

DEBORA VOKT CRAWFORD
SECURITIES COMMISSIONER



JOSE ADAN TREVINO
CHAIRMAN

JOHN R. MORGAN
DEPUTY SECURITIES COMMISSIONER

NICHOLAS C. TAYLOR
MEMBER

State Securities Board

MAIL: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

208 E. 10th Street, 5th Floor
Austin, Texas 78701
Phone (512) 305-8300
FAX (512) 305-8310
<http://www.ssb.state.tx.us>

KENNETH W. ANDERSON, JR.
MEMBER

August 8, 2001

Mr. Jason Kimpel
Baker & Daniels
300 North Meridian Street, Suite 2700
Indianapolis, Indiana 46204-1782

RE: Anthem, Inc. (Acquisition of Anthem Insurance Companies, Inc. and its subsidiaries)

Dear Mr. Kimpel:

This letter is in response to your letter dated June 18, 2001, and received by this Agency June 19, 2001. It has been supplemented by your facsimile received on August 1, 2001.

Your materials describe a plan of demutualization and reorganization ("Plan"). Pursuant to the Plan, Anthem Insurance Companies, Inc., an Indiana mutual insurance company ("Target"), will convert from a mutual insurance company to a stock insurance company. After which, Target will issue all of its outstanding capital stock to Anthem Inc. ("Holding Company"), a wholly owned subsidiary of Target. The capital stock of Holding Company owned by Target will be cancelled and cease to exist. As a result of these transactions, Holding Company will become the "parent company" of Target.

The Target's policyholders and certificate holders ("Policyholders") are entitled to vote on the Plan. Following the transactions, Policyholders' membership interests will be extinguished and Policyholders will receive compensation in the form of cash or Holding Company Common Stock.

The Plan must be approved by a two-thirds vote of the eligible Policyholders at a Special Meeting. The Plan must also be approved by the Commissioner of Insurance of the State of Indiana ("Insurance Commissioner"), after a public hearing ("Hearing") and a finding that the amount and form of consideration provided to Policyholders is fair in the aggregate and to each member class and that the Plan is fair, reasonable, and equitable to the Policyholders. You noted that there will also be a separate initial public offering ("IPO") of Holding Company's Common Stock that will occur concurrently with the Plan and that the Common Stock is expected to be listed on the New York Stock Exchange at that time.

Mr. Jason Kimpel
August 8, 2001
Page 2

A Member Information Statement (“Booklet”) will be the Policyholders’ primary source of information regarding the Plan. The Booklet will contain the notice of the Special Meeting, a copy of the Plan, and an information statement including a description of the Plan and the consideration to be received by Policyholders, voting information and instructions, and other related information. The Booklet will also inform Policyholders that they may, to the extent that they have additional questions, contact a toll-free call center that Target intends to establish as the primary contact for Policyholders’ questions concerning the Plan.

You indicated that three categories of persons will be providing information about the Plan to Policyholders. The first category is comprised of certain officers, directors, and employees (“Associates”) of Target and its subsidiaries. The informational activities of Associates will consist of answering certain questions Policyholders may have about the Plan and discussing the conversion of Target. Associates will not initiate contact with Policyholders, will not contact Policyholders to ask if they received notice of the Special Meeting, will not actively seek to solicit proxies for the Special Meeting, and will not handle customer funds or securities.

The second category is composed of insurance brokers (“Insurance Brokers”) and the Internal Sales Forces (“ISFs”) (together the “Agents”) of Target and its subsidiaries, each of which is designated to offer and service products within a given geographical region. ISFs are employees of Target and its subsidiaries and are headed by sales Vice Presidents. The ISFs also maintain, manage, and oversee contractual relationships with Insurance Brokers who offer the products of Target and its subsidiaries to consumers. Agents may, on their own initiative or in response to inquiries from Policyholders, answer any questions the Policyholders may have about the Booklet, the Plan, the Hearing, or the vote; provide detailed factual responses to the concerns of existing or prospective policyholders regarding Target’s financial condition; and discuss the effects that the Plan and IPO may have on Target. You noted that Agents will not handle customer funds or securities and that the ISFs will monitor the activities of the Insurance Brokers. Limits on the discussions the Agents may have with Policyholders will be communicated by Target through official company publications and written communications to designated management personnel for the Agents. These designated management personnel will be responsible for supervising the Agents’ compliance with these restrictions. In addition, Target will designate persons to assist the Agents with inquiries related to the Plan and provide special training to such persons about issues related to the Plan. You represented that no one in the first or second categories will be compensated, directly or indirectly, for their efforts in connection with such activities.

The final category is of Call Center Personnel (“CCP”), contracted through a third-party information agent service and transfer agent, EquiServe Trust Company, N.A. (“EquiServe”). Target has hired EquiServe to run the call center and hire the CCP. CCP will provide the following services from a remote toll-free call center: (a) answer questions Policyholders may have about the notice of Hearing, notice of the Special Meeting, Booklet, the mechanics of the Plan or the Special Meeting;

(b) discuss the Plan with Policyholders; and, (c) in response to an inquiry, report to Policyholders that the Board has approved the Plan and that the Booklet contains the recommendation of the Board that the Policyholders vote to approve the Plan. You represented that CCP will make no unsolicited calls to Policyholders and they will be compensated on a flat hourly basis that is not determined with regard to votes or elections made by Policyholders. You noted that restrictions on the discussions CCP may have with Policyholders will be communicated by EquiServe through special training classes, in writing as part of the training materials for CCP, and by other means.

Training of CCP will be conducted by EquiServe trainers in conjunction with Target personnel. A representative of Target will be on-site during the training of CCP to provide oversight and to ensure quality of the training program. During the hiring and training periods and thereafter, Target's on-site representative may discharge any CCP whose performance is not satisfactory to Target. During the actual operation of the call center, three or four representatives from Target will be on-site to oversee the call center operations, to monitor CCP for quality control, and to respond to questions from CCP.

You described how that once the call center is in operation, callers phoning the call center will first be routed to an automatic voice response system, the script for which has been reviewed and approved by Target and its outside legal counsel. Callers may, at any time, transfer out of the automated voice system to talk to live CCP. When answering live questions, CCP will have been trained and directed to strictly follow the scripts that have been pre-approved by Target and its legal counsel. When presented with a question that goes beyond the scope of the script, CCP will be required to follow formal procedures whereby such questions will be referred to an on-site Target representative for a response.

As the information agent, EquiServe will be responsible for: mailing the Booklet, which contains the proxy cards, to the Policyholders; receiving the proxy cards from the Policyholders; and tallying the votes. EquiServe will also mail a reminder postcard regarding the Special Meeting to Policyholders who have not yet returned a proxy card. You represented that neither EquiServe nor CCP will be engaged to actively solicit proxies from the Policyholders or to affirmatively call the Policyholders or initiate any contact with Policyholders, other than mailing the Booklet and, if necessary, a reminder postcard.

You noted that Target will have a set of guidelines for its marketers consisting in large part of a list of what they are not permitted to say to Policyholders. Associates, Agents, and CCP will be specifically instructed, in writing and through other procedures to be implemented by Target, to refrain from: (a) using written materials other than the Booklet or other documents prepared by Target or making any revisions to such materials; (b) making statements not derived from the Booklet or documents approved by Target; (c) offering advice to Policyholders regarding whether or not to express a preference to receive Holding Company Common Stock rather than cash; (d)

Mr. Jason Kimpel
August 8, 2001
Page 4

advising Policyholders on how to vote on the Plan, other than confirming that the Board has voted to approve the Plan and has recommended that Policyholders approve it; (e) discussing the potential market value of Holding Company Common Stock; (f) providing financial advice about, or recommending or soliciting purchases of, Holding Company Common Stock; and (g) discussing with Policyholders their personal plans to invest or not invest in Holding Company Common Stock.

All information and training materials, including the scripts for the automated voice response system and the scripts for CCP, have been reviewed and approved by Target and its outside legal counsel. The information and training material provided by Target to CCP will be based on the Booklet, which is subject to approval of the Insurance Commissioner.

Section 4.C of the Texas Securities Act defines “dealer” to include, in pertinent part, the following:

“ . . . every person or company . . . who engages in this state, either for all or part of his or its time, . . . in selling, offering for sale or delivery or soliciting subscriptions to or orders for, or undertaking to dispose of, or invite offers for any security or securities . . . and every person or company who deals in any other manner in any security or securities within this state. . . .”

In addition, the Texas Supreme Court has held that a person is selling securities if he or she is a “link in the chain of the selling process . . . [or] is one who performs ‘any act by which a sale is made.’” *Brown v. Cole*, 291 S.W.2d 704, 708 (Tex. 1956).

Based on the foregoing understanding, the staff of the State Securities Board will recommend no action to require registration of the shares of Common Stock to be issued by Holding Company in connection with the Plan, contingent on approval of the Plan by the Insurance Commissioner and Policyholders as described above. Further, Common Stock issued by Holding Company in the initial public offering mentioned above, if approved for listing upon issuance on the New York Stock Exchange, will be exempt from registration pursuant to Section 6.F of the Texas Securities Act. Further, the staff will recommend no action to require registration, as dealers or agents, of the Associates and Agents of Target and its subsidiaries. Finally, the staff will recommend no action to require registration as dealers or agents of the CCP whose communications from the call center are limited and supervised as described herein.

Please note that this Agency has not made an independent investigation of the facts, but has relied solely upon the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the no-action position stated above would be void.

Mr. Jason Kimpel
August 8, 2001
Page 5

I trust this information answers your inquiry. Please feel free to write to us if you need further information.

Very truly yours,

DENISE VOIGT CRAWFORD
Securities Commissioner

David Weaver
General Counsel

DW/ms