GUARCH GUY R
Form 4
October 19, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
GUARCH GUY R

(Last) (First) (Middle)

3845 CORPORATE CENTRE DRIVE

(Street)

O'FALLON, MO 63368

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SYNERGETICS USA INC [SURG]

3. Date of Earliest Transaction (Month/Day/Year)
10/19/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/19/2010		P		2,000	A	$ 2.95	6,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GUARCH GUY R 3845 CORPORATE CENTRE DRIVE O'FALLON, MO 63368	X			

Signatures

/s/ Guy Guarch	10/19/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. right">(12.0) (9.5) (9.8)

Net periodic benefit cost

$18.6	$30.1	$33.8

During 2011 and 2010, we incurred total settlement losses of $21.3 and $31.1, respectively, as lump-sum payments exceeded the service cost and interest cost components of net periodic benefit cost for certain of our plans.

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

The weighted-average assumptions used in calculating the net periodic benefit cost for all plans are as follows:

	2011	2010	2009
Pension Benefits			
Discount rate	5.15%	5.36%	5.64%
Rate of compensation increase	3.75%	4.00%	4.00%
Expected rate of return on plan assets	8.00 %	8.00%	8.00%
Other Benefits			
Discount rate	5.24%	5.79%	5.73%
Rate of compensation increase	3.75%	4.00%	4.00%
Expected rate of return on plan assets	6.75%	7.00%	7.25%

The assumed health care cost trend rate to be used for next year to measure the expected cost of other benefits is 7.50% with a gradual decline to 5.00% by the year 2017. These estimated trend rates are subject to change in the future. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, an increase in the assumed health care cost trend rate of one percentage point would increase the postretirement benefit obligation as of December 31, 2011 by $52.6 and would increase service and interest costs by $2.5. Conversely, a decrease in the assumed health care cost trend rate of one percentage point would decrease the postretirement benefit obligation by $44.7 as of December 31, 2011 and would decrease service and interest costs by $2.1.

Plan assets include a diversified mix of investment grade fixed maturity securities, equity securities and alternative investments across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. The weighted-average target allocation for pension benefit plan assets is 45% equity securities, 46% fixed maturity securities, and 9% to all other types of investments. Equity securities primarily include a mix of domestic securities, foreign securities and mutual funds invested in equities. Fixed maturity securities primarily include treasury securities, corporate bonds, and asset-backed investments issued by corporations and the U.S. government. Other types of investments include partnership interests, collective trusts that replicate money market funds and insurance contracts designed specifically for employee benefit plans. As of December 31, 2011, there were no significant concentrations of investments in the pension benefit assets or other benefit assets. No plan assets were invested in WellPoint common stock.

Pension benefit assets and other benefit assets recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

The fair values of our pension benefit assets and other benefit assets at December 31, 2011, excluding $(41.6) of cash, investment income receivable and amounts due to/from brokers, by asset category and level inputs, as defined by FASB guidance regarding fair value measurements and disclosures (see Note 7, Fair Value, for additional information regarding the definition of level inputs), are as follows:

	Level I	Level II	Level III	Total
December 31, 2011:				
Pension Benefit Assets:				
Equity securities:				
U.S. securities	$ 145.3	$	$ 304.2	$ 449.5
Foreign securities	242.9			242.9
Mutual funds	24.6			24.6
Fixed maturity securities:				
Government securities	199.2			199.2
Corporate bonds		236.1		236.1
Asset-backed securities		156.6		156.6
Other types of investments:				
Common and collective trusts		90.3		90.3
Partnership interests			165.0	165.0
Contract with insurance company			195.5	195.5
Treasury futures contracts	(0.3)			(0.3)
Total pension benefit assets	$ 611.7	$ 483.0	$ 664.7	$ 1,759.4
Other Benefit Assets:				
Equity securities:				
U.S. securities	$ 6.5	$	$ 13.4	$ 19.9
Foreign securities	9.8			9.8
Mutual funds	2.8			2.8
Fixed maturity securities:				
Government securities	8.5			8.5
Corporate securities		5.9		5.9
Asset-backed securities		12.6		12.6
Other types of investments:				
Common and collective trusts		134.0		134.0
Partnership interests			1.1	1.1
Life insurance contracts			95.7	95.7
Investment in DOL 103-12 trust		14.8		14.8
Total other benefit assets	$ 27.6	$ 167.3	$ 110.2	$ 305.1

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

The fair values of our pension benefit assets and other benefit assets at December 31, 2010, excluding $0.7 of cash, investment income receivable and amounts due to/from brokers, by asset category and level inputs, as defined by FASB guidance regarding fair value measurements and disclosures (see Note 7, Fair Value, for additional information regarding the definition of level inputs) are as follows:

	Level I	Level II	Level III	Total
December 31, 2010:				
Pension Benefit Assets:				
Equity securities:				
U.S. securities	$ 160.8	$	$ 413.7	$ 574.5
Foreign securities	276.4			276.4
Mutual funds	25.3			25.3
Fixed maturity securities:				
Government securities	142.0	24.0		166.0
Corporate bonds		183.0		183.0
Asset-backed securities		134.8		134.8
Other types of investments:				
Common and collective trusts		45.3		45.3
Partnership interests			147.4	147.4
Contract with insurance company			188.8	188.8
Treasury futures contracts	0.5			0.5
Total pension benefit assets	$ 605.0	$ 387.1	$ 749.9	$ 1,742.0
Other Benefit Assets:				
Equity securities:				
U.S. securities	$ 11.4	$	$ 16.1	$ 27.5
Foreign securities	10.8			10.8
Fixed maturity securities:				
Government securities	5.5	0.9		6.4
Corporate securities	190.1	7.1		197.2
Asset-backed securities		5.3		5.3
Other types of investments:				
Common and collective trusts		1.8		1.8
Partnership interests			5.7	5.7
Investment in DOL 103-12 trust		16.0		16.0
Total other benefit assets	$ 217.8	$ 31.1	$ 21.8	$ 270.7

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

A reconciliation of the beginning and ending balances of plan assets measured at fair value using Level III inputs for the years ended December 31, 2011, 2010 and 2009 is as follows:

	U.S. Equity Securities	Asset Backed Securities	Common/ Collective Trusts	Partnership Interests	Insurance Company Contracts	Life Insurance Contracts	Total
Beginning balance at January 1, 2009	$ 313.9	$ 6.5	$ 96.0	$ 94.0	$ 241.3	$	$ 751.7
Actual return on plan assets:							
Relating to assets still held at the reporting date	122.4	0.7	22.7	23.4	(17.5)		151.7
Purchases, sales, issuances and settlements, net		(1.3)		49.0	(19.5)		28.2
Transfers into Level III		0.2					0.2
Ending balance at December 31, 2009	436.3	6.1	118.7	166.4	204.3		931.8
Actual return on plan assets:							
Relating to assets still held at the reporting date	65.5	0.5	0.6	(10.8)	10.2		66.0
Purchases, sales, issuances and settlements, net	(72.0)	(2.0)	(119.3)	(2.5)	(25.7)		(221.5)
Transfers out of Level III		(4.6)					(4.6)
Ending balance at December 31, 2010	429.8			153.1	188.8		771.7
Actual return on plan assets:							
Relating to assets still held at the reporting date	4.8			5.8	2.7	1.0	14.3
Purchases				7.6	11.6	94.7	113.9
Sales	(117.0)			(0.4)	(7.6)		(125.0)
Issuances							
Settlements							
Transfers out of Level III							
Ending balance at December 31, 2011	$ 317.6	$	$	$ 166.1	$ 195.5	$ 95.7	$ 774.9

There were no material transfers between Levels I, II and III during the years ended December 31, 2011, 2010 and 2009.

Our current funding strategy is to fund an amount at least equal to the minimum required funding as determined under ERISA with consideration of maximum tax deductible amounts. We may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. For the years ended December 31, 2011 or 2010, no material contributions were necessary to meet ERISA required funding levels. However, during the year ended December 31, 2011, we made tax deductible discretionary contributions to the pension benefit plans and other benefit plans of $57.7 and $30.0, respectively. During the year ended December 31, 2010, we made tax deductible discretionary contributions to the pension benefit plans and other benefit plans of $3.9 and $135.0, respectively. Employer contributions to other benefit plans represent discretionary contributions and do not include payments to retirees for current benefits.

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

11. Retirement Benefits (continued)

Our estimated future payments for pension benefits and postretirement benefits, which reflect expected future service, as appropriate, are as follows:

	Pension Benefits	Other Benefits
2012	$ 121.8	$ 40.9
2013	132.4	39.1
2014	130.1	40.3
2015	129.2	42.3
2016	130.9	44.7
2017 2021	678.3	235.2

In addition to the defined benefit plans, we maintain the WellPoint 401(k) Retirement Savings Plan and the CareMore 401(k) Pension Plan, qualified defined contribution plans covering substantially all employees. Voluntary employee contributions are matched by us subject to certain limitations. Contributions made by us totaled $87.8, $120.7 and $111.0 during 2011, 2010 and 2009, respectively.

12. Medical Claims Payable

A reconciliation of the beginning and ending balances for medical claims payable is as follows:

	Years Ended December 31		
	2011	2010	2009
Gross medical claims payable, beginning of year	$ 4,852.4	$ 5,450.5	$ 6,184.7
Ceded medical claims payable, beginning of year	(32.9)	(29.9)	(60.3)
Net medical claims payable, beginning of year	4,819.5	5,420.6	6,124.4
Business combinations and purchase adjustments	100.9		2.8
Net incurred medical claims:			
Current year	47,281.6	45,077.1	47,315.1
Prior years redundancies	(209.7)	(718.0)	(807.2)
Total net incurred medical claims	47,071.9	44,359.1	46,507.9

Net payments attributable to:			
Current year medical claims	41,999.0	40,387.8	42,056.9
Prior years medical claims	4,520.7	4,572.4	5,157.6
Total net payments	46,519.7	44,960.2	47,214.5
Net medical claims payable, end of year	5,472.6	4,819.5	5,420.6
Ceded medical claims payable, end of year	16.4	32.9	29.9
Gross medical claims payable, end of year	$ 5,489.0	$ 4,852.4	$ 5,450.5

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any period end are continually reviewed and re-estimated as information regarding actual claims payments, or runout, becomes known. This information is compared to the originally established year end liability. Negative amounts reported for incurred medical claims related to prior years result

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

12. Medical Claims Payable (continued)

from claims being settled for amounts less than originally estimated. The prior year redundancy of $209.7 shown above for the year ended December 31, 2011 represents an estimate based on paid claim activity from January 1, 2011 to December 31, 2011. Medical claim liabilities are usually described as having a short tail, which means that they are generally paid within several months of the member receiving service from the provider. Accordingly, the majority of the $209.7 redundancy relates to claims incurred in calendar year 2010.

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 years ended December 31, 2011, 2010 and 2009, which are the completion and trend 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) Unfavorable Developments by Changes in Key Assumptions		
	2011	**2010**	**2009**
Assumed trend factors	$ (264.8)	$ (534.9)	$ (466.1)
Assumed completion factors	55.1	(183.1)	(341.1)
Total	$ (209.7)	$ (718.0)	$ (807.2)

The favorable development recognized in 2011 resulted primarily from trend factors in late 2010 developing more favorably than originally expected. This impact was partially offset by completion factors developing unfavorably due to slight increases in payment cycle times. The favorable development recognized in 2010 was driven by trend factors in late 2009 developing more favorably than originally expected. In addition, a minor but steady improvement in payment cycle times impacted completion factor development and contributed to the favorability. The favorable development recognized in 2009 was driven by significant contributions from both trend and completion factor development.

Due to changes within our Company and industry during 2010, we re-evaluated our actuarial processes and resulting levels of reserves. As discussed in Note 2, Basis of Presentation and Significant Accounting Policies, Actuarial Standards of Practice require that claims liabilities be appropriate under moderately adverse circumstances. To satisfy these requirements, our reserving process has historically involved recognizing the inherent volatility in actual future claim payments compared to the current estimate for the related liability by recording a provision for adverse deviation. This additional reserve establishes a sufficient level of conservatism in the liability estimate that is similar from period to period. There are a number of factors that can require a higher or lower level of additional reserve, such as changes in technology that provide faster access to claims data or change the speed of adjudication and settlement of claims, or overall variability in claim payment patterns and claim inventory levels. Given that in the more recent periods we experienced higher levels of automatic claims adjudication and faster claims payment leading to lower and more consistent claims inventory levels, we determined that using a lower level of targeted reserve for adverse deviation provides a similar level of confidence that the established reserves are appropriate in the current environment. This change in estimate resulted in a benefit to 2010 income before income tax expense and diluted earnings per share of $67.7 and $0.11, respectively. We continued to use this lower level of targeted reserve for adverse deviation in 2011.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

13. Debt

Short-term Borrowings

We are a member, through certain subsidiaries, of the Federal Home Loan Bank of Indianapolis and the Federal Home Loan Bank of Cincinnati, collectively, the FHLBs, and as a member we have the ability to obtain short-term cash advances subject to certain minimum collateral requirements. At December 31, 2011 and 2010, $100.0 and $100.0, respectively, were outstanding under our short-term FHLBs borrowings. These outstanding short-term FHLBs borrowings at December 31, 2011 and 2010 had fixed interest rates of 0.260% and 0.120%, respectively. On January 18, 2012 we repaid the $100.0 outstanding balance of the short-term FHLBs borrowing that was outstanding at December 31, 2011. On January 25, 2012, we borrowed an additional $100.0 from the FHLBs with a three-month term at a fixed interest rate of 0.070%.

Long-term Debt

The carrying value of long-term debt at December 31 consists of the following:

	2011	2010
Senior unsecured notes:		
5.000%, face amount of $700.0, due 2011	$	$ 701.8
6.375%, face amount of $350.0, due 2012	350.3	354.4
6.800%, face amount of $800.0, due 2012	822.8	842.0
6.000%, face amount of $400.0, due 2014	398.4	397.6
5.000%, face amount of $500.0, due 2014	546.2	547.5
5.250%, face amount of $1,100.0, due 2016	1,109.2	1,093.4
2.375%, face amount of $400.0, due 2017	395.2	
5.875%, face amount of $700.0, due 2017	694.0	693.0
7.000%, face amount of $600.0, due 2019	595.8	595.2
4.350%, face amount of $700.0, due 2020	694.2	693.3
3.700%, face amount of $700.0, due 2021	693.5	
5.950%, face amount of $500.0, due 2034	495.0	494.9
5.850%, face amount of $900.0, due 2036	890.0	889.7
6.375%, face amount of $800.0, due 2037	790.0	789.7
5.800%, face amount of $300.0, due 2040	293.7	293.5
Surplus notes:		
9.000%, face amount of $25.1, due 2027	24.9	24.9
Variable rate debt:		
Commercial paper program	799.8	336.2

Fixed rate 1.430% FHLBs secured loan, due 2012	100.0	100.0
Capital leases	2.4	6.6
Total long-term debt	9,695.4	8,853.7
Current portion of long-term debt	(1,274.5)	(705.9)
Long-term debt, less current portion	$ 8,420.9	$ 8,147.8

All long-term debt shown above is a direct obligation of WellPoint, Inc., except for the $350.0 6.375% senior unsecured notes due 2012, the surplus notes, the FHLBs secured loan and capital leases.

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

13. Debt (continued)

At maturity on January 17, 2012, we repaid the $350.0 outstanding balance of our 6.375% senior unsecured notes.

On August 15, 2011, we issued $400.0 of 2.375% senior unsecured notes due 2017 and $700.0 of 3.700% senior unsecured notes due 2021 under our shelf registration statement. A portion of the proceeds from this debt issuance was used to fund the purchase price of our acquisition of CareMore and the remaining proceeds may be used for working capital and for general corporate purposes, including, but not limited to repayment of short-term and long-term debt. The notes have a call feature that allows us to redeem the notes at any time at our option and a put feature that allows a note holder to require us to repurchase the notes upon the occurrence of both a change of control event and a ratings downgrade of the notes.

At maturity on January 15, 2011, we repaid the $700.0 outstanding balance of our 5.000% senior unsecured notes.

On August 12, 2010, we issued $700.0 of 4.350% notes due 2020 and $300.0 of 5.800% notes due 2040 under our shelf registration statement. We used the proceeds from this debt issuance to repay the remaining outstanding balance of our variable rate senior term loan and for general corporate purposes. The notes have a call feature that allows us to repurchase the notes at any time at our option and a put feature that allows a note holder to require us to repurchase the notes upon the occurrence of both a change of control event and a downgrade of the notes.

On April 12, 2010, we borrowed $100.0 from the FHLBs for a two-year term at a fixed interest rate of 1.430%.

Surplus notes are unsecured obligations of Anthem Insurance Companies, Inc., or Anthem Insurance, a wholly owned subsidiary, and are subordinate in right of payment to all of Anthem Insurance s existing and future indebtedness. Any payment of interest or principal on the surplus notes may be made only with the prior approval of the Indiana Department of Insurance, or IDOI, and only out of capital and surplus funds of Anthem Insurance that the IDOI determines to be available for the payment under Indiana insurance laws.

We have a senior credit facility, or the facility, with certain lenders for general corporate purposes. The facility, as amended, provides credit up to $2,000.0 and matures on September 29, 2016. The interest rate on the facility is based on either, (i) the LIBOR rate plus a predetermined percentage rate based on our credit rating at the date of utilization, or (ii) a base rate as defined in the facility agreement plus a predetermined percentage rate based on our credit rating at the date of utilization. Our ability to borrow under the facility is subject to compliance with certain covenants. There were no amounts outstanding under the facility as of December 31, 2011.

We have an authorized commercial paper program of up to $2,500.0, the proceeds of which may be used for general corporate purposes. The weighted-average interest rate on commercial paper borrowings at December 31, 2011 and 2010 was 0.442% and 0.359%, respectively. Commercial paper borrowings have been classified as long-term debt at December 31, 2011 and 2010 as our practice and intent is to replace short-term commercial paper outstanding at expiration with additional short-term commercial paper for an uninterrupted period extending for more than one year or through our ability to redeem our commercial paper with borrowings under the senior credit facility described above.

Interest paid during 2011, 2010 and 2009 was $432.9, $419.6 and $409.2, respectively.

We were in compliance with all applicable covenants under our outstanding debt agreements at December 31, 2011.

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

13. Debt (continued)

Future maturities of long-term debt, including capital leases, are as follows: 2012, $2,073.9; 2013, $1.4; 2014, $944.6; 2015, $0.0; 2016, $1,109.2 and thereafter, $5,566.3.

14. Commitments and Contingencies

Litigation

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.

In various California state courts, we are defending a number of individual lawsuits, including one filed by the Los Angeles City Attorney, and one purported class action alleging the wrongful rescission of individual insurance policies. The suits name WellPoint as well as Blue Cross of California, or BCC, and BC Life & Health Insurance Company, or BCL&H (which name changed to Anthem Blue Cross Life and Health Insurance Company in July 2007), both WellPoint subsidiaries. The lawsuits generally allege breach of contract, bad faith and unfair business practices in a purported practice of rescinding new individual members following the submission of large claims. The parties agreed to mediate most of these lawsuits and the mediation resulted in the resolution of some of these lawsuits. Final approval of the class action settlement was granted on July 13, 2010, and no appeals were filed. Payments pursuant to the terms of the settlement commenced in the first quarter of 2011 and were completed during the second quarter of 2011. The payments did not have a material impact on our consolidated financial position or results of operations. The Los Angeles City Attorney filed an amended complaint in October 2010, adding claims of misrepresentation arising from several public statements made by the Company during 2010. The Los Angeles City Attorney is requesting two thousand five hundred dollars ($2,500) per alleged violation of the California Business and Professions Code. We intend to vigorously defend this suit; however, the ultimate outcome cannot be presently determined.

We are currently defending several certified or putative class actions filed as a result of the 2001 demutualization of Anthem Insurance Companies, Inc., or AICI, and the initial public offering of common stock, or IPO, for its holding company, Anthem, Inc. (n/k/a WellPoint, Inc.). The suits name AICI as well as Anthem, Inc., or Anthem, n/k/a WellPoint, Inc. The suits are captioned as *Ronald Gold, et al. v. Anthem, Inc. et al.; Mary E. Ormond, et al. v. Anthem, Inc., et al.; Jeffrey D. Jorling v. Anthem, Inc., et al; and Ronald E. Mell, Sr., et al. v. Anthem, Inc., et al.* AICI s 2001 Plan of Conversion, or the Plan, provided for the conversion of AICI from a mutual insurance company into a stock insurance company pursuant to Indiana law. Under the Plan, AICI distributed the fair value of the company at the time of conversion to its Eligible Statutory Members, or ESMs, in the form of cash or Anthem common stock in exchange for their membership interests in the mutual company. The lawsuits generally allege that AICI distributed value to the wrong ESMs or distributed insufficient value to the ESMs. In *Gold*, cross motions for summary judgment were granted in part and denied in part on July 26, 2006 with regard to the issue of sovereign immunity asserted by co-defendant, the State of Connecticut, or the State. The court also denied our motion for summary judgment as to plaintiffs claims on January 10, 2005. The State appealed the denial of its motion to the Connecticut Supreme Court. We filed a cross-appeal on the sovereign immunity issue. On May 11, 2010, the Court reversed the judgment of the trial court denying the State s motion to dismiss the plaintiff s claims under sovereign immunity and dismissed our cross-appeal. The case was remanded to the trial court for further proceedings. Plaintiffs motion for class certification was granted on December 15, 2011. In the *Ormond* suit, our motion to dismiss was granted in part

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies (continued)

and denied in part on March 31, 2008. The Court dismissed the claims for violation of federal and state securities laws, for violation of the Indiana Demutualization Law, for unjust enrichment, and for negligent misrepresentation with respect to ESMs residing in Indiana. On September 29, 2009, a class was certified with respect to some but not all claims asserted in the plaintiffs Fourth Amended Complaint. The class consists of all ESMs residing in Ohio, Indiana, Kentucky or Connecticut who received cash compensation in connection with the demutualization. The class does not include employers located in Ohio and Connecticut that received cash distributions pursuant to the Plan. On July 1, 2011, the Court issued an Order granting in part and denying in part our motion for summary judgment. The Court held that we were entitled to judgment on all of plaintiffs claims except those tort claims in connection with the pricing and sizing of the Anthem, Inc. IPO. Anthem filed a Motion to Certify this Order for interlocutory review to the United States Court of Appeals for the Seventh Circuit. The District Court granted our motion on September 2, 2011. We submitted our Petition for Permission to Appeal with the Seventh Circuit. However, the petition was denied by the Appeals Court on October 13, 2011. The *Ormond* suit is set for trial on June 18, 2012. In court filings, the plaintiffs in *Ormond* have alleged that the plaintiff class is entitled to compensatory damages ranging from approximately $265.0 to $545.0 on the remaining claims, plus prejudgment interest at the maximum rate allowed by law running from the demutualization in 2001, postjudgment interest at the maximum rate allowed by law, punitive damages in amounts not less than $500.0, and their costs and expenses in the action. On December 23, 2010, plaintiff s motion for class certification was denied in the *Jorling* suit. Plaintiff renewed his motion for class certification on May 1, 2011 and requested that a new named plaintiff be joined in the lawsuit. On December 23, 2011, our motion for summary judgment was granted, judgment was entered in our favor, and the *Jorling* case was dismissed with prejudice. Plaintiff s motion for partial summary judgment was denied, and plaintiff s renewed motion for class certification and motion to add a new named plaintiff were denied as moot. Plaintiff did not file an appeal from the summary judgment order entered in our favor. On November 4, 2009 a class was certified in the *Mell* suit. That class consists of persons who were continuously enrolled in the health benefit plan sponsored by the City of Cincinnati between June 18, 2001 and November 2, 2001. On March 3, 2010, the Court issued an order granting our motion for summary judgment. As a result, the *Mell* suit has been dismissed. The plaintiffs have filed an appeal with the United States Court of Appeals for the Sixth Circuit Court. Argument on the appeal was held on January 20, 2012. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

We are currently a defendant in a putative class action relating to out-of-network, or OON, reimbursement of dental claims called *American Dental Association v. WellPoint Health Networks, Inc. and Blue Cross of California.* The lawsuit was filed in March 2002 by the American Dental Association, and three dentists who are suing on behalf of themselves and are seeking to sue on behalf of a nationwide class of all non-participating dental providers who were paid less than their actual charges for dental services provided to members of some of our affiliates and subsidiaries dental plans. The dentists sue as purported assignees of their patients rights to benefits under our dental plans. The complaint alleges that we breached our contractual obligations in violation of ERISA by paying usual, customary and reasonable, or UCR, rates, rather than the dentists actual charges, allegedly relying on undisclosed, non-existent or flawed UCR data. The plaintiffs claim, among other things, that the data failed to account for differences in geography, provider specialty, outlier (high) charges, and complexity of procedure. The complaint further alleges that we were aware that the data was inappropriate to set UCR rates and that we routinely paid OON dentists less than their actual charges representing that our OON payments were properly determined usual, customary and reasonable rates. The suit was pending in the United States District Court for the Southern District of Florida. On December 23, 2011, the District Court granted our motion for summary judgment and dismissed the case. The plaintiffs filed a notice of appeal with the United States Court of Appeals for the Eleventh Circuit, which is pending. We intend to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies (continued)

We are currently a defendant in eleven putative class actions relating to OON reimbursement that were consolidated into a single multi-district lawsuit called *In re WellPoint, Inc. Out-of-Network UCR Rates Litigation* that is pending in the United States District Court for the Central District of California. The lawsuits were filed in 2009. The plaintiffs include current and former members on behalf of a putative class of members who received OON services for which the defendants paid less than billed charges, the American Medical Association, four state medical associations, OON physicians, chiropractors, clinical psychologists, podiatrists, psychotherapists, the American Podiatric Association, California Chiropractic Association and the California Psychological Association on behalf of a putative class of all physicians and all non-physician health care providers, and an OON surgical center. In the consolidated complaint, the plaintiffs allege that the defendants violated the Racketeer Influenced and Corrupt Organizations Act, or RICO, the Sherman Antitrust Act, ERISA, federal regulations, and state law by relying on databases provided by Ingenix in determining OON reimbursement. A consolidated amended complaint was filed to add allegations in the lawsuit that OON reimbursement was calculated improperly by methodologies other than the Ingenix databases. We filed a motion to dismiss the amended consolidated complaint. The motion was granted in part and denied in part. The court gave the plaintiffs permission to replead many of those claims that were dismissed. The plaintiffs filed a third amended consolidated complaint repleading some of the claims that had been dismissed without prejudice and adding additional statements in an attempt to bolster other claims. We filed a motion to dismiss the third amended consolidated complaint, which is pending. The OON surgical center voluntarily dismissed their claims. Fact discovery is complete. At the end of 2009, we filed a motion to enjoin the claims brought by the medical doctors and doctors of osteopathy and certain medical associations based on prior litigation releases, which was granted in 2011, and the court ordered the plaintiffs to dismiss their claims that are barred by the release. The physician and medical association plaintiffs filed an emergency motion to stay the preliminary injunction pending appeal, for the right to pursue an interlocutory appeal, and for an expedited appeal, all of which were denied. The plaintiffs also filed a petition for declaratory judgment asking the Court to find that these claims are not barred by the releases from the prior litigation. We filed a motion to dismiss the declaratory judgment action, which was granted. The plaintiffs filed a notice of appeal from the dismissal of the declaratory judgment action with the United States Court of Appeals for the Eleventh Circuit. The appeal is pending. The enjoined physicians have not yet dismissed their claims. We intend to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

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,

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies (continued)

for all of those proceedings is from $0 to approximately $500.0 at December 31, 2011. 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.

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 health care 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, arising out of our operations and our revision of earnings guidance in 2008, 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.

The National Organization of Life & Health Insurance Guaranty Associations, or NOLHGA, is a voluntary association consisting of the state life and health insurance guaranty organizations located throughout the U.S. State life and health insurance guaranty organizations, working together with NOLHGA, provide a safety net for their state s policyholders, ensuring that they continue to receive coverage even if their insurer is declared insolvent. We are aware that the Pennsylvania Insurance Commissioner, or Insurance Commissioner, has placed Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, or collectively Penn Treaty, in rehabilitation, an intermediate action before insolvency. The Insurance Commissioner has petitioned the state court for liquidation, however, we do not know when a decision will be made, although we believe it is likely the state court will rule within the next twelve months. In the event that Penn Treaty is declared insolvent and placed in liquidation, we and other insurers may be required to pay a portion of their policyholder claims through state guaranty association assessments in future periods. Given the uncertainty around whether Penn Treaty will ultimately be declared insolvent and, if so, the amount of the insolvency, the amount and timing of any associated future guaranty fund assessments and the availability and amount of any potential premium tax and other offsets, we currently cannot estimate our net exposure, if any, to this potential insolvency. We will continue to monitor the situation and may record a liability and expense in future reporting periods, which could be material to our cash flows and results of operations.

Contractual Obligations and Commitments

On December 1, 2009, we entered into a ten-year agreement with Express Scripts to provide pharmacy benefit management services for our plans. Under this agreement, Express Scripts is now the exclusive provider of certain specified pharmacy benefit management services, such as pharmacy network management, home

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies (continued)

delivery, pharmacy customer service, claims processing, rebate management, drug utilization and specialty pharmaceutical management services. Accordingly, the agreement contains certain financial and operational requirements obligating both Express Scripts and us. Express Scripts primary obligations relate to the performance of such services and meeting certain pricing guarantees and performance standards. Our primary obligations relate to oversight, provision of data, payment for services, transition services and certain minimum volume requirements. The failure by either party to meet the respective requirements could potentially serve as a basis for financial penalties or early termination of the contract. We believe we have appropriately recognized all rights and obligations under this contract at December 31, 2011.

On March 31, 2009, we entered into an agreement with Affiliated Computer Services, Inc. to provide certain print and mailroom services that were previously performed in-house. Our commitment under this agreement at December 31, 2011 was $267.1 over a five year period. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

During the first quarter of 2010, we entered into a new agreement with International Business Machines Corporation to provide information technology infrastructure services. This new agreement supersedes certain prior agreements and also includes provisions for additional services. Our remaining commitment under this agreement at December 31, 2011 was $784.1 over a four year period. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

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 geographic regions in which we conduct business. As of December 31, 2011, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

15. Capital Stock

Stock Incentive Plans

On March 15, 2006, our Board of Directors adopted the WellPoint 2006 Incentive Compensation Plan, or the Plan, which was approved by our shareholders on May 16, 2006. On March 4, 2009, our Board of Directors approved an amendment and restatement of the Plan to increase the number of shares available by 33.0 shares, to rename the plan as the WellPoint Incentive Compensation Plan, or Incentive Plan, and to extend the term of the Incentive Plan such that no awards may be granted on or after May 20, 2019, which was approved by our shareholders on May 20, 2009.

The Incentive Plan gives authority to the Compensation Committee of the Board of Directors to make incentive awards to our non-employee directors, employees and consultants, consisting of stock options, stock, restricted stock, restricted stock units, cash-based awards, stock appreciation rights, performance shares and performance units. The Incentive Plan, as amended and restated, increases the number of available shares for issuance to 60.1 shares, subject to adjustment as set forth in the Incentive Plan.

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WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

15. Capital Stock (continued)

Stock options are granted for a fixed number of shares with an exercise price at least equal to the fair value of the shares at the grant date. Stock options granted in 2011, 2010 and 2009 vest over three years in equal semi-annual installments and generally have a term of seven years from the grant date.

Certain option grants contain provisions whereby the employee continues to vest in the award subsequent to termination due to retirement. Our attribution method for newly granted awards considers all vesting and other provisions, including retirement eligibility, in determining the requisite service period over which the fair value of the awards will be recognized.

Restricted stock awards are issued at the fair value of the stock on the grant date and may also include one or more performance measures that must be met for the restricted stock award to vest. The restrictions lapse in three equal annual installments.

During 2010, we modified a portion of the restricted stock units granted in 2010 to change the vesting date from the respective date in 2013 to December 10, 2012. This modification ensures maximum tax deductibility of the compensation costs associated with these restricted stock units, which deduction will not be fully available to us beginning in 2013 due to changes in tax law resulting from Health Care Reform legislation. There were approximately 0.4 restricted stock units modified, which impacted 2,690 associates. These modifications did not result in any incremental share-based compensation costs.

For the years ended December 31, 2011, 2010 and 2009, we recognized share-based compensation cost of $134.8, $136.0 and $153.6, respectively, as well as related tax benefits of $48.6, $45.9 and $52.8, respectively.

A summary of stock option activity for the year ended December 31, 2011 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, 2011	24.9	$ 59.60		
Granted	1.5	66.24		
Exercised	(4.9)	49.60		
Forfeited or expired	(1.5)	63.12		

Outstanding at December 31, 2011	20.0	62.30	3.8	$ 177.0
Exercisable at December 31, 2011	16.8	63.67	3.5	$ 141.1

The intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 amounted to $115.8, $66.9 and $40.4, respectively. We recognized tax benefits of $42.9, $25.2 and $18.8 in 2011, 2010 and 2009, respectively, from option exercises and disqualifying dispositions. The total fair value of shares vested during the years ended December 31, 2011, 2010 and 2009 was $120.2, $93.5 and $21.5, respectively. During the years ended December 31, 2011, 2010 and 2009 we received cash of $245.0, $95.3 and $79.8, respectively, from exercises of stock options.

WellPoint, Inc.

Notes to Consolidated Financial Statements (continued)

15. Capital Stock (continued)

A summary of the status of nonvested restricted stock activity, including restricted stock units, for the year ended December 31, 2011 is as follows:

	Restricted Stock Shares and Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at January 1, 2011	4.2	$ 44.71
Granted	2.0	66.16
Vested	(1.8)	43.61
Forfeited	(0.4)	50.05
Nonvested at December 31, 2011	4.0	56.00

During the year ended December 31, 2011, we granted approximately 0.7 restricted stock units under the Incentive Plan that were contingent upon us achieving specified operating gain targets for 2011. We exceeded the specified operating targets and, accordingly, we expect to issue 1.1 restricted stock units under this performance plan. These restricted stock units have been included in the activity shown above.

As of December 31, 2011, the total remaining unrecognized compensation cost related to nonvested stock options and restricted stock amounted to $16.1 and $63.9, respectively, which will be amortized over the weighted-average remaining requisite service periods of 9 months and 9 months, respectively.

As of December 31, 2011, there were 32.0 shares of common stock available for future grants under the Incentive Plan.

Fair Value

We use a binomial lattice valuation model to estimate the fair value of all stock options granted. Expected volatility assumptions used in the binomial lattice model are based on an analysis of imp