4)	2.1
Net (loss) gain recognized in other comprehensive income, net of tax benefit (expense) of \$79.8 and (\$72.4), respectively	\$ (269.8)	\$ 133.0

14. Earnings per Share

The denominator for basic and diluted earnings per share for the three and six months ended June 30, 2018 and 2017 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Denominator for basic earnings per share – weighted-average shares	258.7	264.6	257.3	264.5
Effect of dilutive securities – employee stock options, nonvested restricted stock awards, convertible debentures and equity units	5.8	6.2	6.4	6.1
Denominator for diluted earnings per share	264.5	270.8	263.7	270.6

During the three months ended June 30, 2018 and 2017, weighted-average shares related to certain stock options of 0.8 and 1.0, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive. During the six months ended June 30, 2018 and 2017, weighted-average shares related to certain stock options of 0.5 and 0.7, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive. The Equity Unit purchase contracts were settled in May 2018, and approximately 6.0 shares of our common stock were issued and included in the basic earnings per share calculation.

During the three and six months ended June 30, 2018, we issued approximately 0.1 and 0.9 restricted stock units under our stock incentive plans, 0.3 of which vesting is contingent upon us meeting specified annual earnings targets for the three year period of 2018 through 2020. During the three and six months ended June 30, 2017, we issued approximately 0.1 and 0.6 restricted stock units under our stock incentive plans, 0.1 of which vesting is contingent upon us meeting specified annual earnings targets for the three year period of 2017 through 2019. The contingent restricted stock units have been excluded from the denominator for diluted earnings per share and will be included only if and when the contingency is met.

15. Segment Information

The results of our operations are described through three reportable segments: Commercial & Specialty Business, Government Business and Other, as further described in Note 19, “Segment Information,” to our audited consolidated financial statements as of and for the year ended December 31, 2017 included in our 2017 Annual Report on Form 10-K.

Financial data by reportable segment for the three and six months ended June 30, 2018 and 2017 is as follows:

	Commercial & Specialty Business	Government Business	Other	Total
Three Months Ended June 30, 2018				
Operating revenue	\$ 9,162.9	\$ 13,543.0	\$ 8.9	\$ 22,714.8
Operating gain (loss)	1,052.8	537.4	(31.2)	1,559.0
Three Months Ended June 30, 2017				
Operating revenue	\$ 10,308.8	\$ 11,883.4	\$ 5.8	\$ 22,198.0
Operating gain (loss)	967.9	293.3	(34.2)	1,227.0
Six Months Ended June 30, 2018				
Operating revenue	\$ 18,229.3	\$ 26,805.4	\$ 22.4	\$ 45,057.1
Operating gain (loss)	2,461.2	1,028.3	(62.6)	3,426.9
Six Months Ended June 30, 2017				
Operating revenue	\$ 20,598.4	\$ 23,909.1	\$ 10.0	\$ 44,517.5
Operating gain (loss)	2,270.3	611.9	(69.8)	2,812.4

The major product revenues for each of the reportable segments for the three and six months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Commercial & Specialty Business				
Managed care products	\$ 7,445.9	\$ 8,664.4	\$ 14,822.0	\$ 17,324.8
Managed care services	1,302.1	1,232.4	2,584.3	2,455.0
Dental/Vision products and services	303.8	301.8	608.3	608.2
Other	111.1	110.2	214.7	210.4
Total Commercial & Specialty Business	9,162.9	10,308.8	18,229.3	20,598.4
Government Business				
Managed care products	13,431.5	11,766.0	26,583.7	23,684.1
Managed care services	112.2	117.4	222.4	225.0
Total Government Business	13,543.7	11,883.4	26,806.1	23,909.1
Other				
Other	8.2	5.8	21.7	10.0
Total product revenues	\$ 22,714.8	\$ 22,198.0	\$ 45,057.1	\$ 44,517.5

The classification between managed care products and managed care services in the above table primarily distinguishes between the levels of risk assumed. Managed care products represent insurance products where we bear the insurance risk, whereas managed care services represent product offerings where we provide claims adjudication and other administrative services to the customer, but the customer principally bears the insurance risk.

A reconciliation of reportable segments' operating revenues to the amounts of total revenues included in our consolidated statements of income for the three and six months ended June 30, 2018 and 2017 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Reportable segments' operating revenues	\$ 22,714.8	\$ 22,198.0	\$ 45,057.1	\$ 44,517.5
Net investment income	229.3	200.2	458.5	407.4
Net realized gains (losses) on financial instruments	4.0	16.2	(22.1)	23.5
Other-than-temporary impairment losses recognized in income	(4.4)	(7.2)	(12.3)	(15.3)
Total revenues	\$ 22,943.7	\$ 22,407.2	\$ 45,481.2	\$ 44,933.1

A reconciliation of reportable segments' operating gain to income before income tax expense included in our consolidated statements of income for the three and six months ended June 30, 2018 and 2017 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2018	2017	2018	2017
Reportable segments' operating gain	\$ 1,559.0	\$ 1,227.0	\$ 3,426.9	\$ 2,812.4
Net investment income	229.3	200.2	458.5	407.4
Net realized gains (losses) on financial instruments	4.0	16.2	(22.1)	23.5
Other-than-temporary impairment losses recognized in income	(4.4)	(7.2)	(12.3)	(15.3)
Interest expense	(191.7)	(189.9)	(375.9)	(424.9)
Amortization of other intangible assets	(93.6)	(40.6)	(173.1)	(82.4)
Gain (loss) on extinguishment of debt	0.9	—	(18.2)	—
Income before income tax expense	<u>\$ 1,503.5</u>	<u>\$ 1,205.7</u>	<u>\$ 3,283.8</u>	<u>\$ 2,720.7</u>

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

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

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

This MD&A should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2017 and the MD&A included in our 2017 Annual Report on Form 10-K, and our unaudited consolidated financial statements and accompanying notes as of and for the three and six months ended June 30, 2018 included in this Form 10-Q. Results of operations, cost of care trends, investment yields and other measures for the three and six months ended June 30, 2018 are not necessarily indicative of the results and trends that may be expected for the full year ending December 31, 2018, or any other period. Also see Part I, Item 1A, “Risk Factors” of our 2017 Annual Report on Form 10-K and Part II, Item 1A, “Risk Factors” of this Form 10-Q.

Overview

We manage our operations through three reportable segments: Commercial & Specialty Business, Government Business and Other. We regularly evaluate the appropriateness of our reportable segments, particularly in light of organizational changes, merger and acquisition activity and changing laws and regulations. As a result, these reportable segments may change in the future. For additional information about our organization, see the “Overview” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2017 Annual Report on Form 10-K.

On February 15, 2018, we completed our acquisition of Freedom Health, Inc., Optimum HealthCare, Inc., America’s 1st Choice of South Carolina, Inc. and related entities, or collectively, America’s 1st Choice, a Medicare Advantage organization that offers health maintenance organization products, including Chronic Special Needs Plans and Dual-Eligible Special Needs Plans under its Freedom Health and Optimum HealthCare brands in Florida and its America’s 1st Choice of South Carolina brand in South Carolina. Through its Medicare Advantage plans, America’s 1st Choice currently serves approximately one hundred and thirty five thousand members in twenty-five Florida and three South Carolina counties. This acquisition aligns with our plans for continued growth in the Medicare Advantage and Special Needs populations.

On December 21, 2017, we completed our acquisition of HealthSun Health Plans, Inc., or HealthSun, which serves approximately forty thousand members in the state of Florida through its Medicare Advantage plans, and which received a five-star rating from the Centers for Medicare & Medicaid Services. This acquisition aligns with our plans for continued growth in the Medicare Advantage and dual-eligible populations.

On May 12, 2017, we announced that we were terminating the Agreement and Plan of Merger, or Merger Agreement, between us and Cigna Corporation, or Cigna. For additional information about ongoing litigation related to the Merger Agreement, see Note 11, “Commitments and Contingencies - *Litigation and Regulatory Proceedings - Cigna Corporation Merger Litigation*, ” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

In March 2016, we filed a lawsuit against our vendor for pharmacy benefit management services, Express Scripts, Inc., or Express Scripts, seeking to recover damages for pharmacy pricing that is higher than competitive benchmark pricing and damages related to operational breaches, and seeking various declarations under the agreement between the parties. In April 2016, Express Scripts filed an answer to the lawsuit disputing our contractual claims and alleging various defenses and counterclaims. For additional information regarding this lawsuit, see Note 11, “Commitments and Contingencies - *Litigation and Regulatory Proceedings - Express Scripts, Inc. Pharmacy Benefit Management Litigation*, ” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q. In October 2017, we announced that we are establishing a new pharmacy benefits manager, or PBM, called IngenioRx, and have entered into a five-year agreement with CaremarkPCS Health, L.L.C., or CVS Health, to begin offering a full suite of PBM solutions starting on January 1, 2020, which coincides with the conclusion of our current agreement with Express Scripts.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, as amended, or collectively, the ACA, has changed and may continue to make changes to the U.S. health care system, which we expect will continue to impact our business model and strategy. The ACA presented us with new growth opportunities, but also introduced new risks, regulatory challenges and uncertainties, and required changes in the way products are designed, underwritten, priced, distributed and administered. Changes to our business are likely to continue for the next several years as elected officials at the national and state levels have proposed significant modifications to existing laws and regulations, including the potential repeal or replacement of the ACA and the reduction or elimination of federal subsidies made available through the ACA for certain public exchange Individual products.

During 2017, we notified various state regulators of our decision to significantly reduce our participation in the Individual ACA-compliant marketplaces within their respective states. The uncertainty around, and subsequent termination of, the federal funding of the cost-sharing reduction subsidy available through the ACA was an important factor as we evaluated the appropriate level of our marketplace participation. Our strategy has been, and will continue to be, participation in rating regions where we have an appropriate level of confidence that these markets are on a path toward sustainability, including, but not limited to, factors such as expected financial performance, regulatory environment, and underlying market characteristics. We currently offer Individual ACA-compliant products in 56 of the 143 rating regions in which we operate.

The ACA imposed an annual Health Insurance Provider Fee, or HIP Fee, on health insurers that write certain types of health insurance on U.S. risks. The annual HIP Fee is allocated to health insurers based on the ratio of the amount of an insurer's net premium revenues written during the preceding calendar year to an adjusted amount of health insurance for all U.S. health risk for those certain lines of business written during the preceding calendar year. We record our estimated liability for the HIP Fee in full at the beginning of the year with a corresponding deferred asset that is amortized on a straight-line basis to general and administrative expense. The final calculation and payment of the annual HIP Fee occurs in the third quarter each year. The HIP Fee is non-deductible for federal income tax purposes. We price our affected products to cover the increased general and administrative and tax expenses associated with the HIP Fee. The HIP Fee was suspended for 2017 and 2019. The total amount due from allocations to health insurers is \$14,300.0 for 2018. For the three and six months ended June 30, 2018, we estimated our portion of the HIP Fee to be \$398.1 and \$795.0, respectively, which was recognized as general and administrative expense. There was no corresponding expense for 2017 due to the suspension of the HIP Fee for 2017.

As a result of the complexity of the ACA, its impact on health care in the United States and the continuing modification and interpretation of the ACA rules, we will continue to evaluate the impact of the ACA as additional guidance is made available. For additional discussion regarding the ACA, see Part I, Item 1 "Business – Regulation", Part I, Item 1A "Risk Factors" and the "Overview" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2017 Annual Report on Form 10-K.

Executive Summary

We are one of the largest health benefits companies in the United States in terms of medical membership, serving 39.5 medical members through our affiliated health plans as of June 30, 2018. 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 (in the New York City metropolitan area and upstate New York), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas, we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, and Empire Blue Cross Blue Shield or Empire Blue Cross. We also conduct business through arrangements with other BCBS licensees in Louisiana, South Carolina and western New York. Through our subsidiaries, we also serve customers in over 25 states across the country as America's 1st Choice, Amerigroup, Aspire Health, CareMore, Freedom Health, HealthLink, HealthSun, Optimum HealthCare, Simply Healthcare, and/or Unicare. We are licensed to conduct insurance operations in all 50 states and the District of Columbia through our subsidiaries.

Our results of operations discussed throughout this MD&A are determined in accordance with U.S. generally accepted accounting principles, or GAAP. We also calculate operating gain, a non-GAAP measure, to further aid investors in understanding and analyzing our core operating results and comparing them among periods. We define operating revenue as premium income and administrative fees and other revenue. Operating gain is calculated as total operating revenue less

benefit expense, and selling, general and administrative expense. We use these measures as a basis for evaluating segment performance, allocating resources, forecasting future operating periods and setting incentive compensation targets. This information is not intended to be considered in isolation or as a substitute for income before income tax expense, net income or earnings per share, or EPS, prepared in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies. For additional details on operating gain, see our "Reportable Segments Results of Operations" discussion included in this MD&A. For a reconciliation of reportable segments' operating revenue to the amounts of total revenue included in the consolidated statements of income and a reconciliation of reportable segments' operating gain to income before income tax expense, see Note 15, "Segment Information," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Operating revenue for the three months ended June 30, 2018 was \$22,714.8 , an increase of \$516.8 , or 2.3% , from the three months ended June 30, 2017 . Operating revenue for the six months ended June 30, 2018 was \$45,057.1 , an increase of \$539.6 , or 1.2% , from the six months ended June 30, 2017 . The increase in operating revenue for the three and six months ended June 30, 2018 compared to 2017 was primarily a result of higher premium revenue in our Government Business segment and, to a lesser extent, higher administrative fees and other revenue in our Commercial & Specialty Business segment. These increases were partially offset by a decrease in premium revenue in our Commercial & Specialty Business segment.

Net income for the three months ended June 30, 2018 was \$1,053.4 , an increase of \$198.1 , or 23.2% , from the three months ended June 30, 2017 . Net income for the six months ended June 30, 2018 was \$2,365.9 , an increase of \$500.7 , or 26.8% , from the six months ended June 30, 2017 . The increase in net income for the three and six months ended June 30, 2018 compared to 2017 was due to higher operating results in both our Government Business and Commercial & Specialty Business segments.

Our fully-diluted EPS was \$3.98 for the three months ended June 30, 2018 , which represented a 25.9% increase from EPS of \$3.16 for the three months ended June 30, 2017 . Our fully-diluted EPS was \$8.97 for the six months ended June 30, 2018 , which represented a 30.2% increase from fully-diluted EPS of \$6.89 for the six months ended June 30, 2017 . The increase in fully-diluted EPS for the three and six months ended June 30, 2018 compared to 2017 resulted from the increase in net income and, to a lesser extent, the lower number of shares outstanding in 2018.

Operating cash flow for the six months ended June 30, 2018 and 2017 was \$2,757.1 and \$3,081.3 , respectively. The decrease in operating cash flow from 2017 of \$324.2 was primarily attributable to increased spend to support growth initiatives; the impact of membership declines due to our reduced participation in ACA-compliant marketplaces in various states and declines in our fully-insured Local Group and Medicaid businesses; and higher incentive-based compensation payments. The decrease in cash provided by operating activities was partially offset by cash receipts related to rate increases across our businesses designed to cover overall cost trends and the impact of HIP Fee for 2018.

Membership

Our medical membership includes seven different customer types: Local Group, Individual, National Accounts, BlueCard[®], Medicare, Medicaid and Federal Employee Program[®], or FEP[®]. BCBS-branded business generally refers to members in our service areas licensed by the Blue Cross Blue Shield Association, or BCBSA. Non-BCBS-branded business refers to America's 1st Choice, Amerigroup, CareMore, HealthSun, and Simply Healthcare members as well as HealthLink and UniCare members predominantly outside of our BCBSA service areas. For a more detailed description of our medical membership, see the "Membership" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2017 Annual Report on Form 10-K.

The following table presents our medical membership by customer type, funding arrangement and reportable segment as of June 30, 2018 and 2017 . Also included below is other membership by product. The medical membership and other membership data presented are unaudited and in certain instances include estimates of the number of members represented by each contract at the end of the period.

	June 30			
(In thousands)	2018	2017	Change	% Change
Medical Membership				
Customer Type				
Local Group	15,612	15,705	(93)	(0.6)%
Individual	712	1,779	(1,067)	(60.0)%
National:				
National Accounts	7,833	7,760	73	0.9 %
BlueCard ®	5,653	5,561	92	1.7 %
Total National	13,486	13,321	165	1.2 %
Medicare	1,738	1,484	254	17.1 %
Medicaid	6,391	6,529	(138)	(2.1)%
FEP ®	1,560	1,569	(9)	(0.6)%
Total Medical Membership by Customer Type	39,499	40,387	(888)	(2.2)%
Funding Arrangement				
Self-Funded	25,273	24,938	335	1.3 %
Fully-Insured	14,226	15,449	(1,223)	(7.9)%
Total Medical Membership by Funding Arrangement	39,499	40,387	(888)	(2.2)%
Reportable Segment				
Commercial & Specialty Business	29,810	30,805	(995)	(3.2)%
Government Business	9,689	9,582	107	1.1 %
Total Medical Membership by Reportable Segment	39,499	40,387	(888)	(2.2)%
Other Membership & Customers				
Life and Disability Members	4,673	4,705	(32)	(0.7)%
Dental Members	5,788	5,818	(30)	(0.5)%
Dental Administration Members	5,384	5,335	49	0.9 %
Vision Members	6,760	6,791	(31)	(0.5)%
Medicare Advantage Part D Members	933	679	254	37.4 %
Medicare Part D Standalone Members	312	322	(10)	(3.1)%

Medical Membership (in thousands)

For the twelve months ended June 30, 2018 , total medical membership decreased 888 , or 2.2% , primarily due to decreases in our Individual and Medicaid membership, partially offset by increases in our Medicare membership.

Self-funded medical membership increased 335 , or 1.3% , primarily due to new sales, in-group changes and growth in our existing Large Group and National Accounts.

Fully-insured membership decreased 1,223 , or 7.9% , primarily due to our reduced participation in ACA-compliant marketplaces in various states.

Local Group membership decreased 93 , or 0.6% , primarily as a result of competitive pressures in fully-insured membership, partially offset by new sales and growth in our existing self-funded business.

Individual membership decreased 1,067 , or 60.0% , primarily due to our reduced participation in ACA-compliant marketplaces in various states.

National Accounts membership increased 73 , or 0.9% , primarily due to new sales and growth from existing contracts exceeding lapses.

BlueCard[®] membership increased 92 , or 1.7% , primarily due to higher membership activity at other BCBSA plans whose members reside in or travel to our licensed areas.

Medicare membership increased 254 , or 17.1% , primarily due to membership acquired through the acquisitions of America's 1st Choice and HealthSun and organic growth in existing markets .

Medicaid membership decreased 138 , or 2.1% , primarily due to certain state market contractions, new market participants and membership reverification processes, partially offset by new business expansions.

FEP[®] membership decreased 9 , or 0.6% , primarily due to reduced federal hiring to replace retirees.

Other Membership (in thousands)

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

Life and disability membership decreased 32 , or 0.7% , primarily due to higher lapses in our fully-insured Local Group business.

Dental membership decreased 30 , or 0.5% , primarily due to our reduced participation in Individual ACA-compliant marketplaces in various states, partially offset by increased penetration in our Large Group business.

Dental administration membership increased 49 , or 0.9% , primarily due to membership expansion under current contracts, partially offset by the loss of a large managed dental contract.

Vision membership decreased 31 , or 0.5% , primarily due to our reduced participation in ACA-compliant marketplaces in various states, partially offset by growth in our Medicare and Large Group business.

Medicare Advantage Part D membership increased 254 , or 37.4% , primarily due to membership acquired through the acquisitions of America's 1st Choice and HealthSun and organic growth in existing markets.

Medicare Part D standalone membership decreased 10 , or 3.1% , primarily due to select strategic actions in certain markets.

Cost of Care

The following discussion summarizes our aggregate underlying cost of care trends for the rolling 12 months ended June 30, 2018 for our Local Group fully-insured business only.

Our underlying Local Group medical cost trend in 2018 reflects the "allowed amount," or contractual rate, paid to providers. We believe that a 2018 cost of care trend estimate in the range of 5.5% to 6.5% is appropriate.

Our medical cost trends are primarily driven by increases in the utilization of services across all provider types and the unit cost increases of these services. We work to mitigate these trends through various medical management programs such as utilization management, site of service redirection, condition management, program integrity and specialty pharmacy management, as well as benefit design changes. There are many drivers of medical cost trend that can cause variance from our estimates, such as changes in the level and mix of services utilized, regulatory changes, aging of the population, health status and other demographic characteristics of our members, epidemics, advances in medical technology, new high cost prescription drugs, and healthcare provider or member fraud.

Consolidated Results of Operations

Our consolidated summarized results of operations for the three and six months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30		Six Months Ended June 30		Change			
					Three Months Ended June 30		Six Months Ended June 30	
					2018 vs. 2017		2018 vs. 2017	
	2018	2017	2018	2017	\$	%	\$	%
Total operating revenue	\$ 22,714.8	\$ 22,198.0	\$ 45,057.1	\$ 44,517.5	\$ 516.8	2.3 %	\$ 539.6	1.2 %
Net investment income	229.3	200.2	458.5	407.4	29.1	14.5 %	51.1	12.5 %
Net realized gains (losses) on financial instruments	4.0	16.2	(22.1)	23.5	(12.2)	(75.3)%	(45.6)	(194.0)%
Other-than-temporary impairment losses on investments	(4.4)	(7.2)	(12.3)	(15.3)	2.8	(38.9)%	3.0	(19.6)%
Total revenues	22,943.7	22,407.2	45,481.2	44,933.1	536.5	2.4 %	548.1	1.2 %
Benefit expense	17,727.8	17,917.2	34,773.7	35,460.0	(189.4)	(1.1)%	(686.3)	(1.9)%
Selling, general and administrative expense	3,428.0	3,053.8	6,856.5	6,245.1	374.2	12.3 %	611.4	9.8 %
Other expense ¹	284.4	230.5	567.2	507.3	53.9	23.4 %	59.9	11.8 %
Total expenses	21,440.2	21,201.5	42,197.4	42,212.4	238.7	1.1 %	(15.0)	— %
Income before income tax expense	1,503.5	1,205.7	3,283.8	2,720.7	297.8	24.7 %	563.1	20.7 %
Income tax expense	450.1	350.4	917.9	855.5	99.7	28.5 %	62.4	7.3 %
Net income	\$ 1,053.4	\$ 855.3	\$ 2,365.9	\$ 1,865.2	\$ 198.1	23.2 %	\$ 500.7	26.8 %
Average diluted shares outstanding	264.5	270.8	263.7	270.6	(6.3)	(2.3)%	(6.9)	(2.5)%
Diluted net income per share	\$ 3.98	\$ 3.16	\$ 8.97	\$ 6.89	\$ 0.82	25.9 %	\$ 2.08	30.2 %
Benefit expense ratio ²	83.4%	86.1%	82.5%	84.9%	(270)bp ³		(240)bp ³	
Selling, general and administrative expense ratio ⁴	15.1%	13.8%	15.2%	14.0%	130bp ³		120bp ³	
Income before income tax expense as a percentage of total revenues	6.6%	5.4%	7.2%	6.1%	120bp ³		110bp ³	
Net income as a percentage of total revenues	4.6%	3.8%	5.2%	4.2%	80bp ³		100bp ³	

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

- ¹ Includes interest expense, amortization of other intangible assets and (gain) loss on extinguishment of debt.
- ² Benefit expense ratio represents benefit expense as a percentage of premium revenue. Premiums for the three months ended June 30, 2018 and 2017 were \$21,248.4 and \$20,813.1 , respectively. Premiums for the six months ended June 30, 2018 and 2017 were \$42,151.2 and \$41,764.4 , respectively. Premiums are included in total operating revenue presented above.
- ³ bp = basis point; one hundred basis points = 1%.
- ⁴ Selling, general and administrative expense ratio represents selling, general and administrative expense as a percentage of total operating revenue.

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017

Total operating revenue increased \$516.8 , or 2.3% , to \$22,714.8 in 2018 , primarily due to premium rate increases designed to cover overall cost trends and the HIP Fee reinstatement for 2018, as well as membership growth in our Medicare business as a result of our acquisitions of America's 1st Choice and HealthSun and organic growth in existing markets. The increase was further due to new Medicaid business expansions, including in specialized service populations and an increase in administrative fees and other revenue in our Commercial & Specialty Business segment. The increase in administrative fees and other revenue was primarily due to membership growth and rate increases for self-funded members in our Local Group and National Accounts businesses. These increases were partially offset by a premium revenue decrease in our

Commercial & Specialty Business segment resulting from our reduced participation in ACA-compliant marketplaces in various states and membership decline in our fully-insured Local Group business. Membership decline in our Medicaid business also contributed to the change.

Net investment income increased \$29.1 , or 14.5% , to \$229.3 in 2018 , primarily due to higher investment yields on fixed maturity securities.

Net realized gains on financial instruments decreased \$12.2 , or 75.3% to \$4.0 in 2018 . The decrease was due to an increase in net realized losses on sales of fixed maturity securities and the recognition of changes in the fair values of equity securities from the adoption of Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* , or ASU 2016-01. For additional information related to the adoption of ASU 2016-01, see Note 2, “Basis of Presentation and Significant Accounting Policies - *Recently Adopted Accounting Guidance* ,” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q. These decreases were partially offset by increases in net realized gains on derivative financial instruments and net realized gains on sales of equity securities.

Benefit expense decreased \$189.4 , or 1.1% , to \$17,727.8 in 2018 , due to our reduced participation in ACA-compliant marketplaces in various states and, to a lesser extent, membership declines in our fully-insured Local Group and Medicaid businesses. These decreases were partially offset by increased expenses related to membership growth in our Medicare business primarily as a result of our America’s 1st Choice and HealthSun acquisitions and organic growth in existing markets. The decreases were further offset by higher medical costs in our Medicaid business.

Our benefit expense ratio decreased 270 basis points to 83.4% in 2018 . The decrease in the ratio was largely driven by the impact of the HIP Fee reinstatement for 2018 and improved medical cost performance across our business segments.

Selling, general and administrative expense increased \$374.2 , or 12.3% , to \$3,428.0 in 2018 . Our selling, general and administrative expense ratio increased 130 basis points to 15.1% in 2018 . The increase in expense and the ratio was primarily due to the reinstatement of the HIP Fee for 2018 and a net increase in spend to support our growth initiatives. These increases were partially offset by the accrual recognized during the three months ended June 30, 2017 related to the settlement of class action lawsuits that stemmed from the 2015 cyber attack. For additional information regarding the cyber attack and related settlement, see Note 11, “ Commitments and Contingencies - *Litigation and Regulatory Proceedings - Cyber Attack Regulatory Proceeding and Litigation*,” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Other expense increased \$53.9 , or 23.4 % , to \$284.4 in 2018 , primarily as a result of increased amortization of intangible assets acquired with the HealthSun and America’s 1st Choice acquisitions.

Income tax expense increased \$99.7 , or 28.5% , to \$450.1 in 2018 . The effective tax rates in 2018 and 2017 were 29.9% and 29.1% , respectively. The increase in income tax expense and effective tax rate was primarily due to the reinstatement of the HIP Fee for 2018, which resulted in additional income tax expense of \$83.6 . The increase in income tax expense and effective tax rate was further impacted by the tax benefits we recognized in 2017, for prior acquisition costs incurred related to the terminated Merger Agreement with Cigna. The increase in income tax expense and effective tax rate was partially offset by the effect of the tax bill, H.R.1, *An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018* , or the Tax Cuts and Jobs Act, enacted by the federal government on December 22, 2017. The Tax Cuts and Jobs Act reduced the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018.

Our net income as a percentage of total revenue increased 80 basis points to 4.6% in 2018 as compared to 2017 as a result of all factors discussed above.

Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

Total operating revenue increased \$539.6 , or 1.2% , to \$45,057.1 in 2018 , primarily due to premium rate increases designed to cover overall cost trends and the HIP Fee reinstatement for 2018, as well as membership growth in our Medicare business as a result of our acquisitions of America’s 1st Choice and HealthSun and organic growth in existing markets. The increase was further due to new Medicaid business expansions, including in specialized service populations and an increase

in administrative fee and other revenue in our Commercial & Specialty Business segment. The increase in administrative fees and other revenue was primarily due to membership growth and rate increases for self-funded members in our Local Group and National Accounts businesses. These increases were partially offset by a premium revenue decrease in our Commercial & Specialty Business segment resulting from our reduced participation in ACA-compliant marketplaces in various states and membership decline in our fully-insured Local Group business. Membership decline in our Medicaid business also contributed to the change.

Net investment income increased \$51.1 , or 12.5% , to \$458.5 , primarily due to higher investment yields on fixed maturity securities.

Net realized (losses) gains on financial instruments decreased \$45.6 , or 194.0% . For the six months ended June 30, 2018 and 2017 , we recognized net realized losses of \$22.1 and net realized gains of \$23.5 , respectively. The change was due to the recognition of changes in the fair values of equity securities from the adoption of ASU 2016-01 and an increase in net realized losses on sales of fixed maturity securities, partially offset by increases in net realized gains on sales of equity securities, on derivative financial instruments, and on sales of alternative investments.

Benefit expense decreased \$686.3 , or 1.9% , to \$34,773.7 in 2018 , due to our reduced participation in ACA-compliant marketplaces in various states and, to a lesser extent, membership declines in our fully-insured Local Group and Medicaid businesses. These decreases were partially offset by increased expenses related to membership growth in our Medicare business primarily as a result of our America's 1st Choice and HealthSun acquisitions and organic growth in existing markets. The decreases were further offset by higher medical costs in our Medicaid business.

Our benefit expense ratio decreased 240 basis points to 82.5% in 2018 . The decrease in the ratio was largely driven by the impact of the HIP Fee reinstatement for 2018 and improved medical cost performance across our business segments.

Selling, general and administrative expense increased \$611.4 , or 9.8 % to \$6,856.5 in 2018 . Our selling, general and administrative expense ratio increased 120 basis points to 15.2% in 2018 . The increase in expense and the ratio was primarily due to the reinstatement of the HIP Fee for 2018 and a net increase in spend to support our growth initiatives. These increases were partially offset by the recognition of a guaranty fund assessment during the three months ended March 31, 2017 related to the liquidation order of Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, or collectively Penn Treaty. For additional information regarding the Penn Treaty liquidation, see Note 13, " Commitments and Contingencies - *Other Contingencies*," in our audited consolidated financial statements as of and for the year ended December 31, 2017 included in our 2017 Annual Report on Form 10-K. The increases were further offset by the settlement accrual for the litigation related to the 2015 cyber attack recognized during the six months ended June 30, 2017.

Other expense increased \$59.9 , or 11.8% , to \$567.2 in 2018 , primarily as a result of increased amortization of intangible assets acquired with the HealthSun and America's 1st Choice acquisitions and losses recognized on the extinguishment of our remarketable subordinated notes, as discussed below in "Liquidity and Capital Resources - *Debt*," partially offset by lower interest expense. In January 2017, to reduce and extend the availability of commitments to partially fund the now terminated Merger Agreement with Cigna, we paid \$97.5 in fees which were amortized to interest expense through April 30, 2017.

Income tax expense increased \$62.4 , or 7.3% , to \$917.9 in 2018 , primarily due to the reinstatement of the HIP Fee for 2018, which resulted in additional income tax expense of \$166.9. The increase in income tax expense was further due to the impact of our recognition of tax benefits in 2017 for prior acquisition costs incurred related to the terminated Merger Agreement with Cigna. The increase in income tax expense was partially offset by the effect of the Tax Cuts and Jobs Act.

The effective tax rates in 2018 and 2017 were 28.0% and 31.4% , respectively. The decrease in the effective tax rate was primarily due to the lower U.S. federal corporate income tax rate, as reduced by the Tax Cuts and Jobs Act, partially offset by the reinstatement of the HIP Fee for 2018.

Our net income as a percentage of total revenue increased 100 basis points to 5.2% in 2018 as compared to 2017 as a result of all factors discussed above.

Reportable Segments Results of Operations

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

The discussion of segment results for the three and six months ended June 30, 2018 and 2017 presented below is 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. For additional information, including a reconciliation of non-GAAP financial measures, see Note 15, "Segment Information," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Our Commercial & Specialty Business, Government Business and Other segments' summarized results of operations for the three and six months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30		Six Months Ended June 30		Change			
					Three Months Ended June 30		Six Months Ended June 30	
					2018 vs. 2017		2018 vs. 2017	
	2018	2017	2018	2017	\$	%	\$	%
Commercial & Specialty Business								
Operating revenue	\$ 9,162.9	\$ 10,308.8	\$ 18,229.3	\$ 20,598.4	\$ (1,145.9)	(11.1)%	\$ (2,369.1)	(11.5)%
Operating gain	\$ 1,052.8	\$ 967.9	\$ 2,461.2	\$ 2,270.3	\$ 84.9	8.8 %	\$ 190.9	8.4 %
Operating margin	11.5%	9.4%	13.5%	11.0%		210 bp		250 bp
Government Business								
Operating revenue	\$ 13,543.0	\$11,883.4	\$ 26,805.4	\$ 23,909.1	\$ 1,659.6	14.0 %	\$ 2,896.3	12.1 %
Operating gain	\$ 537.4	\$ 293.3	\$ 1,028.3	\$ 611.9	\$ 244.1	83.2 %	\$ 416.4	68.1 %
Operating margin	4.0%	2.5%	3.8%	2.6%		150 bp		120 bp
Other								
Operating revenue ¹	\$ 8.9	\$ 5.8	\$ 22.4	\$ 10.0	\$ 3.1	53.4 %	\$ 12.4	124.0 %
Operating loss ²	\$ (31.2)	\$ (34.2)	\$ (62.6)	\$ (69.8)	\$ 3.0	(8.8)%	\$ 7.2	(10.3)%

¹ Fluctuations not material.

² Fluctuations are primarily a result of changes in unallocated corporate expenses.

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017

Commercial & Specialty Business

Operating revenue decreased \$1,145.9 , or 11.1% , to \$9,162.9 in 2018 , primarily due to a decrease in our Individual business membership resulting from our reduced participation in ACA-compliant marketplaces in various states and, to a lesser extent, membership declines in our Local Group fully-insured products. The decrease was partially offset by premium rate increases designed to cover overall cost trends and the impact of the HIP Fee reinstatement for 2018.

Operating gain increased \$84.9 , or 8.8% , to \$1,052.8 in 2018 , due to improved medical cost performance and the impact of the settlement accrual in 2017 for the litigation related to the 2015 cyber attack. These increases were partially offset by

the impact of our reduced participation in ACA-compliant marketplaces in various states and the increase in spend to support our growth initiatives.

The operating margin in 2018 was 11.5% , a 210 basis point increase over 2017 , primarily due to the factors discussed in the preceding two paragraphs.

Government Business

Operating revenue increased \$1,659.6 , or 14.0% , to \$13,543.0 in 2018 , due, in part, to membership growth in our Medicare business as result of our acquisitions of America's 1st Choice and HealthSun, and organic growth in existing markets. The increase was further due to new Medicaid business expansions, including in specialized service populations, and premium rate increases designed to cover overall cost trends and the HIP Fee reinstatement for 2018.

Operating gain increased \$244.1 , or 83.2% , to \$537.4 in 2018 , primarily due to the membership growth in our Medicare business discussed above. The increase was further due to retroactive premium adjustments recognized in various Medicaid markets and the impact of the HIP Fee reinstatement.

The operating margin in 2018 was 4.0% , a 150 basis point increase over 2017 , primarily due to the factors discussed in the preceding two paragraphs.

Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

Commercial & Specialty Business

Operating revenue decreased \$2,369.1 , or 11.5% , to \$18,229.3 in 2018 , primarily due to a decrease in our Individual business membership resulting from our reduced participation in ACA-compliant marketplaces in various states and, to a lesser extent, membership declines in our Local Group fully-insured products. The decrease was partially offset by premium rate increases designed to cover overall cost trends and the impact of the HIP Fee reinstatement for 2018.

Operating gain increased \$190.9 , or 8.4% , to \$2,461.2 in 2018 , primarily due to improved medical cost performance and the impact of the recognition of the Penn Treaty guaranty fund assessment and the settlement accrual for the litigation related to the 2015 cyber attack during the six months ended June 30, 2017. These increases were partially offset by the impact of our reduced participation in ACA-compliant marketplaces in various states and the increase in spend to support our growth initiatives.

The operating margin in 2018 was 13.5% , a 250 basis point increase over 2017 , primarily due to the factors discussed in the preceding two paragraphs.

Government Business

Operating revenue increased \$2,896.3 , or 12.1% , to \$26,805.4 in 2018 , due, in part, to membership growth in our Medicare business as a result of our acquisitions of America's 1st Choice and HealthSun, and organic growth in existing markets. The increase was further due to premium rate increases designed to cover overall cost trends and the HIP Fee reinstatement for 2018, and new Medicaid business expansions, including in specialized service populations. These increases were partially offset by membership declines in our Medicaid business resulting from certain state market contractions, new market participants and membership reverification processes.

Operating gain increased \$416.4 , or 68.1% , to \$1,028.3 in 2018 , primarily due to the membership growth in our Medicare business, discussed above. The increase was further due to the impact of the HIP Fee reinstatement and retroactive premium adjustments recognized in various Medicaid markets.

The operating margin in 2018 was 3.8% , a 120 basis point increase over 2017 , primarily due to the factors discussed in the preceding two paragraphs.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with GAAP. Application of GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes and within this MD&A. We consider our most important accounting policies that require significant estimates and management judgment to be those policies with respect to liabilities for medical claims payable, income taxes, goodwill and other intangible assets, investments and retirement benefits. Our accounting policies related to these items are discussed in our 2017 Annual Report on Form 10-K in Note 2, "Basis of Presentation and Significant Accounting Policies," to our audited consolidated financial statements as of and for the year ended December 31, 2017, as well as in the "Critical Accounting Policies and Estimates" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." As of June 30, 2018, with the exception of the recognition of changes in fair value of non-consolidated equity investments that is disclosed in the "Investments" section below and in Note 2, "Basis of Presentation and Significant Accounting Policies," of the notes to our consolidated financial statements included in Part I, Item 1 of this Form 10-Q, no other critical accounting policies and estimates have changed from those described in our 2017 Annual Report on Form 10-K.

Medical Claims Payable

The most subjective accounting estimate in our consolidated financial statements is our liability for medical claims payable. Our accounting policies related to medical claims payable are discussed in the references cited above. As of June 30, 2018, our critical accounting policies and estimates related to medical claims payable have not changed from those described in our 2017 Annual Report on Form 10-K. For a reconciliation of the beginning and ending balance for medical claims payable for the six months ended June 30, 2018 and 2017, see Note 9, "Medical Claims Payable," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

The following table provides a summary of the two key assumptions having the most significant impact on our incurred but not paid liability estimates for the six months ended June 30, 2018 and 2017, which are the trend and completion factors. These two key assumptions can be influenced by utilization levels, unit costs, mix of business, benefit plan designs, provider reimbursement levels, processing system conversions and changes, claim inventory levels, claim processing patterns, claim submission patterns and operational changes resulting from business combinations.

	Favorable Developments by Changes in Key Assumptions	
	Six Months Ended June 30	
	2018	2017
Assumed trend factors	\$ 474.3	\$ 585.5
Assumed completion factors	330.2	365.5
Total	\$ 804.5	\$ 951.0

The favorable development recognized in the six months ended June 30, 2018 and 2017 resulted primarily from trend factors in late 2017 and late 2016, respectively, developing more favorably than originally expected. Favorable development in the completion factors resulting from the latter parts of 2017 and 2016 developing faster than expected also contributed to the favorability.

The ratio of current year medical claims paid as a percent of current year net medical claims incurred was 81.0% and 80.0% for the six months ended June 30, 2018 and 2017, respectively. This ratio serves as an indicator of claims processing speed whereby claims were processed slightly faster during the six months ended 2018.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net medical claims payable less prior year redundancies in the current period in order to demonstrate the development of the prior year reserves. For the six months ended June 30, 2018, this metric was 11.4%, largely driven by favorable trend factor development at the end of 2017. For the six months ended June 30, 2017, this metric was 14.9%, largely driven by favorable trend factor development at the end of 2016.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net incurred medical claims to indicate the percentage of redundancy included in the preceding year calculation of current year net incurred medical claims. We believe this calculation supports the reasonableness of our prior year estimate of incurred medical claims and the consistency in our methodology. For the six months ended June 30, 2018, this metric was 1.1%, which was calculated using the redundancy of \$804.5. For the six months ended June 30, 2017, the comparable metric was 1.5%, which was calculated using the redundancy of \$951.0. We believe these metrics demonstrate a generally consistent level of reserve conservatism.

Investments

On January 1, 2018, we adopted Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, or ASU 2016-01. The amendments in ASU 2016-01 change the accounting for non-consolidated equity investments that are not accounted for under the equity method of accounting by requiring changes in fair value to be recognized in income. Additionally, ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values and requires entities to use the exit price when estimating the fair value of financial instruments. Upon adoption, we reclassified \$320.2 of unrealized gains on equity investments, net of tax, from accumulated other comprehensive loss to retained earnings on our consolidated balance sheet. Effective January 1, 2018, our results of operations include the changes in fair value of these financial instruments. There were no other changes to our accounting policy for investments, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017. For additional information, see Note 4 “Investments” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

New Accounting Pronouncements

For information regarding new accounting pronouncements that were adopted and new accounting pronouncements that were issued during the six months ended June 30, 2018, see the “*Recently Adopted Accounting Guidance*” and “*Recent Accounting Guidance Not Yet Adopted*” sections of Note 2, “Basis of Presentation and Significant Accounting Policies” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Liquidity and Capital Resources

Sources and Uses of Capital

Our cash receipts result primarily from premiums, administrative fees and other revenues, investment income, proceeds from the sale or maturity of our investment securities, proceeds from borrowings, and proceeds from the issuance of common stock, including through our employee stock plans. Cash disbursements result mainly from claims payments, administrative expenses, taxes, purchases of investment securities, interest expense, payments on borrowings, acquisitions, capital expenditures, repurchases of our debt securities and common stock and the payment of cash dividends. Cash outflows fluctuate with the amount and timing of settlement of these transactions. Any future decline in our profitability would likely have an unfavorable impact on our liquidity.

For a more detailed overview of our liquidity and capital resources management, see the “*Introduction*” section included in the “Liquidity and Capital Resources” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2017 Annual Report on Form 10-K.

For additional information regarding our sources and uses of capital during the three and six months ended June 30, 2018, see Note 5, “Derivative Financial Instruments,” Note 10, “Debt” and Note 12, “Capital Stock,” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Liquidity

The table below indicates the change in cash and cash equivalents for the six months ended June 30, 2018 and 2017 :

	Six Months Ended June 30	
	2018	2017
Cash flows provided by (used in):		
Operating activities	\$ 2,757.1	\$ 3,081.3
Investing activities	(1,344.2)	(2,268.8)
Financing activities	(339.4)	(329.5)
Effect of foreign exchange rates on cash and cash equivalents	(0.4)	2.9
Change in cash and cash equivalents	\$ 1,073.1	\$ 485.9

During the six months ended June 30, 2018 , net cash provided by operating activities was \$2,757.1 , compared to \$3,081.3 for the six months ended June 30, 2017 , a decrease of \$324.2 . This decrease was primarily attributable to increased spend to support growth initiatives; the impact of membership declines due to our reduced participation in ACA-compliant marketplaces in various states and declines in our fully-insured Local Group and Medicaid businesses; and higher incentive-based compensation payments. The decrease in cash provided by operating activities was partially offset by cash receipts related to rate increases across our businesses designed to cover overall cost trends and the impact of HIP Fee for 2018.

Net cash used in investing activities was \$1,344.2 during the six months ended June 30, 2018 , compared to \$2,268.8 during the six months ended June 30, 2017 . The decrease in cash used in investing activities of \$924.6 was primarily due to an increase in net proceeds from sales of investments. This decrease was partially offset by cash paid for acquisitions in 2018, and an increase in purchases of property and equipment.

Net cash used in financing activities was \$339.4 during the six months ended June 30, 2018 , compared to \$329.5 during the six months ended June 30, 2017 . The increase in cash used in financing activities of \$9.9 primarily resulted from an increase in net repayments of commercial paper borrowings, partially offset by the proceeds received from the issuance of our common stock under the Equity Units stock purchase contracts in May 2018 and an increase in net proceeds from long- and short-term borrowings.

Financial Condition

We maintained a strong financial condition and liquidity position, with consolidated cash, cash equivalents and investments in fixed maturity and equity securities of \$24,719.3 at June 30, 2018 . Since December 31, 2017 , total cash, cash equivalents and investments in fixed maturity and equity securities decreased by \$459.7 , primarily due to cash used for acquisitions, repurchases of our common stock, net repayments of commercial paper borrowings, purchases of property and equipment and cash dividends paid to shareholders, partially offset by the proceeds received from the issuance of our common stock under the Equity Units stock purchase contracts and cash generated from operations.

Many of our subsidiaries are subject to various government regulations that restrict the timing and amount of dividends and other distributions that may be paid to their respective parent companies. Certain accounting practices prescribed by insurance regulatory authorities, or statutory accounting practices, differ from GAAP. Changes that occur in statutory accounting practices or regulatory capital requirements, if any, could impact our subsidiaries' future dividend capacity. In addition, we have agreed to certain undertakings with regulatory authorities, including requirements to maintain certain capital levels in certain of our subsidiaries.

At June 30, 2018 , we held \$2,229.1 of cash and cash equivalents and investments at the parent company, which are available for general corporate use, including investment in our businesses, acquisitions, potential future common stock repurchases and dividends to shareholders, repurchases of debt securities and debt and interest payments.

Debt

On March 2, 2018 we remarketed our 1.900% subordinated notes due 2028, or RSNs, and used the proceeds to purchase U.S. Treasury securities that were pledged to secure the stock purchase obligations of the holders of 25.0 Equity Units we issued on May 12, 2015. The purchasers of the RSNs transferred the RSNs to us in exchange for \$1,250.0 principal amount of our 4.101% senior notes due 2028, or the 2028 Notes, and a cash payment of \$4.4. We cancelled the RSNs upon receipt and recognized a loss on extinguishment of debt of \$18.2. At the remarketing, we also issued \$850.0 aggregate principal amount of 4.550% notes due 2048, or the 2048 Notes, under our shelf registration statement. We used the proceeds from the 2048 Notes for working capital and general corporate purposes. Interest on the 2028 Notes and the 2048 Notes is payable on March 1 and September 1 of each year, commencing on September 1, 2018. We may redeem the 2048 Notes in whole at any time, or in part from time to time, and on or after May 1, 2020, we may redeem the 2028 Notes in whole at any time, or in part from time to time, at the applicable redemption prices. The 2028 Notes and the 2048 Notes are unsecured and unsubordinated obligations.

On July 16, 2018, we repaid, at maturity, the \$650.0 outstanding balance of our 2.300% senior unsecured notes. On January 15, 2018, we repaid, at maturity, the \$625.0 outstanding balance of our 1.875% senior unsecured notes.

We calculate our consolidated debt-to-capital ratio, a non-GAAP measure, from the amounts presented on our consolidated balance sheets included in Part I, Item 1 of this Form 10-Q. Our debt-to-capital ratio is calculated as the sum of short-term borrowings; plus current portion of long-term debt; plus long-term debt, less current portion; divided by the sum of short-term borrowings; plus current portion of long-term debt; plus long-term debt, less current portion; plus total shareholders' equity. We believe our debt-to-capital ratio assists investors and rating agencies in measuring our overall leverage and additional borrowing capacity. In addition, our bank covenants include a maximum debt-to-capital ratio that we did not exceed. Our debt-to-capital ratio may not be comparable to similarly titled measures reported by other companies. Our consolidated debt-to-capital ratio was 40.2% and 42.9% as of June 30, 2018 and December 31, 2017, respectively.

Our senior debt is rated "A" by S&P Global Ratings, "BBB" by Fitch Ratings, Inc., "Baa2" by Moody's Investor Service, Inc. and "bbb+" by AM Best Company, Inc. We intend to maintain our senior debt investment grade ratings. If our credit ratings are downgraded, our business, financial condition and results of operations could be adversely impacted by limitations on future borrowings and a potential increase in our borrowing costs.

For additional information relating to our borrowing activities, see Note 10, "Debt" to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Future Sources and Uses of Liquidity

We have a shelf registration statement on file with the U.S. Securities and Exchange Commission to register an unlimited amount of any combination of debt or equity securities in one or more offerings. Specific information regarding terms and securities being offered will be provided at the time of an offering. Proceeds from future offerings are expected to be used for general corporate purposes, including, but not limited to, the repayment of debt, investments in or extensions of credit to our subsidiaries and the financing of possible acquisitions or business expansions.

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

For additional information regarding our sources and uses of capital at June 30, 2018, see Note 4, "Investments," Note 5, "Derivative Financial Instruments," Note 10, "Debt" and the "Use of Capital—Dividends and Stock Repurchase Program" section of Note 12, "Capital Stock" to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

For additional information regarding our future sources and uses of liquidity, see "Future Sources and Uses of Liquidity" included in the "Liquidity and Capital Resources" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2017 Annual Report on Form 10-K.

Contractual Obligations and Commitments

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

There have been no material changes to our Contractual Obligations and Commitments disclosure in our 2017 Annual Report on Form 10-K other than a decrease in borrowings of commercial paper, the repayment of long-term senior unsecured notes upon maturity in January and July 2018, the remarketing of the RSNs, the issuance of the 2028 Notes and the 2048 Notes, and the issuance of our common stock under the Equity Units stock purchase contracts. For additional information regarding our estimated contractual obligations and commitments, see Note 5, “Derivative Financial Instruments;” Note 10, “Debt;” and the “*Other Contingencies*” and “*Contractual Obligations and Commitments*” sections of Note 11, “Commitments and Contingencies,” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Risk-Based Capital

Our regulated subsidiaries’ states of domicile have statutory risk-based capital, or RBC, requirements for health and other insurance companies and health maintenance organizations largely based on the National Association of Insurance Commissioners, or NAIC, RBC Model Act. These RBC requirements are intended to measure capital adequacy, taking into account the risk characteristics of an insurer’s investments and products. The NAIC sets forth the formula for calculating the RBC requirements, which are designed to take into account asset risks, insurance risks, interest rate risks and other relevant risks with respect to an individual insurance company’s business. In general, under the RBC Model Act, an insurance company must submit a report of its RBC level to the state insurance department or insurance commissioner, as appropriate, at the end of each calendar year. Our regulated subsidiaries’ respective RBC levels as of December 31, 2017, which was the most recent date for which reporting was required, were in excess of all mandatory RBC requirements. In addition to exceeding the RBC requirements, we are in compliance with the liquidity and capital requirements for a licensee of the BCBSA and with the tangible net equity requirements applicable to certain of our California subsidiaries.

For additional information, see Note 21, “Statutory Information,” in our audited consolidated financial statements as of and for the year ended December 31, 2017 included in our 2017 Annual Report on Form 10-K.

Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect our views about future events and financial performance and are generally not historical facts. Words such as “expect,” “feel,” “believe,” “will,” “may,” “should,” “anticipate,” “intend,” “estimate,” “project,” “forecast,” “plan” 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 our control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking statements. 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 risks and other disclosures discussed in our reports filed with the U.S. Securities and Exchange Commission from time to time, which attempt to advise interested parties of the factors that affect our business. Except to the extent otherwise required by federal securities laws, we do not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof. These risks and uncertainties include, but are not limited to: the impact of federal and state regulation, including ongoing changes in the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, as amended, or collectively the ACA; trends in healthcare costs and utilization rates; our ability to contract with providers on cost-effective and competitive terms; our ability to secure sufficient premium rates including regulatory approval for and implementation of such rates; reduced enrollment; risks and uncertainties regarding Medicare and Medicaid programs, including those related to non-compliance with the complex regulations imposed thereon, our ability to maintain and achieve improvement in Centers for Medicare and Medicaid Services, or CMS, Star ratings and other quality scores and funding risks with respect to revenue received from participation therein; competitive pressures, including competitor pricing, which could affect our ability to maintain or increase our market share; a negative change in our healthcare product mix; our ability to adapt to changes in the industry and develop and implement strategic growth opportunities; costs and other liabilities associated with litigation, government investigations, audits or reviews; the ultimate outcome of litigation between Cigna Corporation, or Cigna, and us related to the merger agreement between the parties, including our claim for damages against Cigna, Cigna's claim for payment of a termination fee and other damages against us, and the potential for such litigation to cause us to incur substantial costs, materially distract management and negatively impact our reputation and financial positions; medical malpractice or professional liability claims or other risks related to healthcare services provided by our subsidiaries; possible restrictions in the payment of dividends by our subsidiaries and increases in required minimum levels of capital; the potential negative effect from our substantial amount of outstanding indebtedness; a downgrade in our financial strength ratings; the effects of any negative publicity related to the health benefits industry in general or us in particular; unauthorized disclosure of member or employee sensitive or confidential information, including the impact and outcome of any investigations, inquiries, claims and litigation related thereto; failure to effectively maintain and modernize our information systems; non-compliance by any party with the Express Scripts, Inc. pharmacy benefit management services agreement, which could result in financial penalties, our inability to meet customer demands, and sanctions imposed by governmental entities, including CMS; state guaranty fund assessments for insolvent insurers; events that may negatively affect our licenses with the Blue Cross and Blue Shield Association; regional concentrations of our business and future public health epidemics and catastrophes; general risks associated with mergers, acquisitions and strategic alliances; our ability to repurchase shares of our common stock and pay dividends on our common stock due to the adequacy of our cash flow and earnings and other considerations; possible impairment of the value of our intangible assets if future results do not adequately support goodwill and other intangible assets; changes in economic and market conditions, as well as regulations that may negatively affect our liquidity and investment portfolios; changes in U.S. tax laws; intense competition to attract and retain employees; various laws and provisions in our governing documents that may prevent or discourage takeovers and business combinations; and general economic downturns.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our market risks, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” included in our 2017 Annual Report on Form 10-K. There have been no material changes to any of these risks since December 31, 2017 .

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation as of June 30, 2018 , under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be disclosed in our reports under the Exchange Act. In addition, based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

There have been no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings at June 30, 2018 , see the “ *Litigation and Regulatory Proceedings*, ” and “ *Other Contingencies* ” sections of Note 11, “Commitments and Contingencies” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our 2017 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

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

Period	Total Number of Shares Purchased ¹	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs ²	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
<i>(in millions, except share and per share data)</i>				
April 1, 2018 to April 30, 2018	764,065	\$ 225.61	760,600	\$ 6,611.8
May 1, 2018 to May 31, 2018	502,883	230.89	501,653	6,496.0
June 1, 2018 to June 30, 2018	484,865	234.98	479,800	6,383.2
	<u>1,751,813</u>		<u>1,742,053</u>	

- ¹ Total number of shares purchased includes 9,760 shares delivered to or withheld by us in connection with employee payroll tax withholding upon exercise or vesting of stock awards. Stock grants to employees and directors and stock issued for stock option plans and stock purchase plans in the consolidated statements of shareholders' equity are shown net of these shares purchased.
- ² Represents the number of shares repurchased through the common stock repurchase program authorized by our Board of Directors, which the Board of Directors evaluates periodically. During the three months ended June 30, 2018, we repurchased 1,742,053 shares at a cost of \$400.2 under the program, including the cost of options to purchase shares. The Board of Directors has authorized our common stock repurchase program since 2003. The Board of Director's most recent authorized increase to the program was \$5,000.0 on December 7, 2017. Between July 1, 2018 and July 12, 2018, we repurchased 198,800 shares at a cost of \$47.9, bringing our current availability to \$6,335.3 at July 12, 2018. No duration has been placed on our common stock repurchase program, and we reserve the right to discontinue the program at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit</u>
3.1	<u>Amended and Restated Articles of Incorporation of the Company, as amended and restated effective May 16, 2018, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 16, 2018.</u>
3.2	<u>Bylaws of the Company, as amended effective May 16, 2018, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 16, 2018.</u>
4.8	Upon the request of the U.S. Securities and Exchange Commission, the Company will furnish copies of any other instruments defining the rights of holders of long-term debt of the Company or its subsidiaries.
10.2	* (h) <u>Form of Incentive Compensation Plan Nonqualified Stock Option Award Agreement commencing July 2018.</u>
	* (i) <u>Form of Incentive Compensation Plan Restricted Stock Unit Award Agreement commencing July 2018.</u>
	* (j) <u>Form of Incentive Compensation Plan Performance Stock Unit Award Agreement commencing July 2018.</u>
10.9	* (d) <u>Form of Employment Agreement between the Company and Felicia F. Norwood.</u>
31.1	<u>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.</u>
31.2	<u>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.</u>
32.1	<u>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.</u>
32.2	<u>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.</u>
101	The following material from Anthem, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Shareholders' Equity; and (vi) Notes to Consolidated Financial Statements.
*	Indicates management contracts or compensatory plans or arrangements.

SIGNATURES

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

ANTHEM, INC.

Registrant

Date: July 25, 2018

By: / S / J OHN E. G ALLINA

John E. Gallina
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Date: July 25, 2018

By: / S / R ONALD W. P ENCZEK

Ronald W. Penczek
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Schedule A

Notice of Option Grant

Participant: [●]

Company: Anthem, Inc.

Notice: You have been granted the following nonqualified stock option to purchase shares of common stock of the Company in accordance with the terms of the Plan and the attached Nonqualified Stock Option Award Agreement.

Plan: 2017 Anthem Incentive Compensation Plan

Grant: Grant Date: [●]
Option Price per Share: \$[●]
Number of Shares under Option: [●]

Exercisability: Subject to the terms of the Plan and this Agreement, your Option will become exercisable on and after the dates indicated below as to the number of Shares set forth below opposite each such date, plus any Shares as to which your Option could have been exercised previously but was not so exercised.

Shares	Date

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

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

Acceptance: In order to accept your Options, you must electronically accept this Agreement through the Company's broker at any time within ninety (90) days after the Grant Date. To effect your acceptance, please follow the instructions included with your grant materials. Acceptance of the Agreement includes acceptance of the terms and conditions of the Plan. If you do not timely and electronically accept this Agreement, this Agreement will be null and void as of the 90th day after the Grant Date and you will have no right or claim to the Options described above.

Nonqualified Stock Option Award Agreement

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

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

2. Method of Exercise of the Option.

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

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

3. Termination. The Option shall terminate upon the Participant’s Termination for any reason and no Shares may thereafter be purchased under the Option except as provided below. Notwithstanding anything contained in this Agreement, (i) a Participant who is in a position of Vice President or above must give at least 30 days advance written notice of his Termination due to resignation (including Retirement) in order for the Participant to exercise the Option for any period that may apply below and (ii) in no event shall the Option be exercisable after the Expiration Date. If less than 30 days advance written notice is given, the Option shall be immediately canceled, including the portion of the Option that is otherwise exercisable.

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

¹ This retirement provision is deleted in non-annual retention grants.

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

(c) *Termination without Cause.* Unless Sections 3(a) or 3(e) are applicable, if the Participant's Termination is by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of "conduct" as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the "Agreement Plan"), the Key Associate Agreement or the Key Sales Associate Agreement also as defined in that plan or agreement) or voluntarily by the Participant, the following shall apply:

(i) Unless clause (ii) applies, the Option, to the extent fully exercisable as of the date of such Termination, shall thereafter only be exercisable for a period of ninety (90) days from the date of such Termination, but not later than the Expiration Date noted on the attached Schedule A.

(ii) If the Participant is receiving severance under the Agreement Plan, the Anthem Supplemental Unemployment Benefit Plan, the Anthem Excess Termination Benefit Plan, the Key Associate Agreement or the Key Sales Associate Agreement and any portion of the Option remains unexercisable as of the Participant's Termination, the Option shall continue to become exercisable through the earlier of (A) the last day of the period for which the Participant is receiving severance or (B) the last day of the schedule set forth in the Grant Notice. The Option shall be exercisable for a period of ninety (90) days from the date the severance period ends, but not later than the Expiration Date noted on the attached Schedule A.

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

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

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

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

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

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

7. Restrictive Covenants. As a condition to receipt of the Option Grant made under this Agreement, the Participant agrees as follows:

(a) *Confidentiality.*

(i) The Participant recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). The Participant expressly acknowledges and agrees that by virtue of his/her employment with the Company, the Participant will have access and will use in the course of the Participant's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that the Participant establishes by clear and convincing evidence is or may become known to the Participant or to the public from sources outside the Company and through means other than a breach of this Agreement. Notwithstanding the foregoing, in accordance with the Defend Trade Secrets Act of 2016, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to his/her attorney and use the trade secret information in the court proceeding if the Participant (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(ii) The Participant agrees that the Participant will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (A) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (B) remove, copy, duplicate

or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform the Participant's duties for the Company or its affiliates; or (C) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, the Participant shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information. Provided, however, nothing in this Agreement prohibits or limits the Participant from (i) reporting possible violations of federal securities law or regulation to any governmental agency or entity or (ii) receiving a monetary award from the governmental agency or entity for the information reported.

(b) *Non-Competition*. During any period in which the Participant is employed by the Company, and during a period of time after the Participant's termination of employment (the "Restriction Period") which is (i) twenty-four (24) months for Executive Vice Presidents, (ii) fifteen (15) months for Senior Vice Presidents who became a participant in the Agreement Plan before August 6, 2013, and (iii) the greater of the period of severance or twelve (12) months for all other Participants, the Participant will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) similar to the services in which Participant performed for the Company in the last twenty-four (24) months of Participant's employment with Company, or (B) in which the Participant will use any Confidential Information of the Company.

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

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

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

(c) *Non-Solicitation of Customers*. During any period in which the Participant is employed by the Company, and during the Restriction Period after the Participant's termination of employment, the Participant will not, either individually or as an employee, partner, consultant, independent contractor, owner, agent, or in any other capacity, directly or indirectly, for a Competitor of the Company as defined in subsection (b) above: (i) solicit business from any client or account of the Company or any of its affiliates with which the Participant had contact, participated in the contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment with the Company, (ii) solicit business from any client or account which was pursued by the Company or any of its affiliates and with which the Participant had contact, or responsibility for, or about which the Participant had knowledge of Confidential Information by reason of the Participant's employment

with the Company, within the twelve (12) month period prior to termination of employment. For purposes of this provision, an individual policyholder in a plan maintained by the Company or by a client or account of the Company under which individual policies are issued, or a certificate holder in such plan under which group policies are issued, shall not be considered a client or account subject to this restriction solely by reason of being such a policyholder or certificate holder.

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

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

8. Return of Consideration.

(a) If at any time a Participant breaches any provision of Section 7 or Section 11 then: (i) all unexercised Company stock options under any Designated Plan (defined below) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (ii) the Participant shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iii) the Participant shall pay to the Company (A) for each share of common stock of the Company ("Common Share") acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each share of restricted stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 8 shall be held by the Participant in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by the Participant to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested, as the case may be, to the date of payment, at 120% of the applicable six month short-term AFR. Any amount described in clauses (i) and (ii) that the Participant forfeits as a result of a breach of the provisions of Sections 7 or 11 shall not reduce any money damages that would be payable to the Company as compensation for such breach.

(b) The amount to be repaid pursuant to this Section 8 shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such amount against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code).

(c) For purposes of this Section 8, a "Designated Plan" is each stock option, restricted stock, or other equity compensation or long-term incentive compensation plan.

9. Equitable Relief and Other Remedies. As a condition to this Agreement:

(a) The Participant acknowledges that each of the provisions of Section 7 and 8 of the Plan are reasonable and necessary to preserve the legitimate business interests of the Company, its present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in the Participant's chosen business and are not an undue restraint on the trade of the Participant, or any of the public interests which may be involved.

(b) The Participant agrees that beyond the amounts otherwise to be provided under the Plan and this Agreement, the Company will be damaged by a violation of the terms of this Agreement and the amount of such damage may be difficult to measure. The Participant agrees that if the Participant commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 7 or 11 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefor, except as required by law, in addition to any other rights and remedies that may be available at law or under this Agreement, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, if the Participant violates Section 7 hereof the Participant agrees that the period of violation shall be added to the period in which the Participant's activities are restricted.

(c) Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent a Participant residing in California from engaging in post termination competition in California under Section 7(b) or (c) of this Agreement, provided that the Company may seek and obtain relief to enforce Section 8 of this Agreement with respect to such Participants.

(d) The parties agree that the covenants contained herein are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company's rights under Section 8 should be enforced to the fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided therein or if the arbitrator or court deems equitable relief to be inappropriate.

10. Survival of Provisions. The obligations contained in Sections 7, 8, 9 and Section 11 shall survive the Termination of the Participant's employment with the Company and shall be fully enforceable thereafter.

11. Cooperation. Upon the receipt of reasonable notice from the Company (including from outside counsel to the Company), the Participant agrees that while employed by the Company and for two years (or, if longer, for so long as any claim referred to in this Section remains pending) after the termination of Participant's employment for any reason, the Participant will respond and provide information with regard to matters in which the Participant has knowledge as a result of the Participant's employment with the Company, and will provide reasonable assistance to the Company, its affiliates and their respective representatives in defense of any claims that may be made against the Company or its affiliates, and will assist the Company and its affiliates in the prosecution of any claims that may be made by the Company or its affiliates, to the extent that such claims may relate to the period of the Participant's employment with the Company (or any predecessor); provided, that with respect to periods after the termination of the Participant's employment, the Company shall reimburse the Participant for any out-of-pocket expenses incurred in providing such assistance and if the Participant is required to provide more than ten (10) hours of assistance per week after his termination of employment then the Company shall pay the Participant a reasonable amount of money for his services at a rate agreed to between the Company and the Participant; and provided further that after the Participant's termination of employment with the Company such assistance shall not unreasonably interfere with the Participant's business or personal obligations. The Participant agrees to promptly inform the Company if the Participant becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its affiliates. The Participant also agrees to promptly inform the Company (to the extent the Participant is legally permitted to do so) if the Participant is asked to assist in any investigation of the Company or its affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its affiliates with respect to such investigation, and shall not do so unless legally required. Provided, however, the Participant is not required to inform the Company of any investigation by a governmental agency or entity resulting from the reporting of possible violations of federal securities law or regulation to any governmental agency or entity, and the Participant may participate in such investigation, without informing the Company.

12. No Right to Continued Employment. Neither the Option nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employment or service

of the Company or any Affiliate for any period, nor restrict in any way the right of the Company, which right is hereby expressly reserved, to terminate the Participant's employment or service at any time with or without Cause. The Participant acknowledges and agrees that any right to exercise the Option is earned only by continuing as an employee of the Company or an Affiliate at the will of the Company or such Affiliate, or satisfaction of any other applicable terms and conditions contained in the Plan and this Agreement, and not through the act of being hired, being granted the Option or acquiring Shares hereunder.

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

14. Compliance with Laws and Regulations.

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

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

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

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

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

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

ANTHEM, INC.

By: _____
Printed: Lewis Hay III

Its: Chair, Compensation Committee of the

Board of Directors

Schedule A
Notice of Restricted Stock Unit Grant

Participant: [●]

Company: Anthem, Inc.

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

Plan: 2017 Anthem Incentive Compensation Plan

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

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

Shares	Lapse Date

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

Acceptance: In order to accept your Restricted Stock Units, you must electronically accept this Agreement through the Company’s broker at any time within ninety (90) days after the Grant Date. To effect your acceptance, please follow the instructions included with your grant materials. Acceptance of the Agreement includes acceptance of the terms and conditions of the Plan. If you do not timely and electronically accept this Agreement, this Agreement will be null and void as of the 90th day after the Grant Date and you will have no right or claim to the Restricted Stock Units described above.

Restricted Stock Unit Award Agreement

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

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

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

3. Termination.

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

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

(c) Without Cause. If the Participant’s Termination is by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of “conduct” as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the “Agreement Plan”), the Key Associate Agreement or the Key Sales Associate Agreement also as defined in that plan or agreement) and the Participant is receiving severance under the Agreement Plan, the Anthem Supplemental Unemployment Benefit Plan, the Anthem Excess Termination Benefit Plan, the Key Associate Agreement or the Key Sales Associate Agreement and any portion of the Period of Restriction has not lapsed as of the Participant’s Termination, the Period of Restriction shall continue to lapse through the earlier of (A) the last day of the period for which the Participant is receiving severance or (B) the last Lapse Date in the schedule set forth in the Grant Notice.

¹ This retirement provision is deleted in non-annual retention grants.

(d) *Other Terminations*. Unless Section 3(c) applies, if the Participant's Termination is by the Company or an Affiliate or by the Participant for any reason other than death, Disability or Retirement, then all Restricted Stock Units for which the Period of Restriction had not lapsed prior to the date of such Termination shall be immediately forfeited.

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

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

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

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

7. Restrictive Covenants. As a condition to receipt of the Restricted Stock Unit Grant made under this Agreement and/or award of vested Restricted Stock Units, the Participant agrees as follows:

(a) *Confidentiality.*

(i) The Participant recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). The Participant expressly acknowledges and agrees that by virtue of his/her employment with the Company, the Participant will have access and will use in the course of the Participant's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that the Participant establishes by clear and convincing evidence is or may become known to the Participant or to the public from sources outside the Company and through means other than a breach of this Agreement. Notwithstanding the foregoing, in accordance with the Defend Trade Secrets Act of 2016, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to his/her attorney and use the trade secret information in the court proceeding if the Participant (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(ii) The Participant agrees that the Participant will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (A) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (B) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform the Participant's duties for the Company or its affiliates; or (C) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, the Participant shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information. Provided, however, nothing in this Agreement prohibits or limits the Participant from (i) reporting possible violations of federal securities law or regulation to any governmental agency or entity or (ii) receiving a monetary award from the governmental agency or entity for the information reported.

(b) *Non-Competition.* During any period in which the Participant is employed by the Company, and during a period of time after the Participant's termination of employment (the "Restriction Period") which is (i) twenty-four (24) months for Executive Vice Presidents, (ii) fifteen (15) months for Senior Vice Presidents who became a participant in the Agreement Plan before August 6, 2013, and (iii) the greater of the period of severance or twelve (12) months for all other Participants, the Participant will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) similar to the services in which Participant performed for the Company in the last twenty-

four (24) months of Participant's employment with Company, or (B) in which the Participant will use any Confidential Information of the Company.

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

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

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

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

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

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

8. Return of Consideration.

(a) If at any time a Participant breaches any provision of Section 7 or Section 11 then: (i) all unexercised Company stock options under any Designated Plan (defined below) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (ii) the Participant shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iii) the Participant shall pay to the Company (A) for each share of common stock of the Company (“Common Share”) acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each share of restricted stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 8 shall be held by the Participant in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by the Participant to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested, as the case may be, to the date of payment, at 120% of the applicable six month short-term AFR. Any amount described in clauses (i) and (ii) that the Participant forfeits as a result of a breach of the provisions of Sections 7 or 11 shall not reduce any money damages that would be payable to the Company as compensation for such breach.

(b) The amount to be repaid pursuant to this Section 8 shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such amount against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code).

(c) For purposes of this Section 8, a “Designated Plan” is each stock option, restricted stock, or other equity compensation or long-term incentive compensation plan.

9. Equitable Relief and Other Remedies. As a condition to this Agreement:

(a) The Participant acknowledges that each of the provisions of Section 7 and 8 of the Plan are reasonable and necessary to preserve the legitimate business interests of the Company, its present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in the Participant’s chosen business and are not an undue restraint on the trade of the Participant, or any of the public interests which may be involved.

(b) The Participant agrees that beyond the amounts otherwise to be provided under the Plan and this Agreement, the Company will be damaged by a violation of the terms of this Agreement and the amount of such damage may be difficult to measure. The Participant agrees that if the Participant commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 7 or 11 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefor, except as required by law, in addition to any other rights and remedies that may be available at law or under this Agreement, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, if the Participant violates Section 7 hereof the Participant agrees that the period of violation shall be added to the period in which the Participant’s activities are restricted.

(c) Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent a Participant residing in California from engaging in post termination competition in California under Section 7(b) or (c) of this Agreement, provided that the Company may seek and obtain relief to enforce Section 8 of this Agreement with respect to such Participants.

(d) The parties agree that the covenants contained herein are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company’s rights under Section 8 should be enforced to the fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided therein or if the arbitrator or court deems equitable relief to be inappropriate.

10. Survival of Provisions. The obligations contained in Sections 7, 8, 9 and Section 11 shall survive the Termination of the Participant's employment with the Company and shall be fully enforceable thereafter.

11. Cooperation. Upon the receipt of reasonable notice from the Company (including from outside counsel to the Company), the Participant agrees that while employed by the Company and for two years (or, if longer, for so long as any claim referred to in this Section remains pending) after the termination of Participant's employment for any reason, the Participant will respond and provide information with regard to matters in which the Participant has knowledge as a result of the Participant's employment with the Company, and will provide reasonable assistance to the Company, its affiliates and their respective representatives in defense of any claims that may be made against the Company or its affiliates, and will assist the Company and its affiliates in the prosecution of any claims that may be made by the Company or its affiliates, to the extent that such claims may relate to the period of the Participant's employment with the Company (or any predecessor); provided, that with respect to periods after the termination of the Participant's employment, the Company shall reimburse the Participant for any out-of-pocket expenses incurred in providing such assistance and if the Participant is required to provide more than ten (10) hours of assistance per week after his termination of employment then the Company shall pay the Participant a reasonable amount of money for his services at a rate agreed to between the Company and the Participant; and provided further that after the Participant's termination of employment with the Company such assistance shall not unreasonably interfere with the Participant's business or personal obligations. The Participant agrees to promptly inform the Company if the Participant becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its affiliates. The Participant also agrees to promptly inform the Company (to the extent the Participant is legally permitted to do so) if the Participant is asked to assist in any investigation of the Company or its affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its affiliates with respect to such investigation, and shall not do so unless legally required. Provided, however, the Participant is not required to inform the Company of any investigation by a governmental agency or entity resulting from the reporting of possible violations of federal securities law or regulation to any governmental agency or entity, and the Participant may participate in such investigation, without informing the Company.

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

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

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

15. Compliance with Laws and Regulations.

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

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

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

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

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

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

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

ANTHEM, INC.

By: Printed: Lewis Hay III
Its: Chair, Compensation Committee of the Board of Directors

Schedule A

Notice of Performance Stock Unit Grant

Participant: [●]

Company: Anthem, Inc.

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

Plan: 2017 Anthem Incentive Compensation Plan

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

Performance Period: The Performance Period is the three calendar year period that begins on the January 1 of the calendar year that includes the Grant Date. Subject to achievement of the performance measures described below, the number of your Performance Stock Units listed in the “Shares” column, and any related Dividend Equivalents shall vest on the date listed in the “Vesting Date” column. Unless otherwise provided in the Agreement, you must be employed on the Vesting Date to receive any Performance Stock Units payable under the Agreement. Achievement of the performance measures described below may increase or decrease the total number of Performance Stock Units covered by the Grant and any related Dividend Equivalents that vest on the Vesting Date.

Shares	Vesting Date

Achievement of the following performance measures must be approved by the Compensation Committee of the Board of Directors of Anthem, Inc. There are two performance scales, which together provide you an opportunity to earn up to [●] % of the number of Performance Stock Units originally covered by the Grant. The first performance scale is the “Operating Revenue Scale” and the second performance scale is the “Adjusted Net Income Scale.”

Operating Revenue Scale: For the Cumulative Operating Revenue performance measure, you will earn between 0% and [●]% (share amounts will be interpolated) of the number of Performance Stock Units originally covered by the Grant. The total number of Performance Stock Units, as adjusted for achievement of the Operating Revenue performance measure, will vest on the date listed in the Vesting Date column above. If achievement of any performance measure results in a number of shares awarded that is more or less than 25%, then the number of Dividend Equivalents payable upon the Vesting Date shall be adjusted accordingly.

	Threshold	Target	Maximum
Cumulative Operating Revenue (2018-2020)			
Percent of Shares Vesting			

Adjusted Net Income Scale:

For the Cumulative Net Income performance measure, you will earn between 0% and [•]% (share amounts will be interpolated) of the number of Performance Stock Units originally covered by the Grant. The total number of Performance Stock Units, as adjusted for achievement of the Adjusted Net Income performance measure, will vest on the date listed in the Vesting Date column above. If achievement of any performance measure results in a number of shares awarded that is more or less than 75%, then the number of Dividend Equivalents payable upon the Vesting Date shall be adjusted accordingly.

	Threshold	Target	Maximum
Cumulative Adjusted Net Income (2018-2020)			
Percent of Shares Vesting			

In the event that a Change of Control (as defined in the Plan) occurs before the end of the Performance Period, the Compensation Committee of the Board of Directors of Anthem, Inc. will determine the extent to which the performance measures described above have been achieved as of the date of the Change of Control, and the number of Performance Stock Units earned will be based on such level of achievement. If the successor company does not assume the Performance Stock Unit Grant, the number of earned Performance Stock Units as so determined shall immediately vest upon the Change of Control and the Shares covered by the award shall be immediately delivered upon the Change of Control, provided that in the event that the Performance Stock Units are deferred compensation within the meaning of Code Section 409A, such Stock Units shall only be delivered upon the Change of Control if such Change of Control is a “change in control event” within the meaning of Code Section 409A and the delivery is made in accordance with Treasury Regulation 1.409A-3(j)(ix).

If the successor does assume the Performance Stock Unit Grant and your employment continues with the successor, the number of earned Performance Stock Units as so determined will be paid on the Vesting Date, provided that you continue to be employed through the Vesting Date (subject to earlier payment on a termination without Cause, Good Reason (or due to Retirement), or by reason of death or Disability as provided in the Award Agreement).

Acceptance:

In order to accept your Performance Stock Units, you must electronically accept this Agreement through the Company’s broker at any time within ninety (90) days after the Grant Date. To effect your acceptance, please follow the instructions included with your grant materials. Acceptance of the Agreement includes acceptance of the terms and conditions of the Plan. If you do not timely and electronically accept this Agreement, this Agreement will be null and void as of the 90th day after the Grant Date and you will have no right or claim to the Performance Stock Units described above.

Performance Stock Unit Award Agreement

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

1. Performance Period. The Performance Period with respect to the Performance Stock Units shall be as set forth in the Grant Notice (the “Performance Period”). The Participant acknowledges that the Performance Stock Units may not be sold, transferred, pledged, assigned, encumbered, alienated, hypothecated or otherwise disposed of (whether voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy)). Upon the completion of the applicable portion of the Performance Period and subject to the performance measure described in the attached Grant Notice, the restrictions set forth in this Agreement with respect to the Performance Stock Units theretofore subject to such completed Performance Period shall lapse and the Shares covered by the related portion of the award shall be immediately delivered, except as may be provided in accordance with Sections 8 and 15 hereof.

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

3. Termination.

(a) *Retirement*. If the Participant’s Termination is due to Retirement (for purposes of this Agreement, defined as the Participant’s Termination after attaining age fifty-five (55) with at least ten (10) completed years of service) or after attaining age sixty-five (65), the Participant shall become vested in a prorata number of Performance Stock Units based on actual achievement of the performance measures set forth on the Grant Notice. For purposes of the preceding, the prorata number of the Performance Stock Units shall be equal to (i) the number of Performance Stock Units set forth in the Grant Notice, adjusted for actual achievement of performance measures, plus any Dividend Equivalents multiplied by (ii) a fraction, the numerator of which shall be the number of full calendar months the Participant is employed with the Company during the Measurement Period and the denominator of which shall be 36 calendar months. For purposes of the Agreement, the Measurement Period is (A) the same as the Performance Period for a Participant employed on the first day of the Performance Period, and (B) the 36 month period beginning on the Grant Date for all other Participants. The shares covered by the related portion of the award shall be delivered upon the applicable Vesting Date.¹

(b) *Death and Disability*. If the Participant’s Termination is due to death or Disability (for purposes of this Agreement, as defined in the applicable Anthem Long-Term Disability Plan), then the Performance Period shall immediately lapse, causing any restrictions which would otherwise remain on the Performance Stock Units to immediately lapse, and 100% of the Shares covered by the award shall be immediately delivered.

(c) *Without Cause*. If the Participant’s Termination is by the Company or an Affiliate without Cause (for purposes of this Agreement, defined as a violation of “conduct” as such term is defined in the Anthem HR Corrective Action Policy and if the Participant participates in the Anthem, Inc. Executive Agreement Plan (the “Agreement Plan”), the Key Associate Agreement, or the Key Sales Associate Agreement also as defined in that plan or agreement), the Participant shall become vested in a prorata number of Performance Stock Units based on actual achievement of the performance measures set forth on the Grant Notice. For purposes of the preceding, the prorata number of the Performance Stock Units shall be equal to (i) the number of Performance Stock Units set forth in the Grant Notice, adjusted for actual achievement of performance measures, plus any Dividend Equivalents multiplied by (ii) a fraction, the numerator of which shall be the number of full calendar months elapsed from the first day of the Measurement Period through the Participant’s date of Termination and the denominator of which shall be 36 calendar months. The shares covered by the related portion of the award shall be delivered upon the applicable Vesting Date.

¹ This retirement provision is deleted in non-annual retention grants.

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

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

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

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

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

7. Restrictive Covenants. As a condition to receipt of the Performance Stock Unit Grant made under this Agreement and/or award of vested Performance Stock Units, the Participant agrees as follows:

(a) *Confidentiality*.

(i) The Participant recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). The Participant expressly acknowledges and agrees that by virtue of his/her employment with the Company, the Participant will have access and will use in the course of the Participant's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that the Participant establishes by clear and convincing evidence is or may become known to the Participant or to the public from sources outside the Company and through means other than a breach of this Agreement. Notwithstanding the foregoing, in accordance with the Defend Trade Secrets Act of 2016, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the Company's trade secrets to his/her attorney and use the trade secret information in the court proceeding if the Participant (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(ii) The Participant agrees that the Participant will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (A) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (B) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform the Participant's duties for the Company or its affiliates; or (C) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, the Participant shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information. Provided, however, nothing in this Agreement prohibits or limits the Participant from (i) reporting possible violations of federal securities law or regulation to any governmental agency or entity or (ii) receiving a monetary award from the governmental agency or entity for the information reported.

(b) *Non-Competition*. During any period in which the Participant is employed by the Company, and during a period of time after the Participant's termination of employment (the "Restriction Period") which is (i) twenty-four (24) months for Executive Vice Presidents, (ii) fifteen (15) months for Senior Vice Presidents who became a participant in the Agreement Plan before August 6, 2013, and (iii) the greater of the period of severance or twelve (12) months for all other Participants, the Participant will not, without prior written consent

of the Company, directly or indirectly seek or obtain a Competitive Position in a Restricted Territory and perform a Restricted Activity with a Competitor, as those terms are defined herein.

(i) Competitive Position means any employment or performance of services with a Competitor (A) similar to the services in which Participant performed for the Company in the last twenty-four (24) months of Participant's employment with Company, or (B) in which the Participant will use any Confidential Information of the Company.

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

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

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

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

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

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

8. Return of Consideration.

(a) If at any time a Participant breaches any provision of Section 7 or Section 11 then: (i) all unexercised Company stock options under any Designated Plan (defined below) whether or not otherwise vested shall cease to be exercisable and shall immediately terminate; (ii) the Participant shall forfeit any outstanding restricted stock or other outstanding equity award made under any Designated Plan and not otherwise vested on the date of breach; and (iii) the Participant shall pay to the Company (A) for each share of common stock of the Company ("Common Share") acquired on exercise of an option under a Designated Plan within the 24 months prior to such breach, the excess of the fair market value of a Common Share on the date of exercise over the exercise price, and (B) for each share of restricted stock that became vested under any Designated Plan within the 24 months prior to such breach, the fair market value (on the date of vesting) of a Common Share. Any amount to be repaid pursuant to this Section 8 shall be held by the Participant in constructive trust for the benefit of the Company and shall, upon written notice from the Company, within 10 days of such notice, be paid by the Participant to the Company with interest from the date such Common Share was acquired or the share of restricted stock became vested, as the case may be, to the date of payment, at 120% of the applicable six month short-term AFR. Any amount described in clauses (i) and (ii) that the Participant forfeits as a result of a breach of the provisions of Sections 7 or 11 shall not reduce any money damages that would be payable to the Company as compensation for such breach.

(b) The amount to be repaid pursuant to this Section 8 shall be determined on a gross basis, without reduction for any taxes incurred, as of the date of the realization event, and without regard to any subsequent change in the fair market value of a Common Share. The Company shall have the right to offset such amount against any amounts otherwise owed to the Participant by the Company (whether as wages, vacation pay, or pursuant to any benefit plan or other compensatory arrangement other than any amount pursuant to any nonqualified deferred compensation plan under Section 409A of the Code).

(c) For purposes of this Section 8, a "Designated Plan" is each stock option, restricted stock, or other equity compensation or long-term incentive compensation plan.

9. Equitable Relief and Other Remedies. As a condition to this Agreement:

(a) The Participant acknowledges that each of the provisions of Section 7 and 8 of the Plan are reasonable and necessary to preserve the legitimate business interests of the Company, its present and potential business activities and the economic benefits derived therefrom; that they will not prevent him or her from earning a livelihood in the Participant's chosen business and are not an undue restraint on the trade of the Participant, or any of the public interests which may be involved.

(b) The Participant agrees that beyond the amounts otherwise to be provided under the Plan and this Agreement, the Company will be damaged by a violation of the terms of this Agreement and the amount of such damage may be difficult to measure. The Participant agrees that if the Participant commits or threatens to commit a breach of any of the covenants and agreements contained in Sections 7 or 11 to the extent permitted by applicable law, then the Company shall have the right to seek and obtain all appropriate injunctive and other equitable remedies, without posting bond therefor, except as required by law, in addition to any other rights and remedies that may be available at law or under this Agreement, it being acknowledged and agreed that any such breach would cause irreparable injury to the Company and that money damages would not provide an adequate remedy. Further, if the Participant violates Section 7 hereof the Participant agrees that the period of violation shall be added to the period in which the Participant's activities are restricted.

(c) Notwithstanding the foregoing, the Company will not seek injunctive relief to prevent a Participant residing in California from engaging in post termination competition in California under Section 7(b) or (c) of this Agreement, provided that the Company may seek and obtain relief to enforce Section 8 of this Agreement with respect to such Participants.

(d) The parties agree that the covenants contained herein are severable. If an arbitrator or court shall hold that the duration, scope, area or activity restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope, area or activity restrictions reasonable and enforceable under such circumstances shall be substituted for the stated duration, scope, area or activity restrictions to the maximum extent permitted by law. The parties further agree that the Company's rights under Section 8 should be enforced to the

fullest extent permitted by law irrespective of whether the Company seeks equitable relief in addition to relief provided therein or if the arbitrator or court deems equitable relief to be inappropriate.

10. Survival of Provisions. The obligations contained in Sections 7, 8, 9 and Section 11 shall survive the Termination of the Participant's employment with the Company and shall be fully enforceable thereafter.

11. Cooperation. Upon the receipt of reasonable notice from the Company (including from outside counsel to the Company), the Participant agrees that while employed by the Company and for two years (or, if longer, for so long as any claim referred to in this Section remains pending) after the termination of Participant's employment for any reason, the Participant will respond and provide information with regard to matters in which the Participant has knowledge as a result of the Participant's employment with the Company, and will provide reasonable assistance to the Company, its affiliates and their respective representatives in defense of any claims that may be made against the Company or its affiliates, and will assist the Company and its affiliates in the prosecution of any claims that may be made by the Company or its affiliates, to the extent that such claims may relate to the period of the Participant's employment with the Company (or any predecessor); provided, that with respect to periods after the termination of the Participant's employment, the Company shall reimburse the Participant for any out-of-pocket expenses incurred in providing such assistance and if the Participant is required to provide more than ten (10) hours of assistance per week after his termination of employment then the Company shall pay the Participant a reasonable amount of money for his services at a rate agreed to between the Company and the Participant; and provided further that after the Participant's termination of employment with the Company such assistance shall not unreasonably interfere with the Participant's business or personal obligations. The Participant agrees to promptly inform the Company if the Participant becomes aware of any lawsuits involving such claims that may be filed or threatened against the Company or its affiliates. The Participant also agrees to promptly inform the Company (to the extent the Participant is legally permitted to do so) if the Participant is asked to assist in any investigation of the Company or its affiliates (or their actions), regardless of whether a lawsuit or other proceeding has then been filed against the Company or its affiliates with respect to such investigation, and shall not do so unless legally required. Provided, however, the Participant is not required to inform the Company of any investigation by a governmental agency or entity resulting from the reporting of possible violations of federal securities law or regulation to any governmental agency or entity, and the Participant may participate in such investigation, without informing the Company.

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

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

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

15. Compliance with Laws and Regulations.

(a) The Performance Stock Units and the obligation of the Company to deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body

which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

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

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

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

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

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

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

awarded, any Shares delivered hereunder or profits realized on the sale of such Shares either before, on or after the date on which the Participant becomes subject to such policy.

ANTHEM, INC.

By: _____
Printed: Lewis Hay III
Its: Chair, Compensation Committee
of the Board of Directors

EMPLOYMENT AGREEMENT

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

WITNESSETH

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

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

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

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

1. POSITION/DUTIES .

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

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

2. EMPLOYMENT PERIOD. Subject to the termination provisions hereinafter provided, the initial term of Executive’s employment under this Agreement shall commence on the

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

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

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

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

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

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

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

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

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

(e) **BY EXECUTIVE** . Upon at least thirty (30) days advance written notice by the Executive to the Company with or without Good Reason as defined in the plan. If the Executive

fails to provide this advance notice, the Executive will immediately forfeit any vested but unexercised Options granted on and after July 1, 2018.

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

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

9. RESTRICTIVE COVENANTS .

(a) **CONFIDENTIALITY .**

(i) Executive recognizes that the Company derives substantial economic value from information created and used in its business which is not generally known by the public, including, but not limited to, plans, designs, concepts, computer programs, formulae, and equations; product fulfillment and supplier information; customer and supplier lists, and confidential business practices of the Company, its affiliates and any of its customers, vendors, business partners or suppliers; profit margins and the prices and discounts the Company obtains or has obtained or at which it sells or has sold or plans to sell its products or services (except for public pricing lists); manufacturing, assembling, labor and sales plans and costs; business and marketing plans, ideas, or strategies; confidential financial performance and projections; employee compensation; employee staffing and recruiting plans and employee personal information; and other confidential concepts and ideas related to the Company's business (collectively, "Confidential Information"). Executive expressly acknowledges and agrees that by virtue of his or her employment with the Company, Executive will have access and will use in the course of Executive's duties certain Confidential Information and that Confidential Information constitutes trade secrets and confidential and proprietary business information of the Company, all of which is the exclusive property of the Company. For purposes of this Agreement, Confidential Information includes the foregoing and other information protected under the Indiana Uniform Trade Secrets Act (the "Act"), or to any comparable protection afforded by applicable law, but does not include information that Executive establishes by clear and convincing evidence, is or may become known to Executive or to the public from sources outside the Company and through means other than a breach of this Agreement. Notwithstanding the foregoing, in accordance with the Defend Trade Secrets Act of 2016, Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the Company's trade secrets to his or her attorney and use the trade secret information in the court proceeding if Executive (a) files any document

containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

(ii) Executive agrees that Executive will not for himself or herself or for any other person or entity, directly or indirectly, without the prior written consent of the Company, while employed by the Company and thereafter: (1) use Confidential Information for the benefit of any person or entity other than the Company or its affiliates; (2) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information, except as required to perform Executive's duties for the Company or its affiliates; or (3) while employed and thereafter, publish, release, disclose or deliver or otherwise make available to any third party any Confidential Information by any communication, including oral, documentary, electronic or magnetic information transmittal device or media. Upon termination of employment, Executive shall return all Confidential Information and all other property of the Company. This obligation of non-disclosure and non-use of information shall continue to exist for so long as such information remains Confidential Information. Provided, however, nothing in this agreement prohibits or limits Executive from (1) reporting possible violations of federal securities law or regulation to any governmental agency or entity or (2) receiving a monetary award from the governmental agency or entity for the information reported.

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

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

Execution of this Agreement constitutes Executive's acknowledgment of receipt of written notification of this Section and of notice of the general exception to assignments of Inventions

provided under the Uniform Employee Patents Act, in the form adopted by the state having jurisdiction over this Agreement or provision, or any comparable applicable law.

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

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

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

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

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

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

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

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

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

of this Section earned or made after the date Executive becomes a participant in the Plan and executes this Agreement, and to awards earned or made prior thereto which by their terms are subject to cessation and recoupment under terms similar to those of this paragraph.

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

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

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

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

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

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

10. COOPERATION . While employed by the Company and for two years (or, if longer, for so long as any claim referred to in Section 3.10 of the Plan remains pending) after the termination

of Executive's employment for any reason, Executive will provide cooperation and assistance to the Company as provided in Section 3.10 of the Plan.

11. NOTIFICATION OF EXISTENCE OF AGREEMENT . Executive agrees that in the event that Executive is offered employment with another employer (including service as a partner of any partnership or service as an independent contractor) at any time during the existence of this Agreement, or such other period in which post termination obligations of this Agreement apply, Executive shall immediately advise said other employer (or partnership) of the existence of this Agreement and shall immediately provide said employer (or partnership or service recipient) with a copy of Sections 9 and 10 of this Agreement.

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

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

If to Executive:

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

If to the Company:

Executive Vice President and Chief Human Resources Officer
Anthem, Inc.
120 Monument Circle
Indianapolis, IN 46204

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

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

15. SUCCESSORS AND ASSIGNS - BINDING EFFECT . This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns, as

the case may be. The Company may assign this Agreement to any affiliate of the Company and to any successor or assign of all or a substantial portion of the Company's business. Executive may not assign or transfer any of his rights or obligations under this Agreement.

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

17. DISPUTE RESOLUTION .

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

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

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

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

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

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

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

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

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

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

21. OTHER EMPLOYMENT ARRANGEMENTS . Except as set forth on Schedule A or provided in Section 2.1(a)(i) of the Plan, any severance or change in control plan or agreement (other than the Plan) or other similar agreements or arrangements between Executive and the Company including without limitation the Executive Agreement (the Anthem Non-Competition

Agreement), shall, effective as of the Effective Date, be superseded by this Agreement and the Plan and shall therefore terminate and be null and void and of no force or effect.

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

ANTHEM , INC.

By: _____

Name: _____

Its: _____

Date: _____

EXECUTIVE

Date: _____

SCHEDULE A

1. Name of Executive
2. Position
3. Agreement Date
4. Base Salary
5. Annual Bonus Target Opportunity
6. Severance Payments and Benefits in the case of a Termination Without Cause or With Good Reason and in the absence of a Change in Control to be paid over the period indicated at times corresponding with the Company's normal payroll dates
7. Severance Payments and Benefits in the case of a Termination Without Cause during an Imminent Change in Control period or during the thirty-six (36) month period after a Change in Control or a Termination by Executive with Good Reason during the thirty-six (36) month period after a Change in Control
8. Non Solicitation and Non Competition Period following Termination of Employment for any reason

*Notwithstanding the severance pay and benefits identified above, your employment classification at the time of an Eligible Separation from Service (as defined in the Anthem, Inc. Executive Agreement Plan, as amended and/or restated from time to time) will control the payout level. As a result, any changes in your position (identified above) may impact the level of severance pay and benefits that may be paid upon an Eligible Separation from Service.

**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, Gail K. Boudreaux, certify that:

1. I have reviewed this report on Form 10-Q of Anthem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2018

/s/ GAIL K. BOUDREAUX

President and Chief Executive Officer

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

I, John E. Gallina, certify that:

1. I have reviewed this report on Form 10-Q of Anthem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2018

/s/ JOHN E. GALLINA

Executive Vice President and
 Chief Financial Officer

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

In connection with the Quarterly Report of Anthem, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gail K. Boudreaux, 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/ GAIL K. BOUDREAUX

Gail K. Boudreaux

President and Chief Executive Officer

July 25, 2018

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

In connection with the Quarterly Report of Anthem, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John E. Gallina, 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/ JOHN E. GALLINA

John E. Gallina

Executive Vice President and Chief Financial Officer

July 25, 2018