REGULATORY SETTLEMENT AGREEMENT

This Regulatory Settlement Agreement ("Agreement") is entered into this _th day of December 2016, by and between Anthem Insurance Companies, Inc. ("Anthem" or the "Company"), and the California Department of Insurance, Indiana Department of Insurance, Maine Bureau of Insurance, Missouri Department of Insurance, New Hampshire Insurance Department, North Dakota Department of Insurance, and South Carolina Department of Insurance (collectively, the "Lead Regulators") and the insurance regulatory departments, divisions, or offices of each of the remaining States and U.S. jurisdictions that adopt, agree to, and approve this Agreement (the "Participating Regulators").

A. Recitals

1. Anthem is the nation’s largest health benefits company by membership, licensed to conduct business in all fifty States and the District of Columbia. It maintains its home office in Indianapolis, Indiana, and markets products and services in many jurisdictions using either in its own name or the name and marks of Blue Cross Blue Shield, UniCare, CareMore, and Amerigroup.

2. On February 5, 2015, Anthem announced a specific data breach. That data breach was the result of an attack that began surreptitiously on February 18, 2014, and led to exfiltration of personally identifiable information ("PII"), including names and (in some cases) social security numbers, of 78.8 million consumers beginning in December 2014 ("Data Breach"). The Data Breach was discovered on January 27, 2015, and the last successful malicious activity was noted by Anthem on January 30, 2015.

3. The Lead Regulators are the Lead States in a targeted multistate market conduct and financial examination ("Examination") initially called by the Indiana Department of Insurance as lead domestic regulator on February 26, 2015. All other states and U.S. jurisdictions belonging to the National Association of Insurance Commissioners participated in the Examination. The purpose of the Examination was to assess Anthem’s state of cybersecurity preparedness prior to the Data Breach, its post-Data Breach response, the adequacy of measures taken by the Company to mitigate the harm to consumers whose PII was compromised, and determining the identity of the actors responsible for the Data Breach.

5. Based on these preliminary findings (and following the Lead States’ continuing dialogue with the Company and collaboration with other regulators), A&M produced a public examination report on December 1, 2016 ("Examination Report"). A copy of the Examination Report is attached hereto as Exhibit A. Key findings in the Examination Report include the following:

(a) Anthem’s pre-breach cybersecurity was reasonable and included the implementation of technologies and procedures consistent with or exceeding those of a typical organization of its size and type;

(b) Anthem’s preparations to respond to a data breach began well before the incident occurred and included a detailed Incident Response Plan ("IR Plan");

(c) The Company’s IR Plan allowed it to timely and effectively respond to the Data Breach when it was discovered, removing the attacker’s ability to access the network within three days of identifying the Data Breach;

(d) The examiners have identified the attacker with high confidence and concluded with medium confidence that the attacker was acting on behalf of a foreign government. Attacks associated with this foreign government have not resulted in PII being transferred to non-state actors;

(e) Anthem promptly communicated and cooperated with law enforcement and regulatory officials. The Company also provided affected individuals with notice through direct mailing, e-mailing, news publications, website notice, and working with State insurance departments;

(f) Within two weeks of discovering the Data Breach, Anthem contracted with a vendor to provide credit protection services for two years to breach-impacted consumers; and,

(g) Immediately following discovery of the Data Breach, Anthem engaged expert consultants to investigate the Data Breach and assist the Company with its post-breach response.

6. The Lead States have discussed the preliminary findings with the Company as well as Anthems’ response to the Data Breach, improvements to its security posture going forward, and its plans for remedial action. To date, the Company has already incurred significant costs related to the Data Breach: $2.5 million to engage expert consultants; $115 million for the implementation of security improvements; $31 million to provide initial notification to the public and affected individuals; and $112 million to provide credit protection to breach-impacted consumers. The Company and the Lead States have also agreed upon additional security enhancements and further efforts to assist breach-affected individuals.
7. In light of the facts set forth in the confidential preliminary findings and the public Examination Report, the corrective actions already implemented by the Company, and the Additional Corrective Actions described in Paragraph D below, the Lead Regulators find that administrative fines or penalties are not warranted. Considering the Company's pre-breach security posture, its timely and effective response, and the large costs already incurred by Anthem, the Lead States feel any additional monies are better spent on investments in cybersecurity, the maintenance and upgrade of technology, and continuing consumer remediation than on punitive or exemplary fines.

8. The Company is prepared to undertake Additional Corrective Actions in addition to the work already performed, the additional security measures already implemented, and the costs already incurred in responding to the Data Breach.

9. In view of the foregoing facts and circumstances, the Lead Regulators and the Participating Regulators find it to be in the public interest and are willing to accept this Agreement to settle all insurance regulatory matters within the scope of the Examination. The Company believes that such a settlement is in its best interest.

B. Location of Definitions

The terms listed below are defined within the Agreement. For convenience, those definitions can be found as referenced below.

(a) "A&M" is defined in paragraph A.4.
(b) "Additional Corrective Actions" are those actions described in paragraph D.
(c) "Affected Minors" is defined in paragraph D.3.
(d) "Agreement" is defined in the preamble paragraph.
(e) "Anthem" is defined in the preamble paragraph.
(f) "Anthem Minor Credit Protection Program" is described in paragraph D.3.
(g) "Applicable Consent Order" is defined in paragraph E.4(a)
(h) "Company" is defined in the preamble paragraph.
(i) "CrowdStrike" is defined in paragraph A.4.
(j) "Data Breach" is defined in paragraph A.2.
(k) "Examination" is defined in paragraph A.3.
(l) "Examination Report" is defined in paragraph A.5.
(m) "IR Plan" is defined in paragraph A.5(b).
(n) "Lead Regulators" is defined in the preamble paragraph.
"Participating Regulators" is defined in the preamble paragraph.

"PII" is defined in paragraph A.2.

C. **List of Exhibits**

Exhibit A .......... Examination Report dated December 1, 2016
Exhibit B .......... Exemplar Minor Credit Protection Program Mailing
Exhibit C .......... Participating Regulator Adoption Form

D. **Additional Corrective Actions**

1. **Continued Implementation of Enhanced Security Measures.** Anthem has discussed with the Lead Regulators the recommendations of its expert consultants and its plans to continue the installation of enhanced security measures. The Company will complete the work described to the Lead States at an estimated additional cost of at least $30 million.

2. **Continuation of Cybersecurity Monitoring.** Anthem engaged outside consultants to conduct ongoing monitoring of its systems. The Company completed the work contemplated by that engagement, has acquired additional tools and hired additional staff to insource this capability, and will continue its heightened monitoring.

3. **Anthem Minor Credit Protection Program.** Anthem estimates that the Data Breach impacted at least twelve million individuals who were under the age of eighteen when the breach was discovered on January 27, 2015 ("Affected Minors"). This group of underage persons is less likely than others to engage in credit transactions and thus less likely to promptly discover any fraudulent activity. Affected Minors will therefore receive substantial benefits from credit protections similar to that known as a credit “freeze.” The Lead Regulators have therefore asked and Anthem has agreed to provide a credit protection program functionally equivalent to a credit freeze to Affected Minors. Specifically, Anthem will:

   a) Notify the parents or legal guardians of Affected Minors of the availability of the Anthem Minor Credit Protection Program by means of a plan which incorporates a U.S. Mail notice, media notice, website notice, and member portal notice in coordination with the Lead Regulators. The content of the U.S. mail notice will be mutually agreed by the Company and the Lead Regulators and substantially consistent with the Exemplar Minor Credit Protection Program Mailing (attached as Exhibit B). Notification by U.S. Mail will begin in February 2017 and be completed within ninety (90) days thereafter;

   b) Work with the three major credit bureaus (Equifax, Experian, and TransUnion) to, upon request by the parents or legal guardians of Affected Minors, provide for a one-time placement and permanent removal of the Anthem Minor Credit Protection Program for each Affected Minor;
(c) Anthem will pay all costs associated with the Anthem Minor Credit Protection Program for Affected Minors; and,

(d) Anthem will make this offer available for a period of one year after the date of the notice letter.

The estimated cost of implementing the Anthem Minor Credit Protection Program is expected to exceed $15 million.

E. Miscellaneous

1. Effectiveness. This Agreement shall become effective when signed by the Company and the Lead Regulators and adopted by eighteen Participating Regulators through submission of executed Participating Regulator Adoption Forms (attached as Exhibit C).

2. Release. The Lead Regulators and Participating Regulators release and discharge the Company with respect to all damages, fines, claims, sanctions, losses, demands or other liability or redress that each Lead Regulator or Participating Regulator and his or her department could have pursued as a result of the matters falling within the scope of the Examination.

3. No Allegation or Admission. The Lead Regulators have not alleged and Anthem has not admitted any wrongdoing, negligence, or violation of law by the Company.

4. Representations of Authority.

   (a) Lead Regulators and Participating Regulators. Each person signing on behalf of a Lead Regulator or Participating Regulator gives his or her express assurance that under applicable state laws, regulations, and judicial rulings, he or she has authority to enter into this Agreement. If a Lead Regulator or Participating Regulator finds that, under applicable state law, regulation, judicial ruling, or procedure, the preparation and execution of a consent order or other document is necessary to carry out the terms of this Agreement (the “Applicable Consent Order”), such Applicable Consent Order shall be prepared by the Lead Regulator or Participating Regulator. For purpose of this Agreement, an Applicable Consent Order shall be satisfactory to the Company if it: (i) incorporates by reference and attaches via exhibit a copy of this Agreement, (ii) expressly adopts and agrees to the provisions of this Agreement, and (iii) includes only those other terms that may be legally required in the state of the applicable Lead Regulator or Participating Regulator.

   (b) Company. The Company expressly represents and warrants as of the date of its execution of this Agreement that: (i) it is duly organized and validly existing and subsisting under the laws of the state of its organization, it is in good standing in such jurisdiction, and neither the execution, delivery, nor performance of this Agreement will violate any law binding on the Company; (ii) it has the full right and power to enter into this Agreement on behalf of the
Company and to perform all obligations hereunder; and (iii) it has obtained all necessary authorizations, approvals, or consents of any governmental entity required in connection with the execution, delivery, or performance by it of this Agreement.

5. **Choice of Venue.** This Agreement, any disputes which may arise in connection with the interpretation or enforcement of the Agreement, and the rights and obligations of the Parties generally shall be governed by the laws of the State of Indiana without regard or reference to choice or conflict of law rules. The Company, the Lead Regulators, and the Participating Regulators consent to the exclusive jurisdiction of the United States District Court for the Southern District of Indiana or, if such jurisdiction is lacking, the Indiana Circuit Court for Marion County, solely for the purposes of interpreting or enforcing this Agreement and for no other purposes.

6. **Waiver.** Any agreement on the part of any party hereto to any extension or waiver shall be valid only if in writing signed by the party granting such waiver or extension and shall be a one-time waiver or extension only, and any such waiver or extension or any other failure to insist on strict compliance with any duty or obligation herein shall not operate as a waiver or extension of, or estoppel with respect to, any continuing, subsequent, or other failure to comply with this Agreement.

7. **Rights and Remedies.** Except as otherwise provided in this Agreement, the rights, powers, remedies, and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies, and privileges provided by applicable law.

8. ** Entire Understanding, Modification.** This Agreement represents the entire understanding between the parties with respect to the subject matter hereof and supersedes any and all prior understandings, agreements, plans, and negotiations, whether written or oral, with respect to the subject matter hereof. All modifications to this Agreement must be in writing and signed by each of the parties hereto.

9. **Execution in Counterparts.** This Agreement may be executed in one or more counterparts, any of which shall be deemed an original and all of which taken together shall constitute one and the same Agreement. Execution and delivery of this Agreement may be evidenced by facsimile transmission.

SIGNATURES FOLLOW ON THE SUBSEQUENT PAGE
CALIFORNIA DEPARTMENT OF INSURANCE

By: ____________________________
    Dave Jones
    Commissioner

Date: ________________

MAINE BUREAU OF INSURANCE

By: ____________________________
    Eric A. Cioppa
    Superintendent

Date: ________________

NEW HAMPSHIRE INSURANCE DEPARTMENT

By: ____________________________
    Roger A. Sevigny
    Commissioner

Date: ________________

SOUTH CAROLINA DEPARTMENT OF INSURANCE

By: ____________________________
    Ray Farmer
    Director

Date: ________________

INDIANA DEPARTMENT OF INSURANCE

By: ____________________________
    Stephen W. Robertson
    Commissioner

Date: ________________

MISSOURI DEPARTMENT OF INSURANCE

By: ____________________________
    John M. Huff
    Commissioner

Date: ________________

NORTH DAKOTA DEPARTMENT OF INSURANCE

By: ____________________________
    Adam Hamm
    Commissioner

Date: ________________

ANTHEM INSURANCE COMPANIES, INC.

By: ____________________________
    [Name] Thomas Zielinski
    [Position] Executive Vice President and General Counsel

Date: 12/2/2016
Targeted Multistate Market Conduct and Financial Examination

of

Anthem Insurance Companies, Inc.

Regulatory Settlement Agreement

PARTICIPATING REGULATOR ADOPTION

On behalf of The State of South Dakota, hereby adopt, agree and approve the Anthem Regulatory Settlement Agreement dated December 2, 2016.

South Dakota Division of Insurance

By: ____________________________

Title: ____________________________

Date: 12/07/2016

I, Larry Deiter, hereby adopt, agree and approve the

Anthem Regulatory Settlement Agreement dated December 2, 2016.

By: ____________________________

Title: ____________________________

Date: 12/07/2016