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FILED 

MAR 11 2015

Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

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

In the Matter of:

VISION SERVICE PLAN OF IDAHO, INC.

Certificate of Authority No. 1902, Inactive
NAIC No. 47783

Docket No. 18-3028-15

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2013**

The State of Idaho, Department of Insurance (Department), having conducted an examination of the affairs, transactions, accounts, records, and assets of Vision Service Plan of Idaho, Inc. (VSP Idaho), pursuant to Idaho Code §§ 41-3426 and 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code §§ 41-3426(8) and 41-227(5)(a), adopting the Report of Examination of Vision Service Plan of Idaho, Inc., as of December 31, 2013 (Report), as filed.

FINDINGS OF FACT

1. VSP Idaho is an Idaho-domiciled professional service corporation, which was

licensed to transact disability insurance, excluding managed care, in Idaho under Certificate of Authority No. 1902. VSP Idaho's certificate of authority was inactivated on October 1, 2014, due to the merger of VSP Idaho with Mid-Atlantic Vision Service Plan, Inc., a Virginia non-stock, membership corporation.

2. The Department completed an examination of VSP Idaho, pursuant to Idaho Code §§ 41-3426 and 41-219(1), on or about March 3, 2015. The Department's findings are set forth in the Report, which covered the time period from January 1, 2011, through December 31, 2013.

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 March 3, 2015, and a copy of such verified Report was transmitted to VSP Idaho on March 6, 2015. A copy of the verified Report is attached hereto as Exhibit A.

4. On or about March 10, 2015, the Department received a Waiver signed by Suzanne Howard, Senior Manager, Regulatory Accounting, of VSP Idaho. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, VSP Idaho 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 VSP Idaho.

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, during the period covered by the Report, VSP Idaho met the minimum financial requirements set forth in Idaho Code § 41-3422.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Vision Service Plan of Idaho, Inc., as of December 31, 2013, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

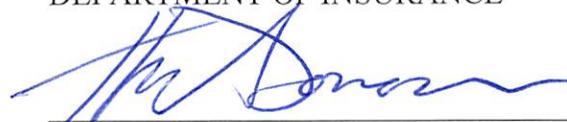
IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 3, title 9, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, VSP Idaho 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 11th day of March, 2015.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



THOMAS A. DONOVAN
Acting Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 11th day of March, 2015, 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:

Vision Service Plan of Idaho, Inc.
Attn: Suzanne Howard
3333 Quality Drive
Rancho Cordova, CA 95670
SuzaHo@VSP.com

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

Georgia Siehl, CPA, CFE
Bureau Chief / Chief Examiner
Idaho Department of Insurance
700 W. State Street, 3rd Floor
Boise, ID 83720-0043
georgia.siehl@doi.idaho.gov

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



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

of

VISION SERVICE PLAN OF IDAHO, INC.
(A domestic non-profit, non-stock professional service corporation)

NAIC Company Code: 47783

as of

December 31, 2013



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State of Idaho

DEPARTMENT OF INSURANCE

C. L. "BUTCH" OTTER
Governor

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THOMAS DONOVAN
Acting Director

Boise, Idaho
February 23, 2015

The Honorable Thomas Donovan
Acting Director
State of Idaho
700 West State Street
Boise, Idaho 83720

Dear Acting Director:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of Idaho, an examination has been made of the administrative affairs, books, records and financial condition of:

Vision Service Plan of Idaho, Inc.
3333 Quality Drive
Rancho Cordova, California 95670

hereinafter referred to as the "Company." The following Report of Examination is respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period January 1, 2011 through December 31, 2013. Material transactions and/or events occurring subsequent to the examination date(s) were also reviewed.

This coordinated examination of the Vision Service Plan Group of Companies was conducted at the Company's administrative office in Rancho Cordova, CA with examiners from the States of Connecticut, Idaho, New York and Missouri; Connecticut was the lead State in this examination. The examination was conducted in accordance with Sections 41-219(1) and 41-3426, Idaho Code, the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*, the NAIC *Accounting Practices and Procedures Manual*.

All accounts and activities of the Company were considered in accordance with the NAIC's risk-focused examination process. The *Financial Condition Examiners Handbook* requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Corporation 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. An 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 Statutory Accounting Principles and NAIC Annual Statement instructions as governed and prescribed by Idaho law.

PRIOR EXAMINATION

A review was made to ascertain what action was taken by the Company with regard to comments and recommendations made by the Department in the prior exam report. Unless otherwise mentioned in the COMMENTS AND RECOMMENDATIONS section of this report, the prior report exceptions were adequately addressed by the Company.

HISTORY AND DESCRIPTION

The Company was organized and incorporated as a non-profit, non-stock professional service corporation on January 26, 1968, under the laws of the State of Idaho. The Company commenced business as Idaho Vision Services, Inc. on April 1, 1968.

The Articles of Incorporation were amended and restated in 1990, whereby Vision Service Plan (VSP), formerly California Vision Service, a nonprofit California corporation, became the Company's sole member. The amendment was approved by the Department of Insurance on July 20, 1990.

The Articles of Incorporation were amended and restated effective May 27, 1993, whereby the name of the Company was changed from Idaho Vision Services, Inc., to Vision Service Plan of Idaho, Inc. This amendment was approved by the Department of Insurance on September 7, 1993. The Bylaws were also amended May 6, 1993, to reflect the name change and were accepted as filed by the Department of Insurance on September 7, 1993.

On May 26, 1998, the Bylaws were amended to require panel members to render services to subscribers as well as recipients and beneficiaries of the Company's social welfare and community benefit programs.

On July 1, 2014, Mid-Atlantic Vision Service Plan, Inc. (VSP-VA), a Virginia not-for-profit corporation and a subsidiary of Vision Service Plan (California) filed a Form A Statement regarding the acquisition of control of or merger with the Company with the Idaho Department of Insurance. VSP-VA and the Company propose to merge the companies, with VSP-VA being the surviving entity. VSP-VA was originally licensed in Idaho on June 24, 2014, and holds Idaho Certificate of Authority No. 4274, authorizing it to operate in Idaho as a Managed Care Organization under Chapter 39, Title 41, Idaho Code. VSP-VA would continue, with no planned changes, the insurance of selling and administering vision care plans that the Company has been doing in Idaho. On September 12, 2014, the Idaho Department of Insurance approved the merger of VSP-VA and the Company, whereby VSP-VA shall be the surviving entity and the Company shall be dissolved. The merger occurred on October 1, 2014. On October 14, the Company returned the original Certificate of Registration to the Idaho Department of Insurance.

MANAGEMENT AND CONTROL

Insurance Holding Company System

The Company was a member of an insurance holding company system as defined in Section 41-3801, Idaho Code. The ultimate controlling person was Vision Service Plan (VSP), formerly California Vision Service, a California non-profit corporation. Company records indicated that no one person or entity had the power to direct the management of the ultimate parent.

The Company's Form B Registration Statements have been filed with the Idaho Department of Insurance for the period under examination.

The following abbreviated organizational chart identifies the non-profit, non-stock corporations controlled or owned by VSP as of December 31, 2013:



*The ultimate parent is Vision Service Plan (CA); the organization is also called VSP Global.

Members

As provided in the amended and restated Articles of Incorporation and the Bylaws, VSP was the Company’s sole member. The Bylaws further provided that the member shall have one vote, which can be exercised in person or by proxy.

Directors

The following persons were duly elected members of the Company’s Board of Directors at December 31, 2013:

| <u>Name and Business Address</u> | <u>Principal Occupation</u> |
|---|--|
| James R. Lynch Rancho Cordova, California. | President and Chief Executive Officer VSP Global |
| James M. McGrann Rancho Cordova, California | President VSP Vision Care |
| Donald J. Ball, Jr. Rancho Cordova, California | CFO/Chief Risk Officer VSP Global |
| Lester E. Passuello Rancho Cordova, California | Chief Financial Officer and Treasurer VSP Vision Care |
| Cheryl Ann Johnson Rancho Cordova, California | Vice President – Provider Services VSP Vision Care |

Officers

The following persons were serving as officers at December 31, 2013:

| | |
|---------------------|---------------------------------------|
| James R. Lynch | President |
| James M. McGrann | Vice-President and Secretary |
| Lester E. Passuello | Chief Financial Officer and Treasurer |

Corporate Governance

As part of the NAIC's risk focused exam approach, a review of the Company's corporate governance was conducted. Interviews were conducted with the parent company's (VSP Global/Vision Service Plan) senior management team, including selected Board members. Inherent risk, mitigating controls and residual risk related to corporate governance were assessed through a joint effort by examiners from Connecticut, Idaho, Missouri and New York.

Senior management and Board members of VSP Global/Vision Service Plan interviewed included:

| <u>Name</u> | <u>Principal Occupation</u> |
|---------------------|--|
| James R. Lynch | Chief Executive Officer of VSP Global, Director and President |
| James M. McGrann | President of VSP-Vision Care, Vice-President and Secretary, VSP Global |
| Lester E. Passuello | Chief Financial Officer and Treasurer, VSP-Vision Care |
| Leslie Murphy | Chair of Audit Committee, VSP Global |

| | |
|----------------|---|
| Don Ball | CFO, Chief Risk Officer, VSP Global |
| Darryl Lemecha | Chief Technology Officer, VSP Global |
| Thomas Fessler | Chief Legal Officer, VSP Global |
| Rod Ehsani | Director of Internal Auditor, VSP Global |
| Darren Furtado | Director of Underwriting, VSP- Vision Care |
| Randy Lee | Chairman of the Board, VSP Global |
| Fred Kilbourne | Actuary* |

*Actuary is not a company employee

Conflict of Interest

On December 13, 1993, the Board of Directors adopted a conflict of interest policy whereby each of the directors, officers and responsible employees annually complete a disclosure statement of any conflicts or possible conflicts with the performance of their duties and responsibilities. Conflict of interest statements completed during this examination period (2011-2013) were reviewed. They appeared to appropriately disclose any possible conflicts of interest.

The rest of this page has been intentionally left blank.

Contracts and Agreements

An administration and Marketing Agreement was amended and executed on December 31, 2007 between the Company and its parent, Vision Service Plan (VSP). The following summarized the agreement which was in effect as of December 31, 2013:

Administration and Marketing Agreement

Under terms of the agreement, the Company was granted a non-exclusive license to use VSP's federally registered service marks in connection with the activities of the Company in providing vision care through its panel of doctors.

VSP provided for all administrative and marketing services and expertise required to operate the Company and to market its vision service plans to non-subscriber beneficiary groups in the Plan Area. In this connection, the following services were rendered:

1. All administrative services including, but not limited to:
 - a) Pay all accounts payable, including claims of subscribers, doctors, and optical laboratories and collect all of its accounts receivable, in a timely and professional manner.
 - b) Maintain accurate records of all transactions and separate books and records, and prepare quarterly and annual financial statements prepared in accordance with generally accepted accounting principles.
2. Marketing Services:
 - a) Provide all sales/marketing personnel with needed support to maximize needed sales.
 - b) Pay all of its normal operating expenses and all recurring and routine expenses incurred in the ordinary conduct of business including salaries, other compensation, and business and travel expenses of employees of VSP.
 - d) Provide all necessary services relating to Company's social welfare or community benefit activities, such as charitable or educational.

In consideration for services specified in the agreement, the Company paid to VSP a per claim charge equal to the total general and administrative expenses of VSP and its subsidiaries, excluding specifically charged expenses such as, but not limited to; commissions, taxes, audit and legal fees, divided by the total number of claims paid.

VSP shall retain the Company's books and records required to be maintained by any state or federal law.

The agreement may be terminated without cause by either party upon sixty days prior written notice.

Intercompany Tax Sharing Agreement

This tax allocation agreement was effective on August 15, 2008 and was made between Vision Service Plan (parent) and its affiliates, including the Company, for taxable years commencing on and after January 1, 2008. The following provides a summary of this agreement:

1. Parent files a consolidated federal income tax return on behalf of the affiliated group, including the parent and its affiliates.
2. Each affiliate shall be responsible for and shall reimburse the parent for its share of the affiliated group's consolidated tax liability and shall be determined as follows:
 - a. If the affiliated group's consolidated tax is for the regular tax, the affiliate's share of such tax shall be equal to its regular tax liability, computed on a separate return basis.
 - b. If the affiliated group's consolidated tax liability is for the AMT, the affiliate's share of such tax shall be the amount of AMT for which the affiliate would be liable if computed on a separate return basis and without regard to the regular tax for such taxable year, after taking into account all consolidated tax attributes available to such affiliate to reduce AMT.
3. The affiliate utilizing the tax attributes shall reimburse the parent, and the parent shall in turn reimburse each originating affiliate for the value of the consolidated tax attributes so utilized.
4. Payment by the parent of consolidated estimated tax for the consolidated group at the normal quarterly due dates will be reimbursed by the affiliates within ten days of receiving notice of such payment by the parent. As soon as the affiliated group's consolidated tax liability is determined, each affiliate shall make/receive payments to/from parent less amounts already paid for estimated tax.

This agreement shall remain in effect and shall be terminated upon written agreement among the parties.

This agreement had not been approved by the board during the period of the prior examination. It is noted that the agreement was later approved by board on April 10, 2012.

CORPORATE RECORDS

Bylaws

There were no amendments to the Articles of Incorporation or the bylaws during the period under examination.

Minutes of Meetings

A review of the minutes of the meetings of the sole Member and of the Board of Directors for the period under examination indicated compliance with the Articles of Incorporation and Bylaws. These minutes also included approvals of the investment transactions.

FIDELITY BOND AND OTHER INSURANCE

Insurance coverages for the protection of the Company were maintained through the period under examination. The Company was a named insured on a Financial Institution Bond insuring VSP, which was provided by St. Paul Fire and Marine Insurance Company. The financial institution bond covered

employee dishonesty, forgery or alteration, computer systems and trading loss claim up to \$9,000,000 per loss and \$9,000,000 in the aggregate. The deductible was \$75,000 for each loss.

Other coverages insuring the Company included general liability, auto liability, professional liability (managed care errors and omissions), directors, and office liability.

The fidelity bond coverage met the suggested minimum limits recommended by the NAIC, and the insurers providing the various coverages were licensed or authorized in the State of Idaho.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees; it has no retirement plans, deferred compensation, postemployment benefits or compensated balances and postretirement benefit plans.

TERRITORY AND PLAN OF OPERATION

The Company was licensed only in the State of Idaho as a professional service corporation pursuant to Chapter 34, Title 41, Idaho Code. Operations of the Company were conducted from its main administrative office located in Rancho Cordova, California.

Vision care benefits were provided to enrollees and their eligible dependents by participating optometrists and ophthalmologists within the Plan Area, which is the State of Idaho. Enrollees may also receive services from providers located outside the Plan Area, pursuant to reciprocal services procedures identified in the Administration and Marketing Agreement.

GROWTH OF THE COMPANY

The Company's growth for the years indicated, as taken from its Annual Statements, is shown in the following schedule:

| <u>Year</u> | <u>Admitted Assets</u> | <u>Liabilities</u> | <u>Capital & Surplus</u> | <u>Net Income(Loss)</u> |
|-------------|------------------------|--------------------|------------------------------|-------------------------|
| 2010* | \$12,652,147 | \$3,019,889 | \$9,632,258 | \$ 543,371 |
| 2011 | 13,230,962 | 3,270,343 | 9,960,619 | 449,609 |
| 2012 | 14,431,354 | 1,181,981 | 13,249,373 | 3,164,313 |
| 2013* | 15,609,201 | 1,068,601 | 14,540,600 | 1,006,027 |

*As determined by Examination.

The Company's liabilities decreased substantially in 2012 due to a material decrease of its federal tax liability in 2012.

CLAIM EXPERIENCE

The ratio of benefits and expenses to premium earned shown in the following schedule were derived from amounts reported in the Company's Annual statements:

| <u>Year</u> | <u>Premiums Earned</u> | <u>Benefits Incurred</u> | <u>Other Expenses Incurred</u> | <u>Ratio of Benefits and Expenses to Premiums Earned</u> |
|-------------|----------------------------|------------------------------|--|--|
| 2010* | \$6,017,265 | \$4,583,717 | \$ 591,935 | 86.0% |
| 2011 | \$5,997,790 | \$4,765,377 | \$ 654,439 | 90.4% |
| 2012 | \$6,063,004 | \$4,733,406 | \$ 753,802 | 90.5% |
| 2013* | \$8,298,361 | \$6,302,230 | \$1,103,689 | 89.2% |

*As determined by Examination.

ACCOUNTS AND RECORDS

General Accounting

The accounts and records of the Company were maintained by VSP under provisions of the Administration and Marketing Agreement.

VSP's information system has an IBM z196-603 mainframe computer to process information utilizing the z/OS 1.11 operating system.

Global Software, Inc. developed the general ledger software utilized by VSP. The software generated the financial statements, trial balances, and general ledger entries. The general ledger was maintained on a GAAP basis. However, the account balances were adjusted to statutory accounting through worksheet and adjusting journal entries for annual and quarterly statement reporting. Starting in 2012, VSP began transitioning from Global GL to SAP for general ledger functions.

The Complete Package (Booke) Annual Statement software was utilized to produce the Company's Annual Statements.

VSP's in-house developed software includes the following:

1. Policyholder benefits and claims adjudication software.
2. Software that processes plans and group information.

The VSP data center is located on its main campus in Rancho Cordova, CA. The data center is staffed 24 hours a day, seven days a week and 365 days a year with real-time availability monitoring in place for system outages, as well as excessive humidity, heat and water. A co-location recovery site is in place approximately 20 miles from VSP at an environmentally and security hardened facility. The co-location allows VSP to recover critical systems within 1-hour after an event is declared with a maximum data loss of 15 minutes. As a further recovery precaution, and to meet regulatory retention standards, VSP backs-up critical data on a daily basis, storing the encrypted media 25 miles offsite in a secure location. The back up media can be requested and delivered back to VSP or shipped to a recovery location within 2-hours.

Independent Accountants

The Company's 2013 annual independent audit was performed by Deloitte & Touche, LLP. The 2011 and 2012 independent audits were performed by PriceWaterhouseCoopers, LLP.

The 2011 through 2013 independent audits were reported in accordance with statutory accounting principles. The December 31 audited financial statements for the aforementioned years were provided to the Idaho Department of Insurance in compliance with IDAPA 18.01.62.

Actuarial Opinion

The unpaid claims reserves and related actuarial items were calculated by the Company and reviewed by Frederick W. Kilbourne, FSA, MAAA, of the Kilbourne Company. The December 31, 2013 statement of opinion states that the amounts carried in the balance sheet:

- (a) are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles,
- (b) are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (c) meet the requirements of the laws of the State of Idaho, and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed,
- (d) make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the company under the terms of its contracts and agreements,
- (e) are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end, and include provision for all actuarial items that ought to be established, and
- (f) include appropriate provision for all actuarial items that ought to be established.

The identified actuarial items in the Annual Statement are as follows:

| | |
|-----------------------------------|-----------|
| Claims unpaid | \$379,636 |
| Unpaid claims adjustment expenses | \$ 4,949 |
| Premiums received in advance | \$ 28,072 |

SUBSEQUENT EVENT

As stated under "History and Description", the Idaho Department of Insurance approved the merger of Mid-Atlantic Vision Service Plan, Inc. (VSP-VA) and the Company on September 12, 2014, whereby VSP-VA shall be the surviving entity and the Company shall be dissolved. The merger occurred on October 1, 2014. On October 14, 2014 the Company returned the original Certificate of Authority to the Idaho Department of Insurance.

FINANCIAL STATEMENTS

The financial section of this report contains the following statements:

Balance Sheet as of December 31, 2013

State of Revenue and Expenses for the Year Ending December 31, 2013

Capital and Surplus Account for the Year Ending December 31, 2013

Reconciliation of Capital and Surplus, December 31, 2010 through December 31, 2013

BALANCE SHEET
As of December 31, 2013

ASSETS

| | <u>Assets</u> | <u>Nonadmitted Assets</u> | <u>Net Admitted Assets</u> |
|---|----------------------|-------------------------------|--------------------------------|
| Bonds | \$ 6,542,326 | \$ - | \$ 6,542,326 |
| Common stocks | 2,865,573 | - | 2,865,573 |
| Cash, cash equivalents and short-term investments | 4,488,256 | - | 4,488,256 |
| Investment income due and accrued | 45,260 | - | 45,260 |
| Uncollected premiums | 666,669 | 905 | 665,764 |
| Amounts receivable relating to uninsured plans | 993,410 | | 993,410 |
| Current federal income tax recoverable and interest thereon | 8,612 | - | 8,612 |
| Total Assets | \$ 15,610,106 | \$ 905 | \$ 12,609,201 |

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LIABILITIES, CAPITAL AND SURPLUS

| | <u>Covered</u> | <u>Uncovered</u> | <u>Total</u> |
|--|----------------------|------------------|----------------------|
| Claims unpaid | \$ 379,636 | \$ - | \$ 379,636 |
| Unpaid claims adjustment expenses | 4,949 | - | 4,949 |
| Premiums received in advance | 28,072 | - | 28,072 |
| General expenses due or accrued | 27,032 | - | 27,032 |
| Net deferred tax liability | 234,749 | - | 234,749 |
| Remittances and items not allocated | 15,378 | - | 15,378 |
| Amounts due to parent, subsidiaries and affiliates | 308,983 | - | 308,983 |
| Liability for amounts held under uninsured plans | 11,780 | - | 11,780 |
| Aggregate write-ins for other liabilities | 58,022 | - | 58,022 |
| Total liabilities | <u>\$ 1,068,601</u> | <u>\$ -</u> | <u>\$ 1,068,601</u> |
| Aggregate write-ins for other than special surplus funds | \$ 100,000 | \$ - | \$ 100,000 |
| Unassigned funds (Surplus) | 14,440,600 | - | 14,440,600 |
| Total capital and surplus | <u>14,540,600</u> | <u>-</u> | <u>14,540,600</u> |
| Total Liabilities, Capital, and Surplus | <u>\$ 15,609,201</u> | <u>\$ -</u> | <u>\$ 15,609,201</u> |

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STATEMENT OF REVENUES AND EXPENSES

For the Year Ending December 31, 2013

| | <u>Uncovered</u> | <u>Total</u> |
|--|------------------|----------------------------|
| Net premium income | | \$ 7,907,315 |
| Fee-for-service | | 352,303 |
| Risk revenue | | 38,743 |
| Total revenues | | <u>\$ 8,298,361</u> |
| Medical and Hospital: | | |
| Other professional services | | <u>\$ 6,302,230</u> |
| Total Medical and Hospital | | <u>\$ 6,302,230</u> |
| Claims adjustment expense | | 105,872 |
| General administrative expense | | 997,817 |
| Total underwriting deductions | \$ - | <u>\$ 7,405,919</u> |
| Net underwriting gain | | <u>\$ 892,442</u> |
| Net investment income earned | | <u>\$ 107,650</u> |
| Net realized capital gains | | 336,273 |
| Net investment gains or (losses) | \$ - | <u>\$ 443,923</u> |
| Net gain or (loss) from agents' or premium balances charged off | - | <u>(14)</u> |
| Net income after capital gains tax and before federal income taxes | \$ - | <u>\$ 1,336,351</u> |
| Federal income taxes incurred | | 330,324 |
| Net income | \$ - | <u><u>\$ 1,006,027</u></u> |

CAPITAL AND SURPLUS ACCOUNT

For the Year Ending December 31, 2013

| | <u>Per Company</u> | <u>Examination</u> <u>Change</u> | <u>Per Examination</u> |
|---|----------------------|-------------------------------------|------------------------|
| Capital and surplus prior reporting year | \$ 13,249,373 | \$ - | \$ 13,249,373 |
| Net income or (loss) | 1,006,027 | - | 1,006,027 |
| Change in valuation basis of aggregate policy and claim reserves | 31,067 | | 31,067 |
| Change in net unrealized capital gains | 255,991 | | 255,991 |
| Change in net deferred income tax | (953) | | (953) |
| Change in nonadmitted assets | (905) | | (905) |
| Capital and surplus end of reporting year | <u>\$ 14,540,600</u> | <u>\$ -</u> | <u>\$ 14,540,600</u> |

The rest of this page has been intentionally left blank.

RECONCILIATION OF CAPITAL AND SURPLUS

December 31, 2010 through December 31, 2013

| | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|---------------|---------------|----------------|
| Capital and surplus prior reporting year | \$ 9,632,258* | \$ 9,960,619 | \$ 13,249,373 |
| Net income or (loss) | \$ 449,609 | \$ 3,164,313 | \$ 1,006,027 |
| Change in valuation basis of aggregate policy and claim reserves | - | - | 31,067 |
| Change in net unrealized capital gains | (125,668) | 117,423 | 255,991 |
| Change in net deferred income tax | 14,115 | (4,406) | (953) |
| Change in nonadmitted assets | (9,695) | 11,424 | (905) |
| Net change in capital and surplus | \$ 28,361 | \$ 3,288,754 | \$ 1,291,227 |
| Capital and surplus end of reporting year | \$ 9,960,619 | \$ 13,249,373 | \$ 14,540,600* |

* = Per examination

The rest of this page has been intentionally left blank.

SUMMARY

The results of this examination disclosed that as of December 31, 2013, the Company had admitted assets of \$15,609,201, liabilities of \$1,068,601, a surplus fund of \$100,000, and unassigned funds of \$14,440,600.

The unassigned funds amount met the minimum requirements per Section 41-3422, Idaho Code.

CONCLUSION

The undersigned acknowledges the assistance and cooperation of the Company's officers and employees in conducting the examination.

Respectfully submitted,



Kelvin Ko, CFE
Senior Insurance Examiner
Department of Insurance
State of Idaho

AFFIDAVIT OF EXAMINER

State of Idaho
County of Ada

Kelvin Ko being duly sworn, deposes and says that he is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that he has made an examination of the affairs and financial condition of *Vision Service Plan of Idaho, Inc.* for the period from January 1, 2011 through December 31, 2013, that the information contained in the report consisting of the foregoing pages is true and correct to the best of his knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Kelvin Ko, CFE
Senior Insurance Examiner
Department of Insurance
State of Idaho

Subscribed and sworn to before me the 3rd day of March, 2015, at Boise, Idaho.


Notary Public

My Commission Expires: 7/24/2018

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

THOMAS DONOVAN
Acting Director

WAIVER

In the matter of the Report of Examination as of December 31, 2013, of the:

VISSION SERVICE PLAN OF IDAHO, INC.
333Quality Drive
Rancho Cordova, California 95670

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 3rd day of March 2015, 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 10th day of March, 2015

VISSION SERVICE PLAN OF IDAHO, INC.

Suzanne Howard

Name (print)

Suzanne Howard

Name (signature)

Sr Manager, Regulatory Accounting

Title

