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Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
STATE OF IDAHO**

In the Matter of:

REGENCE BLUESHIELD OF IDAHO, INC.

Certificate of Authority No. 1903
NAIC No. 60131

Docket No. 18-3173-16

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2014**

The State of Idaho, Department of Insurance (Department), having conducted an examination of the affairs, transactions, accounts, records, and assets of Regence BlueShield of Idaho, Inc. (RBSI), pursuant to Idaho Code § 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of Regence BlueShield of Idaho, Inc., as of December 31, 2014 (Report), as filed.

FINDINGS OF FACT

1. RBSI is an Idaho-domiciled insurance company licensed to transact disability insurance, including managed care, in Idaho under Certificate of Authority No. 1903.
2. The Department completed an examination of RBSI pursuant to Idaho Code § 41-219(1) on or about May 13, 2016. The Department's findings are set forth in the Report.
3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on May 13, 2016, and a copy was transmitted to RBSI on June 1, 2016. A copy of the verified Report is attached hereto as Exhibit A.
4. On or about June 8, 2016, the Department received a Waiver from RBSI signed by Stacy J. Simpson, Vice President and Corporate Controller. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, RBSI consented to the immediate entry of a final order by the Director of the Department (Director) adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal from the Director's final order.
5. No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from RBSI.

CONCLUSIONS OF LAW

6. Idaho Code § 41-227(5)(a) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant

portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

7. Having fully considered the Report, the Director concludes that RBSI meets the minimum surplus requirements set forth in Idaho Code § 41-313(1).

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Regence BlueShield of Idaho, Inc., as of December 31, 2014, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, RBSI shall file with the Department's Deputy Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 21 day of June, 2016.

STATE OF IDAHO
DEPARTMENT OF INSURANCE


DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 21 day of June, 2016, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2013 to be served upon the following by the designated means:

Scott Kreiling, President
Regence BlueShield of Idaho, Inc.
1211 W. Myrtle, Suite 110
Boise, ID 83702

- first class mail
- certified mail
- hand delivery
- email

Regence BlueShield of Idaho, Inc.
1602 21st Avenue
Lewiston, ID 83501-4061

- first class mail
- certified mail
- hand delivery
- email

Georgia Siehl, CPA, CFE
Bureau Chief / Chief Examiner
Idaho Department of Insurance
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- first class mail
- certified mail
- hand delivery
- email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

REGENCE BLUESHIELD OF IDAHO, INC.

(Mutual Health Insurer)

(NAIC Company Code: 60131)

As of

December 31, 2014

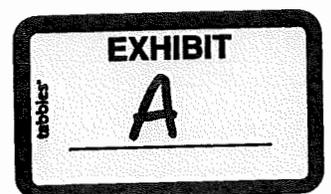


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Portland, Oregon
May 13, 2016

Mr. Dean Cameron
Director of Insurance
State of Idaho
Department of Insurance
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Idaho Code §41-219(1) and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2014, of the financial condition and corporate affairs of:

Regence BlueShield of Idaho, Inc.
1602 21st Avenue
Lewiston, Idaho 83501-4061

Hereinafter referred to as the "Company", at the primary location of its books and records in Portland, Oregon. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope, risk-focused coordinated examination of Regence BlueShield of Idaho, Inc. The last exam was completed as of December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2014.

This examination was a coordinated examination, in which Oregon was the lead state with participation from examiners from the states of Idaho, Utah, and Washington, and was conducted concurrently with the examinations of the following insurance companies:

Regence BlueCross BlueShield of Oregon

Regence HMO Oregon
Regence Health Maintenance of Oregon, Inc.
Regence BlueCross BlueShield of Utah
BridgeSpan Health Company
LifeMap Assurance Company
Regence BlueShield
Asuris Northwest Health

Examination Procedures Employed

Our examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* to determine compliance with accounting practices and procedures in conformity with the applicable laws of the State of Idaho, and insurance rules promulgated by the Idaho Department of Insurance (Department). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with NAIC Accounting Practices and Procedures Manual (SSAPs and Annual Statement instructions when applicable to domestic state regulations).

The Company retained the services of a certified public accounting firm, Deloitte and Touche, LLP, Portland, Oregon to audit its financial records for the years under examination. The firm provided the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

The examination determined the risks associated with identified key functional activities of the Company's operations and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm contracted by the Oregon Insurance Division, INS Consultants, Inc., Philadelphia, Pennsylvania, to review the actuarial items. The examination also relied on the findings of the Oregon Insurance Division to perform a review of Cambia Health Solution, Inc.'s information technology governance, logical access, physical security, change management, and disaster recovery/business continuity plan.

This examination report includes findings of fact, as mentioned in Idaho Code §41-227(2) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

Our examination included a review to determine the current status of the exception conditions commented upon in our preceding Report of Examination, dated December 31, 2009, which covered the period from January 1, 2006 to December 31, 2009. We determined that the Company had satisfactorily addressed the exception conditions, except as noted under the caption *COMMENTS AND RECOMMENDATIONS*.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

SUBSEQUENT EVENTS

Subsequent to the examination date, the Company purchased an additional 16,632 and 34,820 shares of BridgeSpan stock on July 24, 2015 and December 20, 2015, respectively for \$1,217,264 and \$2,000,000, respectively, bringing total shares owned to 70,620. As of the date of this examination report, the Company holds an 11.2 percent ownership stake in BridgeSpan.

The Company submitted an incomplete Form D Filing on December 11, 2015 for the fifth amendment to the Management and Administrative Services Agreement. This amendment was conditionally approved on March 8, 2016 by the Idaho Department of Insurance after additional information was submitted on February 26, 2016. This approval was contingent upon the Company bringing the agreement into compliance with recent changes to Idaho's Holding Company Standards by June 30, 2016.

COMPANY HISTORY

General

The Company was formed as a non-profit entity on February 23, 1946, and commenced business in the State of Idaho on April 15, 1946, as North Idaho District Medical Service Bureau, Inc. By a resolution dated January 12, 1977, the Board of Directors changed the Company's name to Medical Service Bureau of Idaho, Inc. The Company operated as a hospital and professional service corporation, and in 1994, converted to a nonprofit mutual insurer under Chapter 28, Idaho Code. Effective September 1, 1997, the name of the Company was changed to Regence BlueShield of Idaho, Inc.

During 1961, the Company became a member of the Blue Shield Association, which later became the BlueCross BlueShield Association. The Association serves as a national non-affiliated advisory organization for all BlueCross and BlueShield Plans in the United States.

The Company became subject to Federal income taxes beginning in 1987. Prior thereto, it had been exempt under §501(c)(4), Internal Revenue Code.

The Caring Foundation, Inc. was established in 1991 for the benefit of children in need of appropriate dental care in Idaho and Utah. The Company, along with Regence BlueCross BlueShield of Utah, were members of the Foundation. The Caring Foundation, Inc. became part of the Cambia Foundation effective March 10, 2014.

HealthSense, a health maintenance organization, was formed in 1994 to deliver the Company's managed care line of business.

Prior to the Company's mutualization in 1994, it was exempt from Idaho State Premium Taxes, State Corporation Taxes, and participation in the Idaho Life and Health Guaranty Association. State taxation in lieu of Idaho premium taxes was provided under Idaho Code §41-3427, which required an assessment at the rate of four cents per subscriber contract per month.

Beginning in 1995, the Company's lines of business were no longer exempt from Idaho premium taxes and participation in the Idaho Life and Health Guaranty Association. The exception from the Idaho premium tax was HealthSense, which was subject to the assessment of four cents per subscriber contract per month. In addition, the Company's annual statement reporting was changed from a hospital, medical and dental or indemnity form to a life and accident and health form.

Also in 1995, the Company became a member of Cambia Health Solutions, Inc., formerly known as The Regence Group until the name was changed to Cambia Health Solutions, Inc. (Cambia) in

2011 and, prior to that, known as ENTRUST, and later The Benchmark Group, by entering into a Management and Administrative Services Agreement. The agreement was amended June 1, 1998 and December 10, 2001 and, as noted above, in 2011. Other members of Cambia Health Solutions, Inc. include Regence BlueCross BlueShield of Oregon, Regence BlueShield, and Regence BlueCross BlueShield of Utah, collectively referred to as the Plans.

The Company acquired 100 percent of the capital stock of the Medical Service Life Agency, Inc., an Idaho corporation, from Medical Life Insurance Company, Cleveland, Ohio in October 1996. In consideration of \$99,900, the Company received one thousand shares of Medical Service Life Agency, Inc. common stock.

Effective April 1, 1999, Medical Service Life Agency, Inc. and several related agencies were merged into LifeMap Coordinated Services, Inc. (previously Regence Coordinated Services, Inc.). LifeMap Coordinated Services, Inc. is a wholly owned subsidiary of LifeMap Assurance Company (previously known as Regence Life and Health Insurance Company). LifeMap Assurance Company is owned by the member Plans (affiliates and/or subsidiaries) of the Regence Insurance Holding Corporation.

The Company received 571 shares of LifeMap Assurance Company common stock in exchange for Medical Service Life Agency, Inc. stock. The shares and value of Medical Service Life Agency, Inc. stock as a percent of the total transaction were 6.7 percent. After the merger, and at December 31, 2014, the Company owned approximately two percent of LifeMap Assurance Company. Medical Service Life Agency, Inc. was merged out of Cambia Health Solutions, Inc. effective April 1 1999.

In 1997, Cambia Health Solutions, Inc. and affiliate Plans formed Regence Operating Company, LLC, for the purpose of providing shared services and the funding of capital investments common to Cambia and affiliate Plans. Regence Operating Company, LLC was dissolved on January 11, 2007.

Regence Insurance Services of Idaho, Inc. was organized and incorporated by the Company on April 12, 1999. Regence Insurance Services of Idaho, Inc. may own or operate various businesses or conduct activities that were complementary to the Company's business. Regence Insurance Services of Idaho, Inc. was dissolved as of July 7, 2003.

Effective February 4, 2000, the Company withdrew HealthSense's Idaho Certificate of Authority. At the same time, the Idaho Certificate of Authority for the Company was amended to reflect the addition of disability, including managed care. Also effective February 2000, all transactions applicable to HealthSense were reported by the Company. Previous to that, the financial condition and results of HealthSense were reported separately.

An equity grant of \$10 million, net of \$2 million tax, was made to the Company in 2003. The purpose of the grant was to improve and stabilize the Company's financial position.

Accounting, actuarial, and investment operations were moved from Lewiston and Boise, Idaho to Portland, Oregon, and Seattle, Washington during 2004.

Effective January 1, 2006, the Company changed its reporting format from the NAIC Life, Accident and Health blank to the Health blank.

In December, 2013, the Company invested \$1,950,000 in BridgeSpan Health Company (BridgeSpan), a for-profit corporation and Cambia affiliate, in exchange for a 15 percent ownership stake and 19,168 shares.

Mergers and Acquisitions

Other than the acquisition of the BridgeSpan shares noted above, there were no other mergers and acquisitions during the examination period.

CORPORATE RECORDS

The meetings of the Board of Directors and members were conducted on a quarterly and an annual basis, respectively, for all the years under examination.

Investment transactions were approved by the Board of Directors or the Executive Committee, as required by Idaho Code §41-704.

The December 31, 2009 Report of Examination and the June 24, 2011 Order Adopting the Report of Examination in accordance with Idaho Code §41-227 were discussed by the Board of Directors at the meeting held on July 27, 2011.

MANAGEMENT AND CORPORATE GOVERNANCE

The bylaws of the Company indicated the number of Directors shall be not less than five (5) nor more than fifteen (15) in number. The following persons served as Directors of the Company as of December 31, 2014:

<u>Name and Business Address</u>	<u>Principal Occupation</u>
David Robert Boren Boise, Idaho	Founder, Chief Executive Officer, and CTO of Clearwater Analytics, LLC
Gregory Lee Charlton Boise, Idaho	Retired (former Senior Vice President Branch Administrator at Idaho Independent Bank)
John Anthony Fernandez Lewiston, Idaho	President, Lewis-Clark State College

David Jeffery Fox Twin Falls, Idaho	President, College of Southern Idaho
Thomas Louis Gibson Sandpoint, Idaho	Senior Vice President, Financial Consultant, CPA, CWS, D.A. Davidson & Co.
Lynn Gunkler Hoffman Boise, Idaho	Retired (former Executive Director, Idaho Nonprofit Center)
Kent Fabien Ivanoff Boise, Idaho	Chief Executive Officer, iVinci Health Partners, LLC
Scott Douglas Kreiling Boise, Idaho	President, Regence BlueShield of Idaho, Inc.
Daniel Jack Meulenberg Sandpoint, Idaho	Physician, Pinegrove Medical Center
Casey Meza Coeur d' Alene, Idaho	Executive Director, Affiliated Health Services
Christopher Al Moreno, M.D. Lewiston, Idaho	General Surgeon, Majure & Moreno, PA
Katherine Lucile Moriarty Idaho Falls, Idaho	Retired
Jeffery George Nasset Lewiston, Idaho	Senior Vice President, D.A. Davidson & Co.
Mary Carol Niland Nampa, Idaho	Chief Executive Officer, Witco, Inc.
Jeffery Orange Williams Twin Falls, Idaho	President, Glanbia Foods, Inc.

Subsequent to the examination date, Christopher Al Moreno, M.D. was elected Chair of the Board.

The Company's bylaws provide for principal officers to consist of a Chair of the Board, a president, one or more vice-presidents, a secretary, and a treasurer. The following persons served as officers of the Company as of December 31, 2014:

Gregory Lee Charlton	Chair of the Board
Scott Douglas Kreiling	President

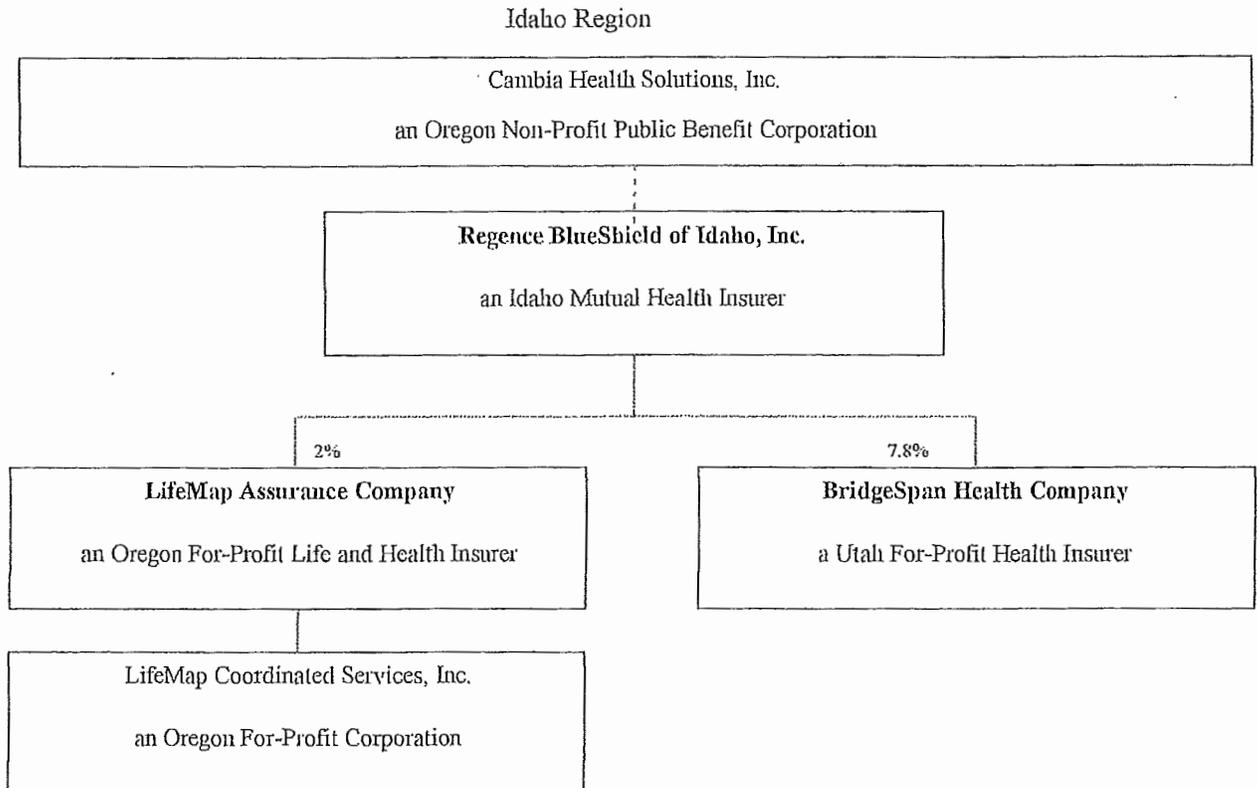
Andreas Bernhard Ellis	Treasurer
Shad Davis Priest	Secretary
John Wilson Attey	Assistant Secretary
Melissa Jo Christian	Vice President, Provider Services
Stacy Jean Simpson	Vice President and Corporate Controller

The following schedule lists the Committees and the Chairperson(s) serving as of the examination date:

<u>Committee</u>	<u>Chair</u>
Executive	Gregory Lee Charlton
Nominating	David Jeffery Fox

Subsequent to the examination date, Christopher Al Moreno, M.D. and Lynn Gunkler Hoffman were appointed Chairs of the Executive and Nominating Committees, respectively.

The Company is a member of an insurance holding company system. Cambia Health Solutions, Inc. (formerly The Regence Group) is the ultimate controlling person, as noted in the abridged organizational chart:



As of the examination date, the Company's ownership interest in BridgeSpan Health Company was 7.8 percent. As previously reported, that ownership interest increased to 11.2 percent subsequent to the examination date.

The Company is affiliated with Cambia pursuant to the Plan and Agreement of Affiliation and the Management and Administrative Services Agreement effective May 25, 1995.

Inter-company Service Agreements

Management and Administrative Services Agreement

The Company entered into a Management and Administrative Services Agreement with Cambia and its subsidiaries and affiliates effective May 25, 1995. Under this agreement, Cambia provided management and certain services such as strategic planning, budgeting, actuarial, underwriting, marketing, finance, legal, information technology and human resources. Costs incurred by Cambia and its subsidiaries and affiliates for services under the agreement are allocated to the Company. The basis of allocation is mainly driven by the Company's ratio of membership, number of employees, gross operating expense and claims expense when compared to totals of subsidiaries and affiliates of Cambia. The agreement was originally executed in 1995 and approved by the Department of Insurance on May 17, 1995.

The initial term of the agreement is four, five-year periods totaling twenty years. After the initial term, the agreement renews for one-year periods unless terminated by one of the parties. In the event of termination resulting from material default of the Company, a liquidation fee of \$2 million is to be paid to Cambia. In the event termination is the result of a material default by Cambia, a liquidation fee of \$1 million is to be paid to the Company.

Effective June 1, 1998, the agreement was amended to reflect corporate name changes for the Company and certain changes that occurred in the Bylaws of Cambia and to reflect the name change from ENTRUST to The Regence Group (The Regence Group subsequently changed to Cambia Health Solutions Inc. in 2011). Payment for services was also changed under the amendment. All other terms and conditions of the agreement remained unchanged. In a letter to the Company dated July 31, 1998, the amendment was approved by the Department of Insurance upon receipt of the executed agreement.

A second amendment to the Management and Administrative Services Agreement, effective December 10, 2001, was approved by the Board of Directors on April 17, 2002. The amendment recognized that Cambia had progressively undertaken more system-wide functions on an integrated basis on behalf of the Company and the member Plans in common, including finance, legal, information technology, human resource, fraud investigation and awareness, planning, actuarial and underwriting services. In this regard, Cambia adopted and implemented more refined statistical methodologies to allocate the costs of those services which were provided by Cambia in common to the Company and the member Plans.

The second amendment also ratified and approved all methodologies by which costs of the common services and extraordinary services (defined in the agreement) have been allocated by

Cambia to the Company and paid by the Company to Cambia during the current and any and all prior fiscal years. Further, all past actions of the officers of the Company were ratified and approved in implementing the allocation of the costs of the common services and the extraordinary services.

The second amendment to the agreement was filed with the Idaho Department of Insurance on May 29, 2008. In a letter to the Company dated May 29, 2008, the Department of Insurance indicated that it did not have any objections to the second amendment to the Management and Administrative Services Agreement.

Under the amended agreement, allocation ratios to the Plans are determined based on the statistics, such as claims expense, membership, or employee headcount, among other things, and are fed into a formula (or allocation method) through the PeopleSoft system. For example "gross operating expenses" may be used as a determinant for allocating "executive salaries" to each Plan. The allocation ratios change monthly, because the data, statistics, or activities used in the formula change each month.

The third amendment to the agreement was effective July 28, 2011. A new subsection was added to the cost allocation section whereby the cost allocations made pursuant to the agreement shall be consistent with all statutory accounting principles applicable under Idaho law, including, but not limited to, SSAP No. 70 and NAIC Accounting Practices and Procedures Manual Issue Paper No. 94.

The fourth amendment to the agreement, to reflect the change in The Regence Group's name to Cambia Health Solutions, Inc., was effective December 6, 2011. However, this was not filed with the Department until September 14, 2015 and was not approved until September 25, 2015.

Amounts allocated from Cambia for services provided to the Company were \$25,117,014 for the year ended December 31, 2014. Amounts allocated from Regence BlueCross BlueShield Oregon, Regence BlueCross BlueShield Utah, Regence BlueShield and BridgeSpan Health Company for services provided to the Company were \$44,015,583 for the year ended December 31, 2014. These amounts are included in claims adjustment expenses and general administrative expenses.

The Company pays certain expenses, including occupancy and certain employee benefits on behalf of Cambia, its subsidiaries and affiliates. The basis of allocation is mainly driven by statistics used to measure the cost of Cambia's employees' occupation of space in the Company's building. The main statistics used for these allocations are square footage and headcount. Administrative costs paid to Cambia were \$397,433 for the year ended December 31, 2014.

Federal Employee Program (FEP) Shared System Service and Cost Agreements

The Company, along with Regence BlueShield and Regence BlueCross BlueShield of Oregon, are parties to an FEP Shared System Service and Cost Agreement. The agreement was effective January 1, 1997 with a two year duration. The agreement automatically renews for successive one year terms. The parties may terminate the agreement with cause upon six months prior written notice. Regence BlueCross BlueShield of Utah was added as a party to the agreement

via an amendment dated July 1, 1998. The term of the amendment runs concurrently with the original agreement. The Utah Plan is subject to all terms and conditions applicable to the original agreement.

Effective January 1, 2012, Cambia and Group Hospitalization and Medical Services, Inc. d/b/a CareFirst BlueCross BlueShield ("CareFirst") entered into a service agreement for Cambia's affiliates to use the CareFirst FEP Bridge System for pre and post claim adjudication processing and management of FEP healthcare claims interfacing with the FEP Operations Center adjudication system. Charges incurred by Cambia for the use of the CareFirst system are allocated among Cambia affiliates based on FEP claim volumes.

Pharmacy Benefit Management Services

OmedaRx, Inc. is the exclusive provider of pharmacy benefit management services for the Company. OmedaRx provides services such as claims processing, rebate administration, pharmacy network contracting, contract support services and clinical services. On a weekly basis, the Company remits payment to OmedaRx for incurred prescription drug claims. OmedaRx is then responsible for remitting payment to a third party administrator. Claims paid related to prescription drugs for the year ended December 31, 2014 were \$59,889,000. These amounts are included in hospital and medical expenses. As of December 31, 2014, the Company reported amounts due to OmedaRx of \$3,645,053 for unpaid drug claims. These amounts were recorded within "Claims unpaid" and the liability for "Amounts held under uninsured accident and health plans". For the services provided, the Company pays a monthly administrative fee to OmedaRx based on actual costs incurred by OmedaRx. Administrative fees paid to OmedaRx for the year ended December 31, 2014 were \$4,105,000. Beginning January 2013, the contract with OmedaRx provides minimum effective rate guarantees for drug cost and rebates. On an annual basis, the Company pays OmedaRx a performance incentive for achieving drug costs and rebates lower than the minimum guarantees. Performance incentives paid to OmedaRx for the year ended December 31, 2014 was \$2,138,529.

Joint Enterprise Agreement

The Company entered into a Joint Enterprise Agreement with Regence BlueShield of Utah. The purpose of the agreement is to create a joint enterprise that permits the two entities to enter into a contract with the Centers for Medicare and Medicaid Services to offer Medicare Part D pharmacy benefit plans to residents in Idaho and Utah. The agreement shall be for an initial term of three years starting on January 1, 2012 and ending on December 31, 2014. Thereafter, the agreement shall automatically renew on January 1 of each year for an additional one-year term unless terminated by either party with thirty days written notice or other conditions specified in the agreement.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the NAIC for an insurer of the Company's size and premium volume is not less than \$4,000,000. As of December 31, 2014, the Company had sufficient fidelity bond coverage of \$10,000,000.

The Company also had additional insurance protection against director and officers liability; errors and omissions liability; fiduciary liability; employed lawyers' professional liability; computer crime coverage; fitness center general liability; commercial property; business automobile; umbrella excess liability; earth movement, flood, terrorism, and business interruption by communicable disease; network security and privacy liability, and workers compensation and employers liability coverages.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Executive and Directors Deferred Compensation Plans

The Company offers a Deferred Income Program for Executives and a Deferred Income Program for Directors (collectively, the Programs). The purpose of the Programs is to provide an unfunded, non-qualified deferred compensation arrangement to key employees and eligible directors. The Company facilitated payments totaling \$136,829 to the Programs in the year ended December 31, 2014. The assets under the plans are recorded as executive and directors deferred compensation and the related liabilities are included as amounts withheld or retained for account of others. Fair value of the assets, determined using Level 1 inputs was \$2,483,379 at December 31, 2014.

Employee Retirement Plans

The Company participates in a defined-benefit pension plan sponsored by Cambia that covers substantially all regular employees having one or more years of service. Benefits are based upon years of service and the employee's final average compensation. Cambia froze the defined-benefit pension plan as of December 31, 2009. Subsequent to the freeze date, there were no new participants enrolled in the Plan, and no pension benefits were earned after that date. Benefits-eligible employees who had not yet met Plan eligibility criteria were immediately eligible, and non-vested plan participants became fully vested. The Company also participates in a supplemental executive retirement plan sponsored by Cambia to cover key employees meeting certain eligibility requirements. The Company's practice is to reimburse Cambia for employee retirement plan obligations related to its employees and record such amounts as employment related expenses. Expense is allocated to the Company monthly, based on relative salary dollars. Retirement plan expense recognized by the Company was \$431,221 for 2014. The Company has

no legal obligation for benefits under these plans; the obligation is carried by Cambia. As sponsor of the Plan, Cambia is legally required to fund the plans regardless of amounts paid to Cambia by the Company.

Employee Savings Plan

The Company participates in an employee savings plan sponsored by Cambia in which Cambia will match employee contributions up to 100 percent of the first six percent of salary for each pay period in which the employee makes a contribution. In addition, Cambia can provide a discretionary contribution of up to five percent of eligible earnings for eligible employees, subject to annual review and board approval. The Company has no legal obligation for benefits under this plan; the obligation is carried by Cambia. Expense is allocated to the Company based on the portion of employees' functional activities that relate to the Company. The Company's share of the net expense was \$2,592,088 for 2014.

Postretirement Benefits and Compensated Absences

The Company participates in a postretirement health and welfare plan sponsored by Cambia for retired employees, subject to certain eligibility rules based on age and years of service at retirement date. Employees hired after January 1, 2004 are not eligible for benefits. Coverage for eligible participants who retire on or after January 2, 2010 will terminate the date the participant or beneficiary attains Medicare eligibility. Eligible participants who retire on or after January 2, 2010 and already are eligible for Medicare on the basis of age or disability will not be eligible for benefits. The plan has not been funded by the Company, but has been funded by Cambia. The Company has no legal obligation for benefits under this plan; the obligation is carried by Cambia. Expense is allocated to the Company monthly, based on relative employee count. The Company does not sponsor a defined benefit postretirement health care plan that provides prescription drug coverage. The Company's share of net expense for the postretirement benefit plan was \$8,997 for 2014.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, the Company is licensed in the State of Idaho and in Asotin and Garfield counties in the State of Washington as a mutual insurer authorized to write disability, including managed care. The Company's key lines of business are medical and dental insurance options for large and small employers and individuals, including seniors. The Company administers Administrative Service Contracts (ASC) for self-funded plans. The Company also participates in the Non-Medicare government line of business which includes federal, state and local government business. In 2006, the Company began offering Medicare Part D coverage.

Insurance products are marketed through a comprehensive network of exclusive and independent agents and direct channels. There is an agency force of approximately 1,500 agents, including exclusive agents supported by marketing and sales offices in Boise, Coeur d'Alene, Pocatello, and Twin Falls, Idaho.

GROWTH OF THE COMPANY

The following represents the Company's Premium Activity and its relationship to surplus over the period of our examination.

	2014	2013	2012	2011	2010
Gross Written Premium	\$ 439,684,472	481,662,568	464,099,365	468,227,057	483,493,553
Policyholder Surplus	\$ 149,945,785	158,488,720	146,107,927	128,094,718	122,505,947
Gross Written Premium to Policyholder Surplus Ratio	293%	304%	318%	366%	395%

LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	2014	2013	2012	2011	2010
Net Premium Earned	\$ 438,210,480	478,493,407	462,601,233	469,479,443	485,829,222
Claims Incurred	\$ 362,426,753	388,457,744	366,613,957	393,624,912	388,691,701
Claims Adjustment Expenses Incurred (AEI)	\$ 33,313,682	33,801,681	36,676,770	36,373,186	36,371,876
Total Claims and Claims AEI	\$ 395,740,435	422,259,425	403,290,727	429,998,098	425,063,577
Total Claims and Claims AEI to Net Premium Earned Ratio (Loss Ratio)	90%	88%	87%	92%	88%

REINSURANCE

Assumed

The Company did not assume any reinsurance as of December 31, 2014.

Ceded

The Company ceded certain premiums and claims for long term care benefits for the individual line of business with MedAmerica, Pittsburg, Pennsylvania, under a 100 percent pro rata reinsurance agreement. The agreement, effective September 1, 1997 for an initial term of five years, automatically renews for successive one year terms. The agreement may be terminated by either party by giving at least one hundred eighty days written notice. The reinsurance agreement was amended effective May 17, 1997 to change MedAmerica's state of domicile to Pennsylvania, change all references to Regence Blue Shield of Idaho, expand the policy forms ceded under the agreement, and to change the ceding allowances.

A related Administrative Services Agreement was also executed with the same effective date and term. Services provided under the agreement include applicant underwriting, policy issue; premium billing and collection; agent commission payment; policy administration and recordkeeping; policyholder services; claim adjudication and payment; reports to Company, and to provide records and reports within thirty days of the close of each month. Under an amendment effective May 17, 1997, marketing services were added to services provided by MedAmerica.

Effective July 1, 2001, the Company ceded 100 percent of the accidental death benefits included in individual and group medical policies to affiliate, LifeMap Assurance Company, Portland, Oregon. The agreement is unlimited in duration, subject to the insolvency provision therein. Either party may terminate the agreement with ninety days written notice. Under the agreement, LifeMap adjusts and settles claims and losses without compensation.

The Company participated in the Idaho Individual High Risk Reinsurance Pool and the Idaho Small Employer Health Reinsurance Program. Under these programs, a form of reinsurance is provided to the carriers as a means to divide the cost by the participating carriers. Individual risks are either automatically ceded or are eligible for cession to these programs.

The ACA Reinsurance program effective from 2014 to 2016 provides recoveries to carriers when eligible members reach the specified claims attachment point. Reinsurance benefits are available for non-grandfathered Individual plans, both on and off the exchange. For 2014, the Company was reimbursed at a 100 percent coinsurance rate for claims above the attachment point from the Department of Health and Human Services.

ACCOUNTS AND RECORDS

The annual independent audits of the Company for the years 2010 through 2014 were performed by Deloitte and Touche, LLP, Portland, Oregon. Their audit reports were made available for the examination.

Document and information requests for the examination were made in writing. The Company provided the requested documentation and information in a timely manner.

STATUTORY DEPOSITS

Pursuant to Idaho Code §41-316A, the Company was required to maintain a deposit in an amount equal to \$1,000,000. The Company's minimum capital requirement was \$1,000,000 plus a minimum surplus of \$1,000,000 at December 31, 2014. The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of the following security, with total par value of \$1,100,000, which was adequate to cover the required deposit.

Description	Par Value	Statement Value	Market Value
Idaho Department of Insurance:			
U. S. Treasury Note, 4.25% Due 8/15/2015	\$1,100,000	\$1,128,460	\$1,127,544
Totals	\$1,100,000	\$1,128,460	\$1,127,544

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

[As of December 31, 2014]

Statement of Operations

[As of December 31, 2014]

Reconciliation of Surplus

[For all the years under examination]

Analysis of Changes in Financial Statements Resulting From Examination

Balance Sheet
As of December 31, 2014

ASSETS

Bonds	\$	155,778,215
Common stocks		43,426,947
Properties occupied by the company (less \$14,576,837 encumbrances)		6,749,956
Cash (\$5,321,033), cash equivalents (\$99,999) and short-term investments (\$4,415,694)		9,836,726
Receivables for securities		52,457
Total Invested Assets	\$	<u>215,844,301</u>
Investment Income due and accrued		2,124,699
Uncollected premiums and agents' balances in the course of collection		11,588,560
Accrued retrospective premiums		236,990
Amounts receivable from reinsurers		403,694
Amounts receivable relating to uninsured plans (Note 1)		12,784,070
Current federal and foreign income tax recoverable and interest thereon		180,773
Furniture and equipment, including healthcare delivery assets (\$0)		678,678
Receivables from parent, subsidiaries and affiliates		764,943
Health care (\$1,006,096) and other amounts receivable		1,006,096
*Aggregate write-ins for other than invested assets		2,483,379
Total Assets	\$	<u><u>248,096,183</u></u>

*Executives and Directors Deferred Compensation: \$2,483,379

Balance Sheet cont.
As of December 31, 2014

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid (less \$442,544 reinsurance ceded) (Note 1)	\$ 45,737,270
Accrued medical incentive pool and bonus amounts (Note 1)	1,285,724
Unpaid claims adjustment expenses (Note 1)	2,571,683
Aggregate health policy reserves, including the liability of \$0 for medical loss ratio rebate per Public Health Service Act (Note 1)	17,266,281
Premiums received in advance (Note 1)	6,265,547
General expenses due or accrued	4,981,592
Net deferred tax liability	2,116,432
Ceded reinsurance premiums payable	11,004
Amounts withheld or retained for the account of others	2,531,033
Remittances and items not allocated	506,523
Amounts due to parent, subsidiaries and affiliates	8,300,063
Payable for securities	253,369
Liability for amounts held under uninsured plans (Note 1)	6,285,054
*Aggregate write-ins for other liabilities (including \$38,823 current)	38,823
Total Liabilities	\$ 98,150,398
*Unclaimed Property: (\$38,823)	
**Aggregate write-ins for special surplus funds	8,631,950
Unassigned funds (surplus)	141,313,835
Total Capital and Surplus	\$ 149,945,785
Total Liabilities, Capital and Surplus	\$ 248,096,183

**Surplus appropriated for the Affordable Care Act Section 9010 fee: \$8,631,950.

Statement of Revenue and Expenses
As of December 31, 2014

Net premium income		\$ 438,210,480
Change in earned premium		<u>3,034,352</u>
Total Revenues		\$ 441,244,832
Hospital/medical benefits	\$ 195,977,479	
Other professional services	24,185,880	
Outside referrals	9,830,326	
Emergency room and out-of-area	72,911,751	
Prescription drugs	59,178,694	
Incentive pool, withhold adjustments and bonus amounts	<u>342,623</u>	
Subtotal	\$ 362,426,753	
Net reinsurance recoveries	<u>2,759,234</u>	
Total hospital and medical	\$ 359,667,519	
Claims adjustment expenses (including \$13,752,284 cost containment expenses)	33,313,682	
General administrative expenses	59,394,580	
Increase in reserves for life and accident and health contracts	<u>55,000</u>	
Total underwriting deductions		<u>452,430,781</u>
Net underwriting gain (loss)		\$ (11,185,949)
Net investment income earned	\$ 4,456,604	
Net realized capital gains (losses) less capital gains tax of \$470,784	<u>942,000</u>	
Net investment gains (losses)		5,398,604
Net gain or (loss) from agents' or premium balances charged off (amount charged off \$11,008)		(11,008)
*Aggregate write-ins for other income or expenses		<u>(437,226)</u>
Net income (loss) after capital gains tax and before all other federal income taxes		\$ (6,235,579)
Federal and foreign income taxes incurred		<u>656,917</u>
Net Income (Loss)		<u><u>\$ (5,578,662)</u></u>

*Other Income: \$136,365; Other Expense: (\$575,591)

Reconciliation of Surplus

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus prior reporting year	\$ 158,488,720	\$ 146,107,927	\$ 128,094,718	\$ 122,505,947	\$ 116,658,719
Net income or (loss)	(5,578,662)	13,982,332	15,092,944	(1,061,715)	3,138,575
Change in net unrealized capital gains (losses)	(1,092,880)	(1,527,218)	822,914	2,563,501	3,034,804
Change in net unrealized foreign exchange capital gain (loss)	(273)	-	-	-	-
Change in net deferred income tax	(1,874,052)	(1,257,112)	(2,328,464)	(2,264,017)	(174,559)
Change in nonadmitted assets	2,932	1,338,198	4,844,760	5,932,057	5,896,142
*Aggregate write-ins for gains or (losses) in surplus	-	(155,407)	(418,945)	418,945	(6,047,734)
Net change in capital and surplus	\$ (8,542,935)	\$ 12,380,793	\$ 18,013,209	\$ 5,588,771	\$ 5,847,228
Capital and surplus end of reporting period	\$ 149,945,785	\$ 158,488,720	\$ 146,107,927	\$ 128,094,718	\$ 122,505,947

*Prior year Medicare premium correction: (\$155,407); impact of adopting SSAP No. 10R: (\$418,945), \$418,945; impact of adopting SSAP No. 10R: (\$6,047,734)

Analysis of Changes in Financial Statements Resulting From Examination

There were no adjustments made to surplus in the Report of Examination.

NOTES TO FINANCIAL STATEMENTS

Note (1)	Amounts receivable relating to uninsured plans	\$12,784,070
	Claims unpaid	45,737,270
	Accrued medical incentive pool and bonus amounts	1,285,724
	Unpaid claims adjustment expenses	2,571,683
	Aggregate health policy reserves, including the liability of \$0 for medical loss ratio rebate per the Public Health Service Act	17,266,281
	Premiums received in advance	6,265,547
	Liability for amounts held under uninsured plans	6,285,054

An actuarial examination was conducted by INS Consultants, Inc., Philadelphia, Pennsylvania. The balance sheet items noted above appeared to be calculated using valuation parameters, which appeared to be free of any material error, and valuation files that appeared to be complete. INS concluded that the December 31, 2014 balance sheet items appeared to be fairly stated.

COMMENTS AND RECOMMENDATIONS

Schedule D Filing Requirements

According to the Board of Directors' meeting minutes of December 13-14, 2011, the Board approved an amendment to the Management and Administrative Services Agreement between the Company and Cambia Health Solutions, Inc. Cambia's management indicated that a Form D was prepared, but it was not filed with the Idaho Department of Insurance due to an oversight. Management further indicated the amendment was clerical and non-substantive (changing "The Regence Group" to "Cambia Health Solutions, Inc.") due to a change in The Regence Group's corporate name. The Company subsequently filed a Form D as requested by the Department of Insurance.

In the Report of Examination as of December 31, 2009, it was recommended that the Company submit Form D filings in compliance with Idaho law. It was further recommended that the Company monitor its affiliated transactions more closely and implement more robust internal controls surrounding Form D filing requirements.

The Company was not in compliance with Idaho Code §41-3810(2) filing requirements with respect to Amendment Four to the Management and Administrative Services Agreement between the Company and Cambia Health Solutions, Inc.

RECOMMENDATION:

It is again recommended that the Company submit Form D filings in compliance with Idaho Code §41-3810(2) in the future. The Company should also re-evaluate the internal controls

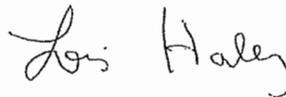
surrounding Form D Filing requirements to ensure that controls are in place, are properly designed and are operating effectively.

Our examination did not disclose any other material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

ACKNOWLEDGEMENT

The undersigned acknowledging the assistance and cooperation extended during the course of the examination by representatives of the Company.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lois Haley".

Lois Haley, CFE
Examiner-in-Charge
Representing the Idaho Department of Insurance

State of Idaho
DEPARTMENT OF INSURANCE

C. L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

DEAN L. CAMERON
Director

AFFIDAVIT OF EXAMINER

State of Oregon
County of Multnomah

Lois Haley, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of Regence BlueShield of Idaho, Inc., for the period from January 1, 2010 through December 31, 2014, including subsequent events, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief, and that any conclusions and recommendations contained in the report are based on the facts disclosed in the examination.

Lois Haley

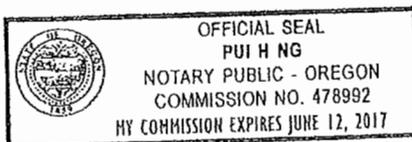
Lois Haley, CFE
Examiner-in-Charge
Representing the Idaho Department of Insurance

Subscribed and sworn to before me the 13th day of May, 2016 at Portland, Oregon

[Signature]

Notary Public

My commission expires: 06/12/17.



State of Idaho
DEPARTMENT OF INSURANCE

C. L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

DEAN L. CAMERON
Director

WAIVER

In the matter of the Report of Examination as of December 31, 2014, of the:

REGENCE BLUESHIELD OF IDAHO, INC.
1602 21st Avenue
Lewiston, Idaho 83501-4061

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 13th day of May, 2016, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 8th day of June, 2016

REGENCE BLUESHIELD OF IDAHO, INC.

Stacy J. Simpson

Name (print)

[Signature]

Name (signature)

Vice President + Corp. Controller

Title

