

WELLPOINT, INC
Form 10-Q
July 28, 2010
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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, 2010**

OR

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

For the transition period from _____ to _____

Commission file number: 001-16751

WELLPOINT, INC.

(Exact name of registrant as specified in its charter)

INDIANA

(State or other jurisdiction of

incorporation or organization)

120 MONUMENT CIRCLE;

INDIANAPOLIS, INDIANA

(Address of principal executive offices)

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

35-2145715

(I.R.S. Employer

Identification Number)

46204-4903

(Zip Code)

Not Applicable

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(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 at least the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

Title of Each Class	Outstanding at July 21, 2010
Common Stock, \$0.01 par value	399,739,503 shares

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WellPoint, Inc.
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2010

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<i>(In millions, except share data)</i>	June 30, 2010	December 31, 2009
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,027.9	\$ 4,816.1
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$14,917.1 and \$15,203.1)	15,579.5	15,696.9
Equity securities (cost of \$825.8 and \$799.1)	962.2	1,010.7
Other invested assets, current	17.5	26.5
Accrued investment income	173.9	172.8
Premium and self-funded receivables	3,499.5	3,281.0
Other receivables	1,224.1	879.5
Income taxes receivable	100.1	
Securities lending collateral	733.0	394.8
Deferred tax assets, net	445.3	523.8
Other current assets	1,318.7	1,268.6
Total current assets	26,081.7	28,070.7
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$221.8 and \$223.0)	230.8	230.4
Equity securities (cost of \$32.6 and \$33.4)	32.3	32.5
Other invested assets, long-term	822.5	775.3
Property and equipment, net	1,171.2	1,099.6
Goodwill	13,265.5	13,264.6
Other intangible assets	8,116.9	8,259.3
Other noncurrent assets	439.1	393.0
Total assets	\$ 50,160.0	\$ 52,125.4
Liabilities and shareholders equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 5,080.5	\$ 5,450.5
Reserves for future policy benefits	61.0	62.6
Other policyholder liabilities	1,939.1	1,617.6
Total policy liabilities	7,080.6	7,130.7
Unearned income	1,035.2	1,050.0
Accounts payable and accrued expenses	2,634.3	2,994.1
Income taxes payable		1,228.7
Security trades pending payable	277.7	37.6
Securities lending payable	734.4	396.6
Short-term borrowings	100.0	
Current portion of long-term debt	1,113.8	60.8
Other current liabilities	1,860.5	1,775.2
Total current liabilities	14,836.5	14,673.7
Long-term debt, less current portion	7,334.8	8,338.3
Reserves for future policy benefits, noncurrent	656.9	664.6
Deferred tax liabilities, net	2,481.0	2,470.4

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Other noncurrent liabilities	1,060.3	1,115.1
Total liabilities	26,369.5	27,262.1
Commitments and contingencies Note 10		
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: 403,251,606 and 449,789,672	4.0	4.5
Additional paid-in capital	13,648.3	15,192.2
Retained earnings	9,997.5	9,598.5
Accumulated other comprehensive income	140.7	68.1
Total shareholders' equity	23,790.5	24,863.3
Total liabilities and shareholders' equity	\$ 50,160.0	\$ 52,125.4

See accompanying notes.

Table of Contents**WellPoint, Inc.****Consolidated Statements of Income****(Unaudited)***(In millions, except per share data)*

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Revenues				
Premiums	\$ 13,257.1	\$ 14,123.3	\$ 27,167.0	\$ 28,326.5
Administrative fees	949.1	976.8	1,902.0	1,918.3
Other revenue	18.3	165.7	24.2	319.7
Total operating revenue	14,224.5	15,265.8	29,093.2	30,564.5
Net investment income	202.3	205.7	403.4	402.8
Net realized gains (losses) on investments	36.5	15.7	84.9	(31.8)
Other-than-temporary impairment losses on investments:				
Total other-than-temporary impairment losses on investments	(14.9)	(107.8)	(42.8)	(412.8)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	8.8	33.8	17.0	33.8
Other-than-temporary impairment losses recognized in income	(6.1)	(74.0)	(25.8)	(379.0)
Total revenues	14,457.2	15,413.2	29,555.7	30,556.5
Expenses				
Benefit expense	10,985.0	11,849.9	22,366.4	23,574.3
Selling, general and administrative expense:				
Selling expense	403.1	421.2	805.5	853.2
General and administrative expense	1,778.4	1,784.7	3,576.6	3,581.6
Total selling, general and administrative expense	2,181.5	2,205.9	4,382.1	4,434.8
Cost of drugs		121.3		233.7
Interest expense	100.2	117.0	199.6	233.1
Amortization of other intangible assets	60.9	66.6	121.6	134.5
Impairment of other intangible assets			21.1	
Total expenses	13,327.6	14,360.7	27,090.8	28,610.4
Income before income tax expense	1,129.6	1,052.5	2,464.9	1,946.1
Income tax expense	407.2	359.0	865.7	672.2
Net income	\$ 722.4	\$ 693.5	\$ 1,599.2	\$ 1,273.9
Net income per share				
Basic	\$ 1.73	\$ 1.44	\$ 3.73	\$ 2.60
Diluted	\$ 1.71	\$ 1.43	\$ 3.68	\$ 2.59

See accompanying notes.

Table of Contents**WellPoint, Inc.****Consolidated Statements of Cash Flows****(Unaudited)***(In millions)*

	Six Months Ended June 30	
	2010	2009
Operating activities		
Net income	\$ 1,599.2	\$ 1,273.9
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net realized (gains) losses on investments	(84.9)	31.8
Other-than-temporary impairment losses recognized in income	25.8	379.0
Loss on disposal of assets	1.4	0.9
Deferred income taxes	67.7	18.1
Amortization, net of accretion	233.3	225.0
Impairment of other intangible assets	21.1	
Depreciation expense	53.4	52.3
Share-based compensation	57.1	76.7
Excess tax benefits from share-based compensation	(22.9)	(1.7)
Changes in operating assets and liabilities, net of effect of business combinations:		
Receivables, net	(305.3)	