Anthem

October 1, 2001

Dear Anthem Insurance Statutory Member:

In August, we mailed you a packet of information detailing our plan to convert Anthem Insurance from a mutual insurance company to a stock insurance company. The mailing provided information to help you evaluate our Plan of Conversion as well as instructions to help you cast your vote "FOR" or "AGAINST" the Plan of Conversion and express a preference to receive either stock or cash in our demutualization. This letter provides important information in addition to the August mailing.

As we indicated in the Member Information Statement that was in your earlier packet, Anthem intends to conduct an Initial Public Offering (the "IPO") of the common stock of Anthem, Inc., the proposed new public holding company. We now estimate that the price range for shares of Anthem, Inc. common stock to be offered for sale to the public in the IPO will be between $33 and $37 per share, and we continue to expect to offer 28.6 million shares to the public in that offering. Our Plan of Conversion provides that Anthem, Inc. may also raise additional capital or obtain funds at the same time as the IPO through other capital raising mechanisms, referred to in our Plan of Conversion as "Other Capital Raising Transactions." Other Capital Raising Transactions may include a private or public offering of debt or additional stock of Anthem, Inc., including preferred stock or other securities exchangeable for, or convertible into, any of these, or a combination of these items.

Because of current conditions in the financial markets, and the severe impact on the financial markets following the tragic events of September 11, our Board of Directors has concluded that it is in the best interests of Anthem Insurance, its Statutory Members and its other policyholders to consider conducting one or more of these Other Capital Raising Transactions to raise funds in addition to the funds that we expect to raise through our IPO. We believe that the tragic events of September 11, 2001 and other market factors have significantly increased the volatility and unpredictability of the stock market.

What is in this Mailing?

We have attached important information to this letter that describes Other Capital Raising Transactions in general and a specific form of such a transaction that we are proposing. This proposed transaction has been recommended by our financial advisor and is subject to review and approval by the Indiana Insurance Commissioner.

Raising additional capital through an Other Capital Raising Transaction would increase the amount of cash available for Eligible Statutory Members in the demutualization. Moreover, we and our financial advisors believe that the specific form of Other Capital Raising Transaction that we propose to use will support our IPO in two ways. First, the ability to access a separate and distinct investor base for this proposed Other Capital Raising Transaction is expected to enable Anthem to generate, in the aggregate, more investor interest and demand for our offerings, and potentially provide us with a greater amount of cash that could be distributed to more Eligible Statutory Members in the demutualization. Second, the ability to provide cash to more Eligible Statutory Members as a result of an Other Capital Raising Transaction will help mitigate any potential negative price pressure if a larger number of Eligible Statutory Members were to sell their common stock promptly following the demutualization and IPO.

Under Indiana law and our Plan of Conversion, the effective date of the demutualization must occur within 12 months after the order of the Indiana Insurance Commissioner approving the Plan of Conversion. While we anticipate that the demutualization will become effective and the IPO will occur by the end of 2001, the IPO and the effective date of the demutualization are dependent primarily upon the condition of the stock market and other public financial markets. Until the effective date, or if the Plan of Conversion does not become effective for any reason, Anthem Insurance will remain a mutual insurance company, the interests of our Statutory Members will remain unchanged, and no consideration will be paid to Eligible Statutory Members.

What Do You Need to Do?

We wanted you to be aware of this new information, but it is likely that there is nothing more you need to do. Conducting an Other Capital Raising Transaction would not change any of the terms of the Plan of Conversion. It would, however, increase our ability to distribute cash to Eligible Statutory Members who are to receive cash in our demutualization.

If you have already voted and/or expressed a preference to receive either stock or cash and, after considering this information, you now wish to change your vote or your preference to receive either stock or cash, you may call our Demutualization Center at 1-866-299-9628 and request the appropriate forms to do so. You may also appear in person at the Special Meeting of our Statutory Members to cast your vote and express your preference for either stock or cash, or to change your vote and/or your preference. That Special Meeting will be held on October 29, 2001, at 10:00 a.m. Eastern Standard Time, at our corporate offices located at 120 Monument Circle, Indianapolis, Indiana.

If you have not yet voted on the Plan of Conversion or expressed your preference to receive common stock or cash, please do so right away. If you have not and do not express a preference to receive stock or cash, we will assume that you prefer to receive cash. The member mailing packet you should have received earlier contained a four-card set and an Instruction Guide that explained what to do with the cards.

THE BOARD OF DIRECTORS OF ANTHEM INSURANCE HAS UNANIMOUSLY APPROVED THE PLAN OF CONVERSION AND RECOMMENDS THAT YOU VOTE "FOR" THE PLAN OF CONVERSION.

Your Health Benefits Remain the Same

We also want to reassure you that **this process will not increase your premiums or change your health benefits.** All matters concerning your health benefits will continue to be unaffected by our demutualization process.

Questions?

If you have questions about this letter or our demutualization, you may contact us through our Demutualization Information Center at **1-866-299-9628**. Updated information about the demutualization is also posted on our website at **www.Anthem.com**.

Thank you for your consideration of this information and your continued interest in Anthem Insurance.

Sincerely,

L. Ben Lytle

L. Ben Lytle
Chairman

Larry C. Glasscock

Larry C. Glasscock
President and Chief Executive Officer

INFORMATION SUMMARY CONCERNING OTHER CAPITAL RAISING TRANSACTIONS

October 1, 2001

Other Capital Raising Transactions in General

The Plan of Conversion provides that Anthem, Inc. may conduct one or more Other Capital Raising Transactions substantially concurrently with the IPO. Under the Plan of Conversion, these may include:

(i) a public offering or private placement of mandatorily convertible securities or trust preferred securities or similar instruments;

(ii) a public offering or private placement of convertible or non-convertible preferred securities or similar instruments; and

(iii) a public offering or private placement of debt securities, commercial paper issuance or bank or other borrowings.

Given current market conditions and the unpredictability of the public equity markets at this time, we may conduct Other Capital Raising Transactions, and currently propose to offer and sell the Equity Security Units described below.

For a more complete description of certain possible Other Capital Raising Transactions, including certain risks related to such transactions, see Appendix A to this Information Summary.

The New Securities—Equity Security Units

Based upon the advice of our financial advisors, we currently intend to raise additional capital in the public equity markets by selling Equity Security Units (the "Units"). The Units are a combination of the types of transactions described in items (i) and (iii) above. The basic features of the Units are as follows:

- Anthem, Inc. will be the issuer of the Units.
- An investor purchasing the Units will immediately execute an irrevocable agreement with Anthem, Inc. (the "purchase contract") requiring the investor to purchase a number of shares of Anthem, Inc. common stock in three years, in exchange for a fixed amount of cash (the "Face Amount"). The Face Amount to be paid by any such investor will be equal to the number of shares to be purchased in 3 years, multiplied by the price at which Anthem, Inc. common stock is sold to the public in the IPO.
- The number of shares of common stock subject to purchase will be based upon a formula that depends upon the market price of our common stock in 3 years. Under that formula, the purchase price will never be less than the price at which the stock is sold to the public in the IPO, but it may be more or less than the market price at the time of the purchase.
- At the same time that an investor executes a purchase contract, Anthem, Inc. will execute and deliver to such investor an interest bearing debenture (the "Debt"), which the investor will immediately pledge as collateral to support the investor's stock purchase obligation under the purchase contract. The Debt will be issued by Anthem, Inc. and the principal amount of the Debt will be due and payable 5 years from the date of its issuance.
- Anthem, Inc. will make quarterly cash payments on the Debt to the investor at an annual interest rate currently estimated to be from 6% to 7%. The annual interest rate will be reset once during the life of the Debt. Anthem, Inc. may also pay the investor an annual fee currently estimated to be from 0.25% to 0.50% of the Face Amount of each purchase contract.
- Anthem, Inc. will pay any remaining Debt in full on its maturity date, 5 years from the date of its issuance.

The use of an Other Capital Raising Transaction to raise additional capital will benefit Anthem, Inc. and the Eligible Statutory Members. We and our financial advisors believe that, under current market conditions, an offering of the Units rather than some other form of Other Capital Raising Transaction or increasing the size of our offering of common stock in the IPO is desirable.

The Units are a type of investment that, because of the periodic interest, fee payments and other features, may appeal to certain investors who would not invest in our common stock in the IPO. Moreover, we and our financial advisors believe that an offering of the Units will not only raise additional capital, but will support our IPO. First, the ability to access a separate and distinct investor base through this proposed Units offering is expected to enable Anthem to generate, in the aggregate, more investor interest and demand for our offerings, and potentially provide us with a greater amount of cash that could be distributed to more Eligible Statutory Members in the demutualization. Second, the ability to provide cash to more Eligible Statutory Members as a result of a Units offering will help mitigate any potential negative price pressure if a larger number of Eligible Statutory Members were to sell their common stock promptly following the demutualization and IPO. Finally, the terms of the Units assure that Anthem, Inc. can sell a certain number shares of common stock in the future at a price per share to the company at least equal to the IPO price per share. As a hybrid of debt and equity, the Units are expected to provide Anthem, Inc. with a stronger equity position from the perspective of credit rating agencies and others, as compared to the issuance of a like amount of conventional debt.

For a more complete description of the Units, see Appendix B to this Information Summary. Appendix B also includes updates to certain financial information for Anthem, Inc., including updated unaudited pro forma consolidated financial information giving effect to the demutualization, the IPO and the issuance of the Units.

ADDITIONAL INFORMATION

The offering and final terms of the Units, or any securities offered in any Other Capital Raising Transaction, will ultimately depend upon market conditions and the capital needs of Anthem, Inc. at the time of issuance. We plan to use any additional capital that may be raised through an offering of the Units or through any Other Capital Raising Transaction for payment of expenses related to our demutualization, the IPO, the Units offering or other transaction, and for payment of cash to Eligible Statutory Members in the demutualization. Depending upon market conditions and other circumstances, Other Capital Raising Transactions may be used by Anthem, Inc., either in addition to or instead of the Units offering, and it is conceivable that, under certain conditions, we would proceed with the IPO and demutualization without offering the Units or conducting any Other Capital Raising Transaction.

As with the IPO, offering the Units or utilizing Other Capital Raising Transactions will be subject to the Indiana Insurance Commissioner's concurrence that the terms are fair, reasonable and equitable to the Eligible Statutory Members. Also, as with the IPO, the Indiana Insurance Commissioner and her advisors will review and monitor the process by which Anthem, Inc. conducts any offering of the Units or other securities in any Other Capital Raising Transaction.

Any issuance of these types of securities, including the Units, involves certain risks for the investors in such securities, the company, holders of our common stock and our Statutory Members and other policyholders. For a detailed discussion of these risks, see Appendix A to this Information Summary.

As a Statutory Member of Anthem Insurance, there are several important points about any Other Capital Raising Transactions, including an offering of the Units, that we want you to understand.

- **As with all other aspects of the Plan of Conversion, an offering of the Units or any Other Capital Raising Transaction will not increase your premiums or change your health benefits.**
- As described in the Member Information Statement previously delivered to you, Eligible Statutory Members will receive either cash or Anthem, Inc. common stock in the demutualization. The company is not issuing the Units to Eligible Statutory Members as consideration in the demutualization.

- A successful offering of the Units to investors would increase the amount of cash available for distribution to Eligible Statutory Members who are to receive cash in the demutualization.
- An offering of the Units or any Other Capital Raising Transaction will be subject to final approval by Anthem, Inc. and the review and oversight of the Indiana Insurance Commissioner and her advisors.
- In connection with its approval and recommendation of the Plan of Conversion, our Board of Directors considered the opinions of our financial advisors, Goldman, Sachs & Co., dated June 18, 2001. A detailed discussion of these opinions can be found at ''The Plan of Conversion—Opinions of Our Financial Advisors'' in Part 1 of the Member Information Statement included in the packet previously mailed to you. The full text of these opinions are included in Part 1 of the Member Information Statement as Appendix 3. These opinions must be reaffirmed as of the effective date of the demutualization, and **Goldman, Sachs & Co. has advised us that the offering and issuance of the Units does not adversely affect its opinions**.
- In connection with its approval and recommendation of the Plan of Conversion, our Board of Directors also considered an opinion of our independent consulting actuaries associated with Milliman USA, Inc. They advised us in connection with the actuarial matters involved in the Plan of Conversion and the payment of consideration to Eligible Statutory Members. The opinion of the independent consulting actuaries, dated June 18, 2001, is attached as Appendix 4 to Part 1 of the Member Information Statement included in the packet previously mailed to you. The opinion states that, in reliance upon the matters described in the opinion, the principles, assumptions, methodologies and formulas provided in the Plan of Conversion to allocate consideration among Eligible Statutory Members in exchange for the extinguishing of their membership interests are reasonable and appropriate and that the resulting allocation of consideration among Eligible Statutory Members is fair and equitable. That opinion must be reaffirmed as of the effective date of the demutualization, and **our independent actuaries have advised us that the offering and issuance of the Units does not adversely affect their opinion**.
- Completion of any Other Capital Raising Transaction, including the Units offering, would not affect the ranking of policyholder claims in the unlikely event of a liquidation or insolvency of Anthem Insurance or any of its subsidiaries.

THE BOARD OF DIRECTORS OF ANTHEM INSURANCE HAS UNANIMOUSLY APPROVED THE PLAN OF CONVERSION AND RECOMMENDS THAT YOU VOTE "FOR" THE PLAN OF CONVERSION.

If you have any questions about this information or our demutualization or wish to change your vote or your preference to receive either stock or cash, you may contact us through our Demutualization Information Center at **1-866-299-9628**. Updated information about the demutualization, including information about Other Capital Raising Transactions, is also posted on our website, at **www.Anthem.com**.

Appendix A

This Appendix A provides additional information concerning Other Capital Raising Transactions that may be conducted by Anthem, Inc. This information should be read in conjunction with the attached letter, this Information Summary dated October 1, 2001 and the Member Information Statement Parts 1 and 2 dated August 17, 2001, which was included in the packet previously mailed to you.

OTHER CAPITAL RAISING TRANSACTIONS

Under the Plan of Conversion, in addition to the IPO Anthem may conduct one or more Other Capital Raising Transactions substantially concurrently with the IPO. These transactions may include:

(i) a public offering or private placement of mandatorily convertible securities or trust preferred securities or similar instruments;

(ii) a public offering or private placement of convertible or non-convertible preferred securities or similar instruments; and

(iii) a public offering or private placement of debt securities, commercial paper issuance or bank or other borrowings.

The following is a description of the basic features of these types of Other Capital Raising Transactions, and certain risks related to these possible transactions.

Mandatorily Convertible Preferred Securities

Form of Security and Maturity—Mandatorily convertible preferred securities typically consist of preferred securities that automatically convert into shares of common stock after a period of time—typically, within 3 to 5 years from the original date of issuance (which, in our case, would be the effective date of the demutualization). The number of shares of common stock into which the preferred securities would be automatically convertible, subject to certain limitations, depends on the price of the common stock at the time of conversion of the preferred securities. The conversion price may be adjusted in the event of stock splits and certain other events in order to maintain the effective conversion rate.

Distributions—Holders of mandatorily convertible preferred securities may receive dividends that would be priced at a premium yield to the dividend on the common stock, if any, at the time of issuance. The dividends are deferrable at the option of the company. No dividends would be paid on the common stock while the dividends on the mandatorily convertible preferred securities are deferred. In addition, the dividends may, depending on the structure of the security, be tax deductible to the company. The holders of these securities would have priority over holders of common stock for purposes of receiving dividends, or assets of the company in the unlikely event that the company was liquidated or became subject to a bankruptcy proceeding.

Conversion Premium—Mandatorily convertible preferred securities are typically offered with a conversion price that is greater than the trading price of the common stock at issuance. Upon conversion, a variable number of shares is issued, depending on the market price of the common stock at the time of conversion. The number of shares is typically subject to a minimum and maximum number of shares being issued (the range of which is determined at the time of issuance). This allows the company to potentially issue common stock above the market price at the time of issuance of the convertible preferred security.

Redemption Rights—The company generally does not have any right to ‘‘redeem’’ or repurchase the mandatorily convertible preferred securities, unless certain adverse tax or regulatory events occur. Any permitted redemption or repurchase may require payment of a premium, or an amount in excess of the face amount of the security.

Covenants—The documents or instruments creating the mandatorily convertible preferred securities would contain certain covenants, typically in which the company would agree to take certain actions, including using reasonable efforts to maintain the regulatory treatment of the securities.

Events of Default—If certain ''events of default'' (such as the bankruptcy of the company or the failure of the company to pay dividends over a period of time, if applicable) occur, the face amount of the preferred securities would become immediately due and payable by the company.

Voting Rights—Generally, the holders of mandatorily convertible preferred securities would not have voting rights. However, in the case of an event of default, they may have special voting and other rights, such as the right to appoint one or more directors to the company's board of directors.

Ranking in a Liquidation or Bankruptcy of the Issuer—If the company ever liquidated or became subject to a bankruptcy proceeding, the holders of mandatorily convertible preferred securities would rank subordinate to any indebtedness of the company, but senior to common stock. Once converted, the mandatorily convertible preferred securities would become common stock with the same rank as other shares of common stock.

Effect on Financial Statements—Depending on the structure of the security, the mandatorily convertible preferred securities would be included on the company's balance sheet either in stockholders' equity or as a separate line item between liabilities and stockholders' equity. The net income to holders of common stock would be reduced by any after-tax dividends paid on the preferred securities. Cash flow would be reduced by any after-tax dividends and certain other payments.

Convertible Preferred Securities

Form of Security and Maturity—While convertible preferred securities are similar to mandatorily convertible preferred securities in many respects, convertible preferred securities do not automatically convert into common stock. Instead, the holder of convertible preferred securities generally has the option to convert the holder's preferred securities into common stock at any time up to maturity. Maturity dates typically range from 5 to 30 years. If it is not converted, the face amount of the convertible preferred securities must be repaid at maturity. The conversion price may be adjusted in the event of stock splits and certain other events in order to maintain the effective conversion rate.

Distributions—Holders of convertible securities may receive dividends. The dividend rate, if any, would reflect market conditions as well as factors particular to the company, such as its credit ratings. The dividends would be deferrable at the option of the company. No dividends would be paid on the common stock while the dividends on the convertible preferred securities are deferred.

Conversion Premium—Convertible preferred securities are typically offered at a conversion price which is greater than the trading price of the common stock at the time of issuance. If the securities are converted, a fixed number of shares, determined at the time of issuance, is issued. This would allow the company to potentially issue common stock above the prevailing market price at the time of issuance of the convertible preferred security.

Redemption Rights—The company would have the right to redeem the convertible preferred securities, typically after a period of 3 to 5 years. The company would also be able to redeem the securities if certain adverse tax or regulatory events occur. Any permitted redemption or repurchase may require payment of a premium, or an amount in excess of the face amount of the security.

Covenants—The documents or instruments creating the convertible preferred securities would contain certain covenants, typically in which the company would agree to take certain actions, including using reasonable efforts to maintain the regulatory treatment of the securities.

Events of Default—If certain ''events of default'' occur (such as the bankruptcy of the company or the failure of the company to pay dividends over a period of time), the face amount of the convertible preferred security would become immediately due and payable.

Voting Rights—Generally, the holders of convertible preferred securities would not have voting rights. However, in the case of an event of default, they may have special voting and other rights, such as the right to appoint one or more directors to the company's board of directors.

Ranking in a Liquidation or Bankruptcy of the Issuer—If the company ever liquidated or became subject to a bankruptcy proceeding, the holders of convertible preferred securities would rank subordinate to any indebtedness of the company, but senior to common stock. If converted, the convertible preferred securities would become common stock with the same rank as other shares of common stock.

Effect on Financial Statements—Depending on the structure, the convertible preferred securities would be included either as a separate line item between liabilities and stockholders' equity or included in stockholders' equity. The net income to holders of common stock would be reduced by any after-tax dividends paid on the convertible preferred securities. Cash flow would be reduced by any after tax dividends paid and by payment of the face amount at maturity if the security is not converted.

Debt Securities/Commercial Paper/Bank Borrowings

Form of Security and Maturity—A "debt security" is a security that represents money borrowed that must be repaid on the scheduled maturity date or dates (typically up to 30 years), usually at a specified rate of interest. "Commercial paper" is a form of a debt security with a maturity of up to 9 months.

Distributions—The company would pay interest on the debt and, at the scheduled maturity date or dates, would repay the principal of the debt. The interest rates would reflect market conditions, as well as factors specific to the company, such as its credit ratings.

Redemption Rights—The company would be able to redeem the debt securities upon the occurrence of specified events. Bank borrowings could be prepaid at the company's option. Any such redemption would be made at a premium.

Covenants—The documents or instruments that create public debt securities or bank borrowings would contain covenants, which typically include an agreement to take certain actions, including reasonable efforts to maintain the regulatory treatment of the debt security. Public debt securities and commercial paper generally do not include financial covenants. Bank borrowings may include financial and other covenants, such as those requiring the maintenance of a specified net worth.

Events of Default—The documents or instruments that create public debt securities or bank borrowings would contain certain events of default which, if they occurred, would cause the principal amount of the debt to become immediately due and payable. Events of default may include the failure to pay interest or principal, failure to perform other covenants, defaults under other agreements of the company that cause indebtedness of the company to come due, or the bankruptcy of the company.

Ranking in a Liquidation or Bankruptcy of the Issuer—If the company were liquidated or became subject to a bankruptcy proceeding, any senior debt would rank higher in priority than any subordinated debt or preferred stock or common stock. Any subordinated debt would rank lower in priority to senior debt but would rank higher in priority to any preferred stock or common stock. Both commercial paper and bank borrowings would be considered senior debt.

Effect on Financial Statements—Any debt would be included on the company's balance sheet as a liability. Net income to holders of common stock would be reduced by after-tax interest paid on any debt security. Cash flow would be reduced by after-tax interest paid and by payment of the principal amount of the debt at maturity.

CERTAIN RISKS RELATED TO
OTHER CAPITAL RAISING TRANSACTIONS

Any issuance by Anthem, Inc. of securities in any Other Capital Raising Transactions, including an issuance of the Units, involves certain risks for investors in such securities, holders of our common stock, the company and our Statutory Members and other policyholders. These risks include, among others:

- Mandatorily convertible preferred securities and convertible preferred securities are typically given partial credit by rating agencies as equity capital for the issuer of the securities. However, the issuance of such securities may increase the financial leverage—the relative amount of debt to total capitalization—to varying degrees, depending on the type and amount of securities issued. Accordingly, there is a limit on how many of these securities can be issued by a company without jeopardizing its claims paying ability and financial strength ratings as determined by independent ratings agencies. We will not issue such securities if we believe it is reasonably likely that it would lead to a ratings downgrade of Anthem, Inc. or its insurance subsidiaries.

- An offering of debt securities, an issuance of commercial paper or bank borrowings would increase Anthem, Inc.'s financial leverage. Debt levels are an important factor in determining a company's ratings. The issuance of these debt securities would also increase our fixed obligations and could lessen our financial flexibility by reducing our capacity to issue additional debt. However, we believe Anthem, Inc. will still have substantial borrowing capacity.

- An offering of securities in Other Capital Raising Transactions may affect our earnings per share. We believe that an offering of these types of securities could likely lead to an increase in our earnings per share when compared to a comparably sized offering of common stock. However, it is also possible that the terms of conversion of, and interest rates on, particular securities could, under certain circumstances, lead to a reduction in earnings per share of common stock, a form of dilution.

- Holders of securities issued in Other Capital Raising Transactions have rights not granted to holders of common stock, which could adversely impact the holders of common stock in certain circumstances. For instance, holders of convertible preferred securities may have the right to designate a specified number of board members in case of a default in the payment of dividends or interest, or there may be covenants included in the securities that restrict Anthem, Inc., such as those limiting additional indebtedness of Anthem, Inc. If Anthem, Inc. breaches those covenants, the holders of the securities may be able to accelerate the payment of the securities or take other actions.

- Because an offering of securities in Other Capital Raising Transactions may reduce the number of shares of common stock outstanding, subsequent sales of a substantial amount of common stock could have a relatively greater negative impact on the prevailing market price for the common stock than if the public float were larger. However, by raising additional proceeds to satisfy the cash preferences of Eligible Statutory Members, there may be fewer shares sold by Eligible Statutory Members after the effective date of the demutualization, possibly reducing the impact that such sales could have on the market price of our common stock.

Appendix B

This Appendix B provides additional information concerning the proposed offering by Anthem, Inc. of Equity Security Units. This information should be read in conjunction with the attached letter, the Information Summary dated October 1, 2001, Appendix 1 and the Member Information Statement Parts 1 and 2 dated August 17, 2001, which was included in the packet previously mailed to you.

References to the term "Anthem Insurance" refer to Anthem Insurance Companies, Inc., an Indiana insurance company. References to the term "Anthem" refer to Anthem Insurance and its direct and indirect subsidiaries before the conversion, and to Anthem, Inc., a newly-formed Indiana holding company, and its direct and indirect subsidiaries, including Anthem Insurance, after the conversion, as the context requires. References to the terms "we," "our," or "us," refer to Anthem, before and after the conversion.

DESCRIPTION OF THE EQUITY SECURITY UNITS

The Units

Concurrently with the closing of the initial public offering, we are selling 4,000,000 Equity Security Units for a total gross offering of $200.0 million, plus up to an additional $30.0 million if the underwriters' option to purchase additional Units is exercised in full. Each Unit will initially consist of and represent:

- a purchase contract under which the holder agrees to purchase, for $50, shares of our common stock three years after the Units are issued. The number of shares the holder will receive will be determined by the settlement rate described below, based on the average trading price of our common stock at that time; and
- a subordinated debenture with a principal amount of $50. The debenture will initially be pledged to secure the holder's obligations under the purchase contract.

The Units will be sold in a minimum number of 2,000 Units.

The Purchase Contracts

The purchase contract underlying a Unit obligates the holder to purchase, and us to sell, for $50, 3 years after the Units are issued, a number of newly issued shares of our common stock. We will determine the number of shares the holder will receive by the settlement rate described below, based on the average closing price of the common stock during a specified period prior to the stock purchase date.

We may pay the holder quarterly contract fee payments on the purchase contracts at the annual rate estimated to be from 0.25% to 0.50% of the stated amount of $50 per purchase contract, subject to our rights to defer these payments. We have the option to defer contract fee payments on the purchase contracts for up to 3 years. We may elect the option to defer payments on more than one occasion. In no event may we defer payments beyond 3 years. Deferred contract fee payments, if any, will accrue additional contract fee payments until paid, compounded quarterly, at the annual rate estimated to be from 6.25% to 7.50%. This annual rate is equal to the sum of the initial interest rate on the debentures and the rate of contract fee payments on the purchase contracts.

The Debentures

The debentures will be unsecured and will be subordinated in right of payment to all of Anthem, Inc.'s existing and future senior indebtedness. The debentures will mature 5 years from the date of issue.

Each debenture will initially bear interest at a rate estimated to be from 6% to 7%, payable quarterly in arrears, subject to the deferral provisions described below. The applicable interest rate on the debentures outstanding on and after 2 years and 9 months from the date of issue will be reset on the third business day preceding that date, as described below.

The reset rate will be the interest rate on the debentures determined by the reset agent to be sufficient to cause the then current aggregate market value of all then outstanding debentures to be equal to 100.5% of the remarketing value. For this purpose we will assume, even if not true, that all of the debentures will be remarketed. If the reset agent cannot establish a reset rate on the remarketing date that will be sufficient to cause the then current aggregate market value of all debentures to be equal to 100.5% of the remarketing value, and as a result the debentures cannot be sold, the distribution rate will not be reset but will continue to be the initial interest rate of the debentures. However, the reset agent may thereafter attempt to establish a reset rate meeting these requirements, and the remarketing agent may attempt to remarket the debentures, on one or more subsequent remarketing dates after the initial remarketing date until 3 years after the date of issue. The reset rate will be determined by a nationally recognized investment banking firm acting as reset agent.

We can, on one or more occasions, defer the interest payments due on the debentures for up to 5 years, unless an event of default under the debentures has occurred and is continuing. However, we cannot defer interest payments beyond the maturity date of the debentures. During any deferral period, interest on the debentures will continue to accrue quarterly at the initial annual rate of interest or the reset rate. Additional interest will accrue on the deferred interest at the applicable rate, to the extent permitted by law. Interest payments may be deferred if we do not have funds available to make the interest payments or for any other reason.

During any period in which we defer contract fee payments or interest payments on the debentures, in general we cannot:

- declare or pay any dividend or distribution on our capital stock; or
- redeem, purchase, acquire or make a liquidation payment on any of our capital stock.

In addition, during any period in which we defer interest payments on the debentures, in general we cannot:

- make any interest, principal or premium payment on, or repurchase or redeem, any of our debt securities that rank equally with or junior in right of payment to the debentures; or
- make any payment on any guarantee of the debt securities of any of our subsidiaries if the guarantee ranks equally with or junior in right of payment to the debentures.

Remarketing

Through a remarketing, the debentures held by the holders of Units, other than those electing not to participate in the remarketing, will be sold and the proceeds used to purchase U.S. treasury securities, which will be pledged to secure the Unitholders' obligations under the purchase contracts. Cash payments received on the pledged treasury securities will be used to satisfy the Unitholders' obligations to purchase our common stock in 3 years. Unless a holder elects not to participate in the remarketing by delivering treasury securities to secure its obligations under the purchase contract, or unless the remarketing agent delays the remarketing to a later date, the debentures will be remarketed on the remarketing date, which is the third business day preceding 2 years and 9 months from the date of issue.

Settlement

The settlement rate is the number of newly issued shares of our common stock that we are obligated to sell and the holders are obligated to buy upon settlement of a purchase contract. The settlement rate for each purchase contract will be as follows, subject to adjustment under specified circumstances:

- if the applicable market value of our common stock is equal to or greater than the threshold appreciation price (which is equal to a premium estimated to be from 115% to 125% of the initial public offering price of our common stock (which initial public offering price we refer to herein as the reference price)), the settlement rate will be equal to $50 divided by the threshold appreciation price per purchase contract;

- if the applicable market value of our common stock is less than the threshold appreciation price but greater than the reference price, the settlement rate will be equal to $50 divided by the applicable market value of our common stock per purchase contract; and
- if the applicable market value of our common stock is less than or equal to the reference price, the settlement rate will be equal to $50 divided by the reference price per purchase contract.

The ''applicable market value'' means the average of the closing price per share of our common stock on each of the twenty consecutive trading days ending on the third trading day preceding the end of the three-year period.

In addition to the remarketing, the holder's obligations under the purchase contract may be satisfied:

- if the holder has elected not to participate in the remarketing by delivering treasury securities to secure its obligations under the purchase contract, and in certain other circumstances, through the application of the cash payments received on the treasury securities;
- through the early delivery of cash to the purchase contract agent in the manner described in the purchase contracts; and
- if we are involved in a merger prior to the stock purchase date in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, through an early settlement as described in the purchase contracts.

In addition, the purchase contracts, our related rights and obligations and those of the holders of the units, including their obligations to purchase common stock, will automatically terminate upon the occurrence of particular events of our bankruptcy, insolvency or reorganization. Upon termination, the debentures or treasury securities pledged to secure the holder's obligations under the purchase contract will be released and distributed to the holder.

Listing

We intend to list the Units on the New York Stock Exchange.

Accounting Treatment

The purchase contracts are forward transactions in our common stock. Upon settlement of a purchase contract, we will receive $50 on that purchase contract and will issue the requisite number of shares of Anthem, Inc. common stock. The $50 we receive will be credited to shareholders' equity and allocated between the common stock and additional paid-in-capital accounts.

Before settlement of the purchase contracts through the issuance of common stock, the Units will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating earnings per share for any period will be deemed to be increased by the excess, if any, of the number of our shares that would be required to be issued upon settlement of the purchase contracts over the number of shares that could be purchased by us in the market, at the average market price during that period, using the proceeds that would be required to be paid upon settlement. Consequently, there will be no dilutive effect on our earnings per share, except during periods when the average market price of our common stock is above the threshold appreciation price.

CAPITALIZATION

The following table sets forth, as of June 30, 2001, Anthem's actual capitalization and Anthem, Inc.'s capitalization as adjusted to give effect to:

- the demutualization;
- the sale of 28,600,000 shares of common stock in the initial public offering at an assumed initial public offering price of $35.00 per share, the midpoint of the range of the assumed initial public offering price;
- the sale of 4,000,000 Equity Security Units at an offering price of $50.00 per Unit; and
- the application of the estimated net proceeds from the offerings.

	At June 30, 2001	
	Anthem Historical	Anthem, Inc. Pro forma
	(In Millions, except share data)	
Debt:		
9.00% surplus notes due 2027	$ 197.2	$ 197.2
9.125% surplus notes due 2010	295.7	295.7
Debentures included in Equity Security Units	—	191.0
Other	104.8	104.8
Total debt	597.7	788.7
Shareholders' equity(1):		
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—none historically and 100,290,000 pro forma	—	1.0
Additional paid in capital	—	1,918.7
Retained earnings	1,991.6	—
Accumulated other comprehensive income	72.3	72.3
Total shareholders' equity(1)	2,063.9	1,992.0
Total capitalization	$2,661.6	$2,780.7

(1) Anthem historical amounts represent "Policyholders' surplus" prior to demutualization.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma consolidated financial information presented below gives effect to (i) the demutualization, including the issuance of 71,690,000 shares of common stock to Anthem Insurance's Eligible Statutory Members (net of 28,310,000 shares for which Eligible Statutory Members receive cash in lieu of shares), (ii) the offering of 28,600,000 shares of Anthem, Inc. common stock at the assumed initial public offering price of $35.00 per share (before deducting the estimated underwriting discount and offering expenses payable by us), and (iii) the offering of 4,000,000 Units at $50.00 per Unit, as if the demutualization and the offerings had occurred as of June 30, 2001 for purposes of the unaudited pro forma consolidated balance sheet, and as of January 1, 2000 for purposes of the unaudited pro forma consolidated income statements for the year ended December 31, 2000 and the six months ended June 30, 2001. Prior to the demutualization, ''shareholders' equity'' represents consolidated policyholders' surplus of Anthem.

The pro forma information does not take into account the sale of up to 4,290,000 shares of our common stock and up to 600,000 Units which the underwriters in the offerings have the option to purchase from us to cover over-allotments. The pro forma information also assumes that no additional cash payments (which could be up to a maximum of $99.1 million, assuming an initial public offering price of $35.00 per share) will be made to Eligible Statutory Members pursuant to the cash ''top up'' provisions of the plan of conversion.

The pro forma information reflects estimated gross proceeds of $1,001.0 million and estimated net proceeds of $119.1 million that we expect to receive from the initial public offering. From the gross proceeds, we estimate that we will pay $799.9 million to Eligible Statutory Members in cash in lieu of shares that would otherwise be issued to such Eligible Statutory Members in the demutualization, $50.0 million will be applied to underwriting discounts and $32.0 million as other offering and additional demutualization expenses. We will retain the balance of the net proceeds from the initial public offering for general corporate purposes. The pro forma information also reflects gross proceeds of $200.0 million from the issuance of Units, less an assumed underwriting discount and offering expenses aggregating $9.0 million, resulting in net proceeds from the offering of Units of $191.0 million, all of which would be used for cash payments to Eligible Statutory Members in the demutualization.

We will account for the demutualization using the historical carrying values of Anthem's assets and liabilities.

We based the pro forma information on available information and on assumptions that management believes are reasonable and that reflect the effects of these transactions. We provide the pro forma information for informational purposes only and this information should not be construed to be indicative of our consolidated financial position or our consolidated results of operations had these transactions been consummated on the dates assumed. This information does not represent a projection or forecast of our consolidated financial position or consolidated results of operations for future dates or periods. You should read the pro forma information in conjunction with the historical consolidated financial statements of Anthem beginning on page F-1 and with the information set forth under ''The Plan of Conversion'' in Part 1 of the Member Information Statement dated August 17, 2001, which was included in the packet previously mailed to you, and ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and ''The Business of Anthem'' included in Part 2 of the Member Information Statement.

UNAUDITED PRO FORMA

CONSOLIDATED STATEMENTS OF INCOME
($ in Millions, except share data)

	Six Months Ended June 30, 2001				Year Ended December 31, 2000			
	Anthem Historical	The Demutualization and Initial Public Offering	The Unit Offering	Anthem Pro Forma	Anthem Historical	The Demutualization and Initial Public Offering	The Unit Offering	Anthem Pro Forma
Revenues								
Premiums	$4,542.8	$ —	$—	$ 4,542.8	$7,737.3	$ —	$ —	$ 7,737.3
Administrative fees	430.3	—	—	430.3	755.6	—	—	755.6
Other revenue	22.6	—	—	22.6	50.6	—	—	50.6
Total operating revenue	4,995.7	—	—	4,995.7	8,543.5	—	—	8,543.5
Net investment income	109.0	— (1)	—	109.0	201.6	— (1)	—	201.6
Net realized gains (losses) on investments	(10.9)	—	—	(10.9)	25.9	—	—	25.9
Gain on sale of subsidiary operations	25.0	—	—	25.0	—	—	—	—
	5,118.8	—	—	5,118.8	8,771.0	—	—	8,771.0
Expenses								
Benefit expense	3,870.8	—	—	3,870.8	6,551.0	—	—	6,551.0
Administrative expense	991.6	—	—	991.6	1,808.4	—	—	1,808.4
Interest expense	28.0	—	8.0 (2)	36.0	54.7	—	16.0 (2)	70.7
Amortization of goodwill and other intangible assets	15.7	—	—	15.7	27.1	—	—	27.1
Demutualization expenses	3.0	(3.0)(3)	—	—	—	—	—	—
	4,909.1	(3.0)	8.0	4,914.1	8,441.2	—	16.0	8,457.2
Income before income taxes and minority interest	209.7	3.0	(8.0)	204.7	329.8	—	(16.0)	313.8
Income taxes (credit)	68.6	—	(2.8)(2)	65.8	102.2	—	(5.6)(2)	96.6
Minority interest (credit)	(1.9)	—	—	(1.9)	1.6	—	—	1.6
Net income	$ 143.0	$ 3.0	$(5.2)	$ 140.8	$ 226.0	$ —	$(10.4)	$ 215.6
Income per share				$ 1.40				$ 2.15
Shares used in calculating per share amount				100,290,000(4)				100,290,000(4)

See accompanying notes.

UNAUDITED PRO FORMA

CONSOLIDATED BALANCE SHEET
($ in Millions)

	June 30, 2001					
	Anthem Historical	**The Demutualization**	**As Adjusted for The Demutualization**	**The Initial Public Offering**	**The Unit Offering**	**Anthem Pro Forma**
Assets						
Current assets:						
Investments	$3,790.7	$ —	$3,790.7	$ —	$ —	$3,790.7
Cash and cash equivalents	238.9	(990.9)(5)	(752.0)	941.0(6)	191.0(7)	380.0
Premium and self funded receivables	498.5	—	498.5	—	—	498.5
Reinsurance receivables	78.9	—	78.9	—	—	78.9
Other receivables	194.5	—	194.5	—	—	194.5
Income tax receivables	7.4	—	7.4	—	—	7.4
Other current assets	33.4	—	33.4	—	—	33.4
Total current assets	4,842.3	(990.9)	3,851.4	941.0	191.0	4,983.4
Other noncurrent investments	13.1	—	13.1	—	—	13.1
Restricted cash and investments	51.1	—	51.1	—	—	51.1
Property and equipment	409.6	—	409.6	—	—	409.6
Goodwill and other intangible assets	480.4	—	480.4	—	—	480.4
Other noncurrent assets	41.5	—	41.5	—	—	41.5
Total assets	$5,838.0	$ (990.9)	$4,847.1	$941.0	$191.0	$5,979.1
Liabilities and shareholders' equity						
Liabilities						
Current liabilities:						
Total policy liabilities	$1,593.8	$ —	$1,593.8	$ —	$ —	$1,593.8
Unearned income	321.2	—	321.2	—	—	321.2
Accounts payable and accrued expenses	269.0	22.0 (8)	291.0	—	—	291.0
Bank overdrafts	281.6	—	281.6	—	—	281.6
Income taxes payable	34.6	—	34.6	—	—	34.6
Other current liabilities	283.7	—	283.7	—	—	283.7
Total current liabilities	2,783.9	22.0	2,805.9	—	—	2,805.9
Long term debt, less current portion	597.5	—	597.5	—	—	597.5
Debentures included in Units	—	—	—	—	191.0(7)	191.0
Retirement benefits	187.5	—	187.5	—	—	187.5
Other noncurrent liabilities	205.2	—	205.2	—	—	205.2
Total liabilities	3,774.1	22.0	3,796.1	—	191.0	3,987.1
Shareholders' equity						
Common stock	—	0.7 (9)	0.7	0.3(6)	—	1.0
Additional paid in capital	—	978.0 (9)	978.0	940.7(6)	—	1,918.7
Retained earnings	1,991.6	(1,991.6)(9)	—	—	—	—
Accumulated other comprehensive income	72.3	—	72.3	—	—	72.3
Total shareholders' equity	2,063.9(10)	(1,012.9)	1,051.0	941.0	—	1,992.0
Total liabilities and shareholders' equity	$5,838.0	$ (990.9)	$4,847.1	$941.0	$191.0	$5,979.1

See accompanying notes.

NOTES TO UNAUDITED PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS

(1) Although such data is not reflected within the pro forma income statement, the initial public offering net proceeds of $119.1 million would have generated some level of net investment income during the income statement periods shown.

(2) The charge to interest expense in the pro forma consolidated statement of income reflects interest payments on the debentures included in the Units assuming a rate of 6.50% ($13.0 million and $6.5 million for the year ended December 31, 2000 and for the six months ended June 30, 2001, respectively) and amortization of underwriting discount and Unit offering expenses ($3.0 million and $1.5 million for the year ended December 31, 2000 and for the six months ended June 30, 2001, respectively). The income tax benefit related to such charges is $5.6 million and $2.8 million for the year ended December 31, 2000 and for the six months ended June 30, 2001, respectively.

(3) The demutualization expenses of $3.0 million incurred during the six months ended June 30, 2001 have been eliminated as they resulted directly from the demutualization and will not have a continuing impact on operations. In addition, subsequent to the demutualization, we will incur additional expenses associated with servicing our shareholder base, including mailing and printing fees. As these expenses are not directly related to the transaction, they have not been reflected within the unaudited pro forma consolidated statements of income.

(4) Estimated total shares of common stock outstanding after the initial public offering is calculated as follows:

	Number of Shares
Shares allocated to Eligible Statutory Members	100,000,000
Less: estimated shares allocated to Eligible Statutory Members who receive cash in lieu of shares	28,310,000
Shares issued to Eligible Statutory Members	71,690,000
Shares issued in the offering	28,600,000
Total shares of common stock outstanding	100,290,000

(5) Represents estimated $990.9 million cash paid to certain Eligible Statutory Members who receive cash in lieu of shares of common stock.

(6) Represents the gross proceeds of $1,001.0 million from the issuance of 28,600,000 shares of common stock in the initial public offering at an assumed initial public offering price of $35.00 per share less an assumed underwriting discount of $50.0 million and estimated initial public offering expenses of $10.0 million.

(7) Represents gross proceeds of $200.0 million from the issuance of the Units, less an assumed underwriting discount and estimated Unit offering expenses aggregating $9.0 million. The debentures included in the Units are shown as a separate caption on our pro forma consolidated balance sheet. The proceeds from the Units will be allocated to the underlying purchase contracts and debentures based on their relative fair values at the offering date.

(8) Represents estimated additional nonrecurring expenses of $22.0 million for demutualization costs and expenses to be incurred at the date of the unaudited pro forma consolidated balance sheet. We have shown the additional nonrecurring expenses as a liability and a decrease to retained earnings within the unaudited pro forma consolidated balance sheet. The additional nonrecurring demutualization expenses have not been reflected within the unaudited pro forma statements of income as they will not have a continuing impact and will be recorded as expense from continuing operations when actually incurred.

(9) Represents reclassification of retained earnings of the mutual insurance company to reflect the demutualization as follows (in Millions):

Historical retained earnings	$1,991.6
Less cash used to fund payments to Eligible Statutory Members in lieu of issuing shares	990.9
Less additional demutualization expenses—see Note 8	22.0
Retained earnings related to Eligible Statutory Members receiving common stock	$ 978.7

(10) Anthem historical amounts represent "Policyholders' Surplus" prior to demutualization.