

**Anthem Insurance Companies, Inc.**  
(“Anthem Insurance”)

**Summary of Proposed Plan of Conversion**

The Board of Directors of Anthem Insurance approved the Plan of Conversion (the “Plan”) on June 18, 2001. The Plan explains how Anthem Insurance will demutualize, or convert to a stock insurance company. Completion of the conversion is subject to receipt of regulatory and member approvals. Following is an article by article summary of the proposed Plan.

**Article-by-Article Summary of Proposed Plan**

**PRELIMINARY STATEMENTS** – Contains background statements, including the principal purposes of the conversion: to improve Anthem Insurance's access to capital through the public markets and to enhance Anthem Insurance's financial flexibility. States that all of the company's members and customers will benefit and that Anthem Insurance's eligible statutory members will in addition benefit by receiving the fair value of Anthem Insurance in the form of cash or Anthem, Inc. common stock, in exchange for their otherwise illiquid membership interests.

The payment to Anthem Insurance's eligible statutory members will also represent completion by Anthem Insurance of its obligations to protect and preserve the membership interests of certain statutory members in Kentucky, Ohio and Connecticut arising out of Anthem Insurance's mergers with three mutual insurance companies in 1993 (Kentucky), 1995 (Ohio) and 1997 (Connecticut). As a result, Anthem Insurance will issue corporate guaranties to continue the financial guaranty aspect of its obligations, and will stop issuing the guaranty insurance policies that were the mutual company mechanism to protect and preserve those interests.

**ARTICLE I** – Section 1.1 describes how the conversion to a stock insurance company will take place, which is by operation of law upon the amendment of Anthem Insurance's Articles of Incorporation to make it a stock insurance company. The new Articles are included as exhibits to the Plan.

Section 1.2 describes the establishment of a holding company named Anthem, Inc., which will become the parent company of Anthem Insurance. Anthem, Inc. will be a publicly traded company upon the completion of an initial public offering (“IPO”) of shares of Anthem, Inc.'s common stock, which will occur concurrently with the conversion. The Articles and By-Laws of Anthem, Inc. are included as exhibits to the Plan.

Section 1.3 specifies the effective date of the Plan: when the new Articles become effective upon filing with the Indiana Secretary of State (and after approval by the Indiana Commissioner).

Section 1.4 addresses the tax implications of the conversion. The conversion is intended to be "tax-free" to the company, and "tax-free" to those eligible statutory members receiving shares of common stock.

Section 1.5 addresses “prohibited transaction” issues under the Employee Retirement Income Security Act of 1974 (“ERISA”). Anthem Insurance has applied to the Department of Labor for an exemption from the prohibited transaction provisions of ERISA.

Section 1.6 addresses the initial public offering of Anthem, Inc.’s common stock, as well as the ability to raise capital or obtain funds from other sources (referred to as “other capital raising transactions”). Anthem Insurance and Anthem, Inc. will provide the Indiana Commissioner and her financial advisor with access to the process and information that leads to the pricing of the common stock and the public offering. The final pricing decision will be made by a committee of the Anthem, Inc. Board of Directors, the majority of the members of which must be independent directors. The Conversion will be subject to the Indiana Commissioner’s concurrence that the terms of the public offering are fair, reasonable and equitable to the eligible statutory members. Similar oversight by the Indiana Commissioner is provided for other capital raising transactions.

Anthem, Inc. is required to contribute to Anthem Insurance, from the proceeds of the public offering and any other capital raising transactions, an amount not less than the aggregate costs and expenses incurred by Anthem Insurance in connection with the demutualization and related transactions. Any additional proceeds from the public offering and any other capital raising transactions will be used at the discretion of Anthem, Inc. for working capital and other general corporate purposes.

**ARTICLE II** – States that all membership interests in Anthem Insurance will be extinguished upon completion of the conversion.

Also states that all insurance or health care benefits contract rights will continue in force under the terms of the contract.

States that, upon receipt of the necessary regulatory approvals, Anthem Insurance will cease issuing or renewing guaranty policies after the conversion. In their place, Anthem Insurance will issue corporate guaranties to its principal subsidiaries in Kentucky, Ohio and Connecticut.

**ARTICLE III** – Requires that the eligible statutory members of Anthem Insurance be paid the fair value of the company in exchange for their membership interests.

**ARTICLE IV** – States how the fair value of Anthem Insurance will be determined; namely, through the public offering and the value established in that transaction. This Article, among other matters, notes that the Board of Directors of Anthem Insurance has received a written fairness opinion and an opinion that the total consideration paid to eligible statutory members will be equal to or greater than the statutory surplus of Anthem Insurance from its financial advisor.

**ARTICLE V** – Specifies that the consideration to be paid to Anthem Insurance’s eligible statutory members will be shares of common stock of Anthem, Inc., or cash. The shares of common stock will be of a class of securities that is listed for trading on a nationally recognized stock exchange. The aggregate consideration paid to eligible statutory members will be equal in value to 100 million shares of Anthem, Inc. common stock.

**ARTICLE VI** – Specifies details on the form of consideration to be paid to certain eligible statutory members. To avoid securities law complications, cash will be paid to eligible statutory members who have mailing addresses outside of the United States and in states where it is unduly burdensome or problematic to comply with local securities laws.

All other eligible statutory members will have the right to request shares of Anthem, Inc. common stock and, if so requested, will receive payment in the form of common stock.

Otherwise, eligible statutory members may be paid cash by Anthem, Inc., to the extent that cash is available from the IPO or other capital raising transactions; or will be paid in shares of common stock, once the cash available has been used. Anthem Insurance and Anthem, Inc. will use their best efforts, consistent with capital and liquidity needs and projections, to assure that funds sufficient to pay cash to a substantial number of eligible statutory members will be made available and utilized for these cash payments.

The Plan provides for a "cash default." In other words, those eligible statutory members who do not specify a preference for common stock will be assumed to want cash. Cash will be paid first to those eligible statutory members with the fewest allocated shares.

The amount of cash payments will be based on the IPO price. The formula includes a "top up" provision. If the average closing price of the stock over the 20 days following the IPO is more than 110% of the IPO price, eligible statutory members receiving cash will receive an additional payment equal to the amount by which the average closing price exceeds 110% of the IPO price. There is a 10% cap on this top up provision.

Shares of Anthem, Inc. stock will be issued in book-entry form as uncertificated shares (certificates will be issued upon request). Cash will be paid by check. Notice of the shares issued to eligible statutory members receiving stock and checks to eligible statutory members receiving cash will be mailed not later than six weeks or such longer period as approved by the Commissioner (but not later than six months) after the effective date.

In order to help facilitate an orderly public market following the IPO, those eligible statutory members who receive 30,000 or more shares of stock will be subject to special restrictions on their resale of that stock for the six-month period following the IPO. Exhibit E to the Plan describes those restrictions and the procedures in detail. In brief, if the number of shares to be sold by all such large holders exceeds certain daily volume caps, their shares may be sold on subsequent days or sold in block transactions. Anthem, Inc. will pay the brokerage commissions and other fees associated with this program.

Anthem, Inc. will conduct a commission-free odd-lot purchase or round-up program. Under the program, each eligible statutory member who receives and continues to hold fewer than 100 shares will be entitled to sell at prevailing market prices all of the shares of Anthem, Inc. common stock received by such shareholder, without paying brokerage commissions or administrative or similar expenses. Also, each eligible statutory members who receives and continues to hold fewer than 100 shares will be entitled to purchase at prevailing market prices additional shares to round-up their holdings to 100 shares, without paying brokerage commissions or administrative or similar expenses. The program must be commenced no earlier

than 6 months following the public offering and within 12 months following the public offering, and it must be held open for at least 3 months. Anthem, Inc. will pay the costs of the program, including brokerage commissions.

**ARTICLE VII** – Describes how the fair value of Anthem Insurance will be allocated among the eligible statutory members. This Article states that Anthem Insurance has received a written opinion from its actuarial advisor that the manner of allocation is reasonable and appropriate and conforms to the requirements of the Indiana Demutualization Law. Exhibit F to the Plan is the Actuarial Contribution Memorandum that provides the principles upon which the consideration is allocated among the eligible statutory members.

Each eligible statutory member will be entitled to a "fixed component" equal to 21 shares of Anthem, Inc. common stock (regardless of the type of policy or number of policies held). The fixed component will in the aggregate represent about 21% to 22% of the total consideration to eligible statutory members.

Additional shares, referred to as the "variable component," may be allocated based on actuarial formulas that take into account the contributions to Anthem Insurance's statutory surplus by each eligible statutory member.

**ARTICLE VIII** – Provides that no "closed block" is needed in Anthem Insurance's demutualization.

**ARTICLE IX** – Satisfies a statutory requirement to notify policyholders of Anthem Insurance's address (which is not changing).

**ARTICLE X** – Provides details concerning the public hearing, which is required by law. Specifies how statutory members and other persons wishing to make comments and submit information may submit written statements or appear and be heard at the public hearing. Requires notice of the hearing to be mailed in advance to statutory members. Also requires newspaper publication of the notice of the public hearing. Specifies the statutory findings required for the Indiana Commissioner to approve the Plan.

**ARTICLE XI** – Provides details concerning the special meeting of statutory members that will be held for statutory members to vote on the transaction. Specifies which statutory members are entitled to vote (those who were statutory members on the board adoption date, June 18, 2001). Requires approval by at not less than two-thirds of the statutory members voting at the meeting in person or by proxy. Requires advance notice of the special meeting (together with information on the demutualization and a proxy form) to be mailed to statutory members eligible to vote.

**ARTICLE XII** – Includes administrative details for implementation and certain miscellaneous matters.

Section 12.1 provides details on who will be considered to be the holder of a policy for purposes of the Plan. In Section 12.1(c), there is a "look through" to provide membership rights to the participants in certain trusts established for the administrative convenience of the company. This look through procedure is consistent with principles followed in other demutualizations.

Section 12.2 provides details on when a policy is deemed to be in force for purposes of the Plan.

Section 12.3 provides for confidentiality in accordance with the Indiana Demutualization Law.

Section 12.4 is a reference to the five-year anti-takeover provision required by the Indiana Demutualization Law.

Section 12.5 prohibits grants of stock or stock options to the approximately top 50 senior officers, or to directors, for 6 months following the IPO/Demutualization closing. This section also requires that any stock options must be granted at an exercise price of not less than the fair market value on the date of grant.

Section 12.6 allows the use of a trust in the event that the distribution of stock or cash to eligible statutory members must be delayed for more than six months.

Sections 12.7, 12.8 and 12.9 deal with amendment or withdrawal of the Plan, corrections to the Plan, and adjustments to the number of shares to be allocated among eligible statutory members in the event of a change to the price range for the IPO.

Sections 12.10 through 12.14 deal with matters required by statute and interpretation of the Plan.

Section 12.15 describes the proposed stock incentive plan that would be adopted by Anthem, Inc. The stock incentive plan will reserve for issuance not more than 5% of the Anthem, Inc. common stock outstanding after the conversion and the public offering. An additional amount of up to 2% of the common stock so outstanding will also be reserved, but solely for grants of stock options that may be made to substantially all employees of Anthem Insurance and its subsidiaries. Any stock options must be granted at an exercise price of not less than the fair market value on the date of grant.

**ARTICLE XIII** – Defined terms.

**EXHIBITS** –

Exhibit A: Amended and Restated Articles of Incorporation of Anthem Insurance

Exhibit B: Amended and Restated By-Laws of Anthem Insurance

Exhibit C: Articles of Incorporation of Anthem, Inc.

Exhibit D: By-Laws of Anthem, Inc.

Exhibit E: Large Holder Stock Sale Program Procedures and Restrictions

Exhibit F: Actuarial Contribution Memorandum