

WELLPOINT, INC
 Form 10-Q
 October 29, 2014

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 September 30, 2014

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)

35-2145715

(I.R.S. Employer Identification Number)

120 MONUMENT CIRCLE

INDIANAPOLIS, INDIANA

(Address of principal executive offices)

46204-4903

(Zip Code)

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

Not Applicable

(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 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 October 15, 2014
Common Stock, \$0.01 par value	269,941,385 shares

WellPoint, Inc.
 Quarterly Report on Form 10-Q
 For the Period Ended September 30, 2014
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

WellPoint, Inc.

Consolidated Balance Sheets

	September 30, 2014	December 31, 2013
	(Unaudited)	
(In millions, except share data)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,717.9	\$ 1,582.1
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$17,845.3 and \$16,826.7)	18,284.7	17,038.2
Equity securities (cost of \$1,289.8 and \$1,168.5)	1,848.3	1,735.5
Other invested assets, current	19.0	16.3
Accrued investment income	172.7	168.8
Premium and self-funded receivables	4,438.1	3,968.7
Other receivables	1,680.7	1,063.3
Income taxes receivable	200.6	235.7
Securities lending collateral	1,698.6	969.8
Deferred tax assets, net	244.4	383.0
Other current assets	1,922.1	1,677.5
Assets held for sale	—	906.9
Total current assets	32,227.1	29,745.8
Long-term investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost of \$498.5 and \$455.9)	501.3	449.9
Equity securities (cost of \$26.8 and \$27.4)	31.7	31.3
Other invested assets, long-term	1,691.8	1,542.6
Property and equipment, net	1,848.9	1,801.5
Goodwill	17,082.0	16,917.2
Other intangible assets	8,010.6	8,441.0
Other noncurrent assets	664.8	645.2
Total assets	\$ 62,058.2	\$ 59,574.5
Liabilities and shareholders' equity		
Liabilities		
Current liabilities:		
Policy liabilities:		
Medical claims payable	\$ 6,794.2	\$ 6,127.2
Reserves for future policy benefits	68.8	63.1
Other policyholder liabilities	2,598.0	2,073.2
Total policy liabilities	9,461.0	8,263.5
Unearned income	1,003.5	822.7
Accounts payable and accrued expenses	3,447.6	3,426.3
Security trades pending payable	156.1	95.2
Securities lending payable	1,698.2	969.7
Short-term borrowings	100.0	400.0
Current portion of long-term debt	625.0	518.0
Other current liabilities	1,903.6	1,674.7

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Liabilities held for sale	—	181.4
Total current liabilities	18,395.0	16,351.5
Long-term debt, less current portion	14,538.3	13,573.6
Reserves for future policy benefits, noncurrent	655.7	723.0
Deferred tax liabilities, net	3,284.2	3,325.2
Other noncurrent liabilities	891.0	836.0
Total liabilities	37,764.2	34,809.3
Commitment and contingencies – Note 9		
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 – 270,512,468 and 293,273,830	2.7	2.9
Additional paid-in capital	10,094.4	10,765.2
Retained earnings	13,863.8	13,813.9
Accumulated other comprehensive income	333.1	183.2
Total shareholders' equity	24,294.0	24,765.2
Total liabilities and shareholders' equity	\$62,058.2	\$59,574.5
See accompanying notes.		

WellPoint, Inc.
Consolidated Statements of Income
(Unaudited)

(In millions, except per share data)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Revenues				
Premiums	\$17,226.0	\$16,580.9	\$50,811.9	\$49,509.5
Administrative fees	1,134.4	1,027.8	3,404.3	3,006.4
Other revenue	10.3	10.0	29.3	29.8
Total operating revenue	18,370.7	17,618.7	54,245.5	52,545.7
Net investment income	174.4	167.6	546.6	482.8
Net realized gains on investments	25.7	95.4	133.2	166.4
Other-than-temporary impairment losses on investments:				
Total other-than-temporary impairment losses on investments	(19.4)	(27.1)	(41.9)	(74.0)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	5.6	0.9	6.4	0.9
Other-than-temporary impairment losses recognized in income	(13.8)	(26.2)	(35.5)	(73.1)
Total revenues	18,557.0	17,855.5	54,889.8	53,121.8
Expenses				
Benefit expense	14,211.1	14,075.0	41,997.0	41,656.3
Selling, general and administrative expense:				
Selling expense	374.3	377.3	1,133.8	1,139.9
General and administrative expense	2,594.0	2,165.4	7,581.8	6,167.5
Total selling, general and administrative expense	2,968.3	2,542.7	8,715.6	7,307.4
Interest expense	155.3	151.5	447.1	456.9
Amortization of other intangible assets	60.3	61.3	168.3	185.6
Loss on extinguishment of debt	74.8	145.3	80.8	145.3
Total expenses	17,469.8	16,975.8	51,408.8	49,751.5
Income from continuing operations before income tax expense	1,087.2	879.7	3,481.0	3,370.3
Income tax expense	456.3	225.9	1,427.6	1,044.9
Income from continuing operations	630.9	653.8	2,053.4	2,325.4
Income from discontinued operations, net of tax	—	2.4	9.6	16.1
Net income	\$630.9	\$656.2	\$2,063.0	\$2,341.5
Basic net income per share:				
Basic - continuing operations	\$2.31	\$2.20	\$7.39	\$7.75
Basic - discontinued operations	—	0.01	0.03	0.06
Basic net income per share	\$2.31	\$2.21	\$7.42	\$7.81
Diluted net income per share:				
Diluted - continuing operations	\$2.22	\$2.15	\$7.15	\$7.64
Diluted - discontinued operations	—	0.01	0.03	0.05
Diluted net income per share	\$2.22	\$2.16	\$7.18	\$7.69
Dividends per share	\$0.4375	\$0.3750	\$1.3125	\$1.1250

See accompanying notes.

WellPoint, Inc.
 Consolidated Statements of Comprehensive Income
 (Unaudited)

(In millions)	Three Months Ended September 30		Nine Months Ended September 30		
	2014	2013	2014	2013	
Net income	\$630.9	\$656.2	\$2,063.0	\$2,341.5	
Other comprehensive (loss) income, net of tax:					
Change in net unrealized gains/losses on investments	(133.3	) 16.3	151.6	(327.0)
Change in non-credit component of other-than-temporary impairment losses on investments	(3.3	) (0.6	) (3.3	) 1.6	
Change in net unrealized gains/losses on cash flow hedges	(5.9	) 0.7	(4.4	) 2.2	
Change in net periodic pension and postretirement costs	3.0	4.8	8.9	18.6	
Foreign currency translation adjustments	(2.4	) 1.2	(2.9	) 0.7	
Other comprehensive (loss) income	(141.9	) 22.4	149.9	(303.9)
Total comprehensive income	\$489.0	\$678.6	\$2,212.9	\$2,037.6	

See accompanying notes.

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WellPoint, Inc.
Consolidated Statements of Cash Flows
(Unaudited)