

FILED

JUN 28 2022



Department of Insurance
State of Idaho

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. 18-4121-22

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2020**

The Idaho Department of Insurance (“Department”) in accordance with Idaho Code § 41-219(1), has examined the affairs, transactions, accounts, records, and assets of Regence BlueShield of Idaho, Inc. (“Regence BlueShield”) for the period of January 1, 2018, through December 31, 2020. The Department also has prepared a verified Report of Examination (the “Report”) under Idaho Code § 41-227. A copy of the Report is attached as Exhibit “A.”

Having reviewed the record, the Department’s Director enters this order adopting the Report as filed.

FINDINGS OF FACT

1. Regence BlueShield is an Idaho-domiciled insurance company licensed to transact disability insurance, including managed care, in Idaho under Certificate of Authority No. 1903.
2. On or about May 23, 2022, the Department completed an examination of Regence BlueShield under Idaho Code § 41-219(1). The Report of Examination sets forth the Department’s findings. See Exhibit “A”.

3. Per Idaho Code § 41-227(4), on May 23, 2022, the Department's examiner-in-charge filed the Report with the Department, and the Department transmitted a copy of the Report to Regence BlueShield on May 23, 2022.

4. Regence BlueShield had 30 days from the receipt of the Report to make a written submission or rebuttal with respect to matters contained in the Report per Idaho Code § 41-227(4). No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from Regence BlueShield.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5) requires the Director to fully consider and review the Report, together with any written submissions or rebuttals and any relevant portions of the examiner's work papers and enter an order adopting the Report as filed or with modifications or corrections, rejecting the Report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report, the Director concludes that, regarding the matters examined, the Report's comments, findings, and recommendations are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, IT IS ORDERED that the Report is adopted as filed.

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

IT IS FURTHER ORDERED, under Idaho Code § 41-227(6)(a), that within 30 days of the issuance of the adopted Report, Regence BlueShield shall file with the Department's chief

examiner, affidavits executed by each of the directors stating under oath that they have received a copy of the adopted Report and related orders.

DATED and EFFECTIVE this 27th day of June, 2022.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

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

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:


- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within 28 days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within 21 days to grant or deny a motion 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. Idaho Code § 67-5274.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 28th day of June, 2022, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2020, to be served upon the following parties by the designated means:

Victoria Harbick Sumaira Hasen REGENCE BLUESHIELD OF IDAHO, INC. 1602 21 st Avenue Lewiston, ID 83501-4061	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: victoria.harbick@cambiahealth.com sumaira.hasen@cambiahealth.com
Eric Fletcher Bureau Chief IDAHO DEPARTMENT OF INSURANCE 700 W. State Street, 3 rd Floor Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: eric.fletcher@doi.idaho.gov
Karl T. Klein Deputy Attorney General IDAHO DEPARTMENT OF INSURANCE 700 W. State Street, 3 rd Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: karl.klein@doi.idaho.gov
<i>Courtesy Copies</i> IDAHO DEPARTMENT OF INSURANCE Jessie Adamson - Examinations	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: jessie.adamson@doi.idaho.gov


Penny Wilcox

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

REGENCE BLUESHIELD OF IDAHO, INC.
(mutual health insurer)

(NAIC Company Code: 60131)
(NAIC Group Code: 1207)

As of
December 31, 2020

EXHIBIT

A

exhibitstickers.com

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Lewiston, Idaho
May 23, 2022

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219(1), Idaho Code, 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, 2020, of the financial condition and corporate affairs of:

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

Hereinafter referred to as ("RBSI") or the ("Company"). The examination was completed remotely due to the COVID-19 pandemic. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The Idaho Department of Insurance ("Department") has performed an examination of the Regence BlueShield of Idaho, Inc., which was last examined as of December 31, 2017. The examination of the Company was performed as part of a multi-state, full scope, coordinated examination of Cambia Health Solutions, Inc. ("Cambia" or the "Group"). The coordinated examination covered the three-year period from January 1, 2018, through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date. The State of Oregon served as the lead state in coordination with the participating states of Idaho, Utah, and Washington.

The nine-insurance company legal entities registered in the holding company system, are as follows:

Cambia Health Solutions, Inc. NAIC Group Code #1207		
<u>Insurer</u>	<u>State of Domicile</u>	<u>NAIC CoCode</u>
Regence BlueShield of Idaho, Inc. (RBSI)	ID	60131
Regence BlueCross BlueShield of Oregon (RBCBSO)	OR	54933
Regence HMO Oregon (RHO)	OR	95699
Regence Health Maintenance of Oregon, Inc. (RHMO)	OR	96250
Regence BlueCross BlueShield of Utah (RBCBSU)	UT	54550
BridgeSpan Health Company (BHC)	UT	95303
Asuris Northwest Health Company (ANH)	WA	47350
Regence BlueShield (RBS)	WA	53902
Commencement Bay Risk Management Insurance Company (CBRMIC)	WA	78879

To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

Examination Procedures Employed

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"), along with specific procedures defined by the Department. The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also

includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated, both currently and prospectively.

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 was identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact 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 the Company.

The examination determined the risks associated with identified key functional areas of the Company's operation 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 Company retained the services of a certified public accounting firm, Deloitte & Touche LLP, to audit its financial records for the years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

The examination relied on the findings of the actuarial firm contracted by the Utah Department of Insurance, a participating state, to verify reserves for the Group.

A Group 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

The Department conducted a limited-scope examination of the Company as of December 31, 2018, and subsequent, that focused on evaluating and identifying the impact of the findings noted in the most recent full-scope report of examination of the Company, covering the time period of January 1, 2015, to December 31, 2017, and the associated management letter and documentation.

This examination included a review to determine the current status of the two exception conditions commented upon in the preceding Limited-Scope Report of Examination, dated March 2, 2021, which covered the period from January 1, 2015, to December 31, 2018. We determined that the Company had satisfactorily addressed one of those exception conditions. The second exception

condition, the Management and Service Agreement ("MASA") between Regence BlueShield of Idaho, Inc., and Cambia Health Solutions, Inc., is still on-going and is a recurring issue. The limited-scope examination report identified, given the Company's status as a mutual insurer being wholly owned by its policyholders, that services from the Group should remain at arm's length and not limit the Company's ability to independently conduct business. The MASA remains unresolved. It requires the Company's attention and prioritization to remedy.

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 date of examination, RBSI filed a Form D to amend the MASA on July 21, 2021, to address the limited-scope examination issues. The Department disapproved the Form D, requesting more information in the amendment and restatement of the MASA.

On April 12, 2021, the Board of Directors approved the acquisition of control of LifeMap Assurance Company ("LifeMap), in which the Company held a two percent interest, by Life and Specialty Ventures LLC ("LSV"). The equity interest was transferred to LSV's holding company, Northwest LSV Holding Company ("NWLSV Holding") in exchange for an amount of equity in NWLSV Holding of equal value. Then, NW LSV Holding transferred one hundred percent of the LifeMap equity to LSV in exchange for 12.3% equity in LSV.

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID- 19 pandemic as a national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Company is unknown. In a coordinated effort, the Company and the Department will continue to monitor the effects of the pandemic to the Company.

COMPANY HISTORY

General

The Company was originally formed as a non-profit entity in 1946 under the name of North Idaho District Medical Service Bureau, Inc. and commenced business in Idaho that same year. In 1977, the Company changed its name to Medical Service Bureau of Idaho, Inc. The Company converted to a nonprofit mutual insurer under Chapter 28, Title 41, Idaho Code in 1994. The Company changed its name to Regence BlueShield of Idaho, Inc. in 1997.

The Company is an affiliate of Cambia Health Solutions, Inc., through a long-term management agreement.

In 1999, the Company acquired an interest in LifeMap Assurance Company ("LifeMap"). LifeMap provides group life, accidental death and dismemberment, short-term and long-term disability, dental and vision insurance. In March 2017, the Company contributed \$100,000 to LifeMap. The Company held a two percent interest in LifeMap as of December 31, 2020.

In 2013, the Company acquired an interest in BridgeSpan Health Company ("BridgeSpan"). BridgeSpan offers individual health insurance. In May 2017, the Company contributed \$2,500,000 to BridgeSpan. The Company held a 19.1% interest in BridgeSpan as of December 31, 2020.

In 2016, the Company acquired an interest in Cascadia Echo Holding Company LLC ("Echo"), which serves as a holding company for a joint venture investment LLC. As of December 31, 2020, the Company held a 0.006% interest in Echo.

The Company is an independent licensee of the Blue Cross Blue Shield Association (BCBSA). BCBSA owns the Blue Cross and Blue Shield service marks, establishes national policies, and sets certain operating and financial guidelines for the independent Blue Cross and Blue Shield plans. BCBSA is not an affiliate or guarantor of the Company.

Dividends and Capital Contributions

There were no dividends during the period under examination.

Mergers and Acquisitions

There were no mergers and acquisitions during the period under examination.

Surplus Debentures

There were no surplus debentures during the period under examination.

CORPORATE RECORDS

The meetings of the Board of Directors ("Board") were conducted on an annual and quarterly basis for all the years under examination. Special meetings were held, as necessary. The majority of the meetings were held in person, however, in 2020 some meetings were held via video conference due to the COVID-19 pandemic. A review of the Board meeting minutes for the examination period, and subsequent thereto, indicated compliance with the Bylaws and Articles of Incorporation with respect to the election of the Directors and Officers. The review of the minutes

reflected discussion of relevant operational performance, review and approval of independent auditors' reports, the prior Department report of examination and investment transactions.

The Bylaws provide for two standing committees, an Executive Committee, and a Nominating Committee. The Executive Committee consists of the President and at least two (2) Directors. The members of the committee are appointed by the Chair of the Board. The Nominating Committee consists of at least three (3) Directors and are appointed by the Chair of the Board. The President is an ex officio, non-voting member of the Nominating Committee. The Nominating Committee is responsible for nominating Board Directors and the selection process and hiring of the President of the Company.

It was noted the Company's Board was designated as the audit committee and will perform applicable audit committee duties in compliance with the requirements of IDAPA 18.07.04.021.

MANAGEMENT AND CONTROL

Board of Directors

According to the Company's amended and restated bylaws, the number of Directors that constitute the Board of Directors will be not less than five (5) nor more than fifteen (15). A majority of the Board of Directors will consist of individuals who are not physicians, dentists, and other providers of health care services. Directors are elected for three (3) year terms and may serve a maximum of four (4) consecutive terms.

As of December 31, 2020, the following individuals were serving as Directors:

<u>Name/Address</u>	<u>Principal Occupation</u>
Sean M. Robbins* Lewiston, Idaho	President Regence BlueShield of Idaho, Inc.
Rebecca L. Noah Casper Idaho Falls, Idaho	Mayor Idaho Falls
John A. Fernandez Lewiston, Idaho	Retired, Former President Lewis-Clark State College
David J. Fox PhD Twin Falls, Idaho	President College of Southern Idaho
Thomas L. Gibson, CPA	Sr. Vice President, Financial Advisor, CPA, CWS

Sandpoint, Idaho	D.A. Davidson & Co.
Lynn G. Hoffman Boise, Idaho	CEO Intermountain 3D, Inc.
Mary P. Thompson Boise, Idaho	Vice President of Finance AmerisourceBergen
Esther B. Machen Ririe, Idaho	Dentist Machen Family Dentistry
Daniel J. Meulenberg, MD Sandpoint, Idaho	Physician Pinegrove Medical Center
Joseph A. Forney Boise, Idaho	CEO, COO, President & Director of Operations Cold Chain, LLC
Katherine L. Moriarty Island Park, Idaho	Retired, Former Attorney Battelle Energy Alliance
Mary C. Niland Nampa, Idaho	Former CEO Witco, Inc.
Jeffrey O. Williams Sun Valley, Idaho	Self-employed Corporate Consultant
Geoffrey T. Emery, MD Coeur d' Alene, Idaho	Partner Ironwood Family Practices
George J. Mulhern Eagle, Idaho	CEO Cradlepoint

** Subsequent to the date of examination, Mark H. Ruszczyk replaced Sean M. Robbins as President upon his approval by the Board on July 14, 2021.*

Officers

Pursuant to the Company's amended and restated bylaws, officers of the Company consist of a Chair of the Board of Directors, a President, one (1) or more Vice Presidents, a Secretary, a Treasurer, and additional Assistant Secretaries and Assistant Treasurers as the Board of Directors

may from time to time authorize. The offices of Secretary and Treasurer may be combined in a single office. In its discretion, the Board of Directors may elect a Vice Chair of the Board. The following officers were appointed by the Board of Directors and were serving as of December 31, 2020:

<u>Name</u>	<u>Title</u>
David J. Fox, PhD*	Chairman
Lynn G. Hoffman*	Vice Chair
Sean M. Robbins*	President
Jayson M. Ronk*	Secretary
Andreas B. Ellis	Treasurer
John W. Attey	Assistant Secretary
John R. Heintz*	Vice President, Network Management
Christopher G. Blanton	Vice President, Individual Market
Michael S. Jones	Vice President, Sales
Stacy J. Simpson	Vice President and Corporate Controller

** Subsequent to the date of examination, Mark H. Ruszczyk was approved as President by the Board of Directors on July 14, 2021, replacing Sean M. Robbins. Lynn G. Hoffman replaced David J. Fox as Chairperson, George J. Mulhern replaced Lynn G. Hoffman as Vice Chair, Tara L. Harrison replaced Jayson M. Ronk as Secretary, and Ryan C. Pharis replaced John R. Heinz as Vice President, Network Management in 2021.*

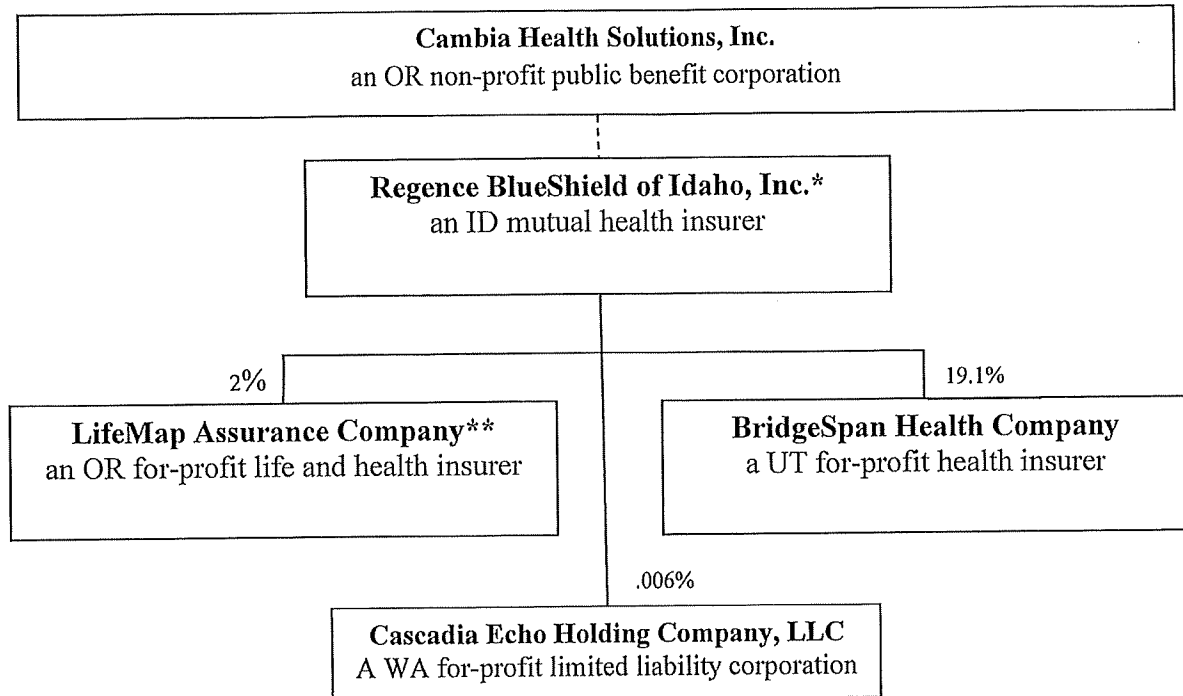
Committees

The Company's amended and restated bylaws establish two Standing Committees – an Executive Committee and a Nominating Committee. A majority of the membership of any committee will consist of individuals who are not physicians, dentists, or other providers of health care services. As of December 31, 2020, David J. Fox was serving as Chair of the Executive Committee and Thomas J. Gibson was serving as Chair of the Nominating Committee.

Organizational Chart

The following is an abbreviated organizational chart as of December 31, 2020:

Idaho Region



**RBSI is affiliated with Cambia pursuant to the Management and Services Agreement.*

***See Subsequent Event Section*

Contracts and Agreements

The following summarizes the major affiliated agreements in force as of December 31, 2020:

Management and Administrative Services Agreement

Cambia provides services to the Company under the terms of a long-term MASA. The original agreement was effective May 25, 1995. The fifth amendment to the agreement was non-disapproved on March 8, 2016, with a retroactive date effective January 1, 2016, upon the condition that modifications were to be made to meet the requirements under Chapter 38, Title 41 of the Idaho Code no later than June 30, 2016. The minor modification was later non-disapproved by the Department as the 6th amendment to the MASA.

Pursuant to this agreement, management and certain services such as strategic planning, budgeting, actuarial, underwriting, marketing, finance, legal, information technology and human resources are provided to RBSI. Under the amended agreement, the Company pays Cambia the lesser of (1) a fixed flat per member per month fee or (2) its proportionate share of the cost of providing services under the MASA, as determined annually. The prior examination recommended how the agreement should be complied with, as Cambia had only charged a total flat fee.

The MASA includes a provision whereby the Medical Services Bureau of Idaho, Inc., now RBSI, shall loan ENTRUST, now Cambia, the amount of \$540,000 for a term of twenty years with interest calculated at the prime rate for commercial loans, adjusted quarterly. This loan was for the incorporation of Cambia. This loan is evidenced by a demand note. This note has since been renewed by Cambia on June 1, 2015, to increase the principal amount to \$1,700,000 (including the original principal amount of \$540,000 plus accumulated interest) and extend the maturity date to June 1, 2035. Other terms of the note remain in effect and unchanged. The investment is rated by the NAIC. As of December 31, 2020, principal of \$1,700,000 was included in bonds and the investment had an NAIC bond designation rating of 2.

RBSI and the other insurers in the Group have entered into the following agreements with Cambia non-insurer subsidiaries:

- HealthSparq Services Agreement
- HealthSparq Magnify Reseller Agreement
- MedSavvy Amended Reseller Agreement (name change to JourniRx, Inc. 2/1/2021)
- Retrofit Reseller Agreement
- MedSavvy Master Services Agreement (name change to JourniRx, Inc. 2/1/2021)
- Basefit Reseller Agreement (terminated 5/4/2021)

Operating Agreement

Cambia, RBSI (ID), RBCBSO (OR), RBS (WA), and RBCBSU (UT), entered into an Operating Agreement for Cascadia Echo Holding Company LLC effective November 8, 2016. Cascadia's primary purpose is to be a member of Echo Health Ventures LLC, a Delaware limited liability company. While RBSI and RBCBSO participated in forming Cascadia, they do not participate in investments through Cascadia because the Operating Agreement has not yet been nondisapproved by their respective state insurance departments. The Cascadia Operating Agreement was amended by a First Amendment to the Operating Agreement effective April 19, 2021, regarding election and tenure of officers, additional capital contributions, and regulatory approvals.

Joint Enterprise Agreement

The Company entered into a Joint Enterprise Agreement with RBCBSU. On March 1, 2012, Regence Life and Health Insurance Company, now known as LifeMap Assurance Company, transferred its rights and obligations under the Medicare Prescription Drug Plan contract to the Joint Enterprise upon approval from the Centers for Medicare & Medicaid Services.

Master Service Agreement

The Company is party to a Master Service Agreement effective December 14, 2020, between Journi, Inc., and its Affiliates ("Journi"), an Oregon corporation, and Cambia on behalf of certain affiliated insurers. The affiliated insurers operate certain health plans for eligible members under

self-insured administrative service contracts. Journi provides the experience, resources, technology, and software systems necessary to perform and provide the services as part of those health plans. The agreement automatically renews for successive periods of one (1) year unless either party notifies the other in writing within ninety (90) days.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured, through an endorsement as an affiliate of Cambia, on an insurance policy with Travelers Casualty and Surety Company of America that specifically includes fidelity coverage. The policy provides a \$10 million limit of insurance for a single loss. The Company's fidelity coverage satisfies the minimum suggested amount of coverage recommended by the NAIC guidelines.

The Company is a named insured, as an affiliate of Cambia, on other insurance policies including directors' and officers' liability, professional liability, errors and omissions, and commercial general liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Defined Contribution Plan

The Company offers a Deferred Income Program for Executives and a Deferred Income Program for Directors ("Programs"). The purpose of the Programs is to provide an unfunded, non-qualified deferred compensation arrangement to key employees and eligible directors. The assets under the Programs are recorded as executives' and directors' deferred compensation and the related liabilities are included as amounts withheld or retained for account of others.

Consolidated/Holding Company Plans

The Company participated in a defined-benefit pension plan sponsored by Cambia that covered substantially all regular employees having one or more years of service. Benefits were based upon years of service and the employee's final average compensation. The Holding Company 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 (SERP) sponsored by Cambia to cover key employees meeting certain eligibility requirements. The Company's practice is to reimburse Cambia for employee retirement plan obligations and record such amounts as employment related expenses. SERP expense is allocated to the Company monthly, based on

relative salary dollars. Pension plan expense represents the Company's portion of contributions to the plan. The Company has no legal obligation for benefits under these plans; the obligation is carried by the Holding Company. As sponsor of the plans, the Holding Company is legally required to fund the plans regardless of amounts paid to Cambia by the Company.

The Company participates in an employee savings plan sponsored by Cambia in which Cambia will match employee contributions up to one hundred 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 the Cambia employees' functional activities that relate to the Company and relative salary dollars.

TERRITORY AND PLAN OF OPERATION

The Company conducts business throughout Idaho and select counties in Washington as a licensee of the Blue Cross Blue Shield Association. The Company's primary business is the sale of hospital, medical, dental and drug coverage to its subscribers. The Company also offers a broad range of health benefits services for self-funded plans, including claims processing, stop-loss insurance, and other administrative services.

The following depicts the Company's lines of business by percentage of total net premium income as of December 31, 2020:

Line of Business	Direct & Assumed Premium	Ceded Premium	Net Premium Income	Percentage of Total
Comprehensive (hospital and medical)	\$256,117,642	\$489,530	\$255,628,112	65.9%
Medicare Supplement	10,316,315	-	10,316,315	2.7%
Dental only	2,745,678	-	2,745,678	0.7%
Vision Only	889,967	-	889,967	0.2%
Federal Employees Health Benefits Plan	20,927,236	-	20,927,236	5.4%
Title XVIII Medicare	77,158,719	-	77,158,719	19.9%
Other Health	20,369,466	161,381	20,208,085	5.2%
Total	<u>\$388,525,023</u>	<u>\$650,911</u>	<u>\$387,874,112</u>	<u>100.0%</u>

GROWTH OF THE COMPANY

The following represents the Company's premium activity and its relationship to surplus over the period of our examination:

	2018	2019	2020
Direct Written Premium	\$448,133,371	\$406,277,565	\$388,525,023
Total Capital & Surplus	214,367,751	245,741,482	268,525,773
Direct Premiums Written to Total Capital & Surplus Ratio	209%	165%	145%

Health insurers have been subject to an annual fee imposed by the Affordable Care Act (ACA) that began in 2014. In early 2018 the Federal Government passed legislation providing a one-year moratorium on the 2019 insurer assessment. As a result, the Company paid \$7.2 million in 2020 versus \$0 in 2019. In late 2019, the Federal Government passed legislation repealing the fee for assessments payable after December 31, 2020. Therefore, no reclassification of unassigned surplus to special surplus was required as of December 31, 2020, and no amount will be paid in 2021.

The Company recorded risk adjustment which decreased premium by \$3.8 million in 2020, a change of \$7.2 million from risk adjustment which increased premium by \$3.4 million in 2019.

The Company had \$385.2 million in revenue in 2020, a decrease of \$23 million, or 5.6%, from \$408.2 million during 2019. The decrease was driven by a decrease in enrollment in the Comprehensive Medical and Medicare lines of business, unfavorable ACA risk adjustment revenue, increase in Retrospective and Federal Employee Plan (FEP) unearned premium reserves, the aforementioned voluntary premium credits, offset by increases in premium rates, primarily in the Comprehensive Medical, Medicare and FEP lines of business.

MORTALITY AND LOSS EXPERIENCE

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

	2018	2019	2020
Premiums Earned	\$448,168,165	\$408,160,909	\$385,169,964
Total Medical and Hospital Expenses	347,260,067	337,026,330	308,767,694
Claims Adjustment Expenses	20,883,458	20,694,264	22,407,637
Total Medical, Hospital and Claims Adjustment Expenses	\$368,143,525	\$357,720,594	\$331,175,331
Total Medical, Hospital and Claims Adjustment Expenses to Premiums Earned Ratio	82%	88%	86%

The Company had \$308.8 million in claims expense during 2020, a decrease of \$28.2 million, or 8.4%, from \$337.0 million in 2019. The decrease was driven by the aforementioned enrollment decreases in Comprehensive Medical and Medicare lines of business, decreased claims utilization due to deferred care as a result of COVID-19 pandemic, and favorable changes in prior year actuarial estimates primarily in the Comprehensive and Medicare lines of business.

The Company had \$61.1 million in combined claims adjustment and general administrative expenses during 2020, an increase of \$10.2 million, or 19.9%, from \$51.4 million during 2019. The increase was driven by the aforementioned one-year moratorium on the 2019 insurer assessment.

REINSURANCE

Assumed

At December 31, 2020, the Company did not have assumed reinsurance.

Ceded

At December 31, 2020, the Company was party to the following ceded reinsurance agreements:

QBE Reinsurance Corporation ("QBE")

The Company is party to an excess of loss reinsurance arrangement with QBE and Cambia under which QBE reinsures the liability that Cambia may incur as a result of high claims incurred for fully insured members including commercial, retrospective, federal exchange, and stop-loss members. The reinsurer will cover any claims incurred for a member exceeding Cambia's retention of \$3,500,000 Ultimate Net Loss during the term of this contract.

MedAmerica Insurance Company ("MedAmerica")

The Company cedes one hundred percent of certain premiums and claims for long-term care benefits for the individual line of business with MedAmerica under a 100 percent pro rata reinsurance agreement. The agreement automatically renews for successive one-year terms and may be terminated by either party by giving at least one hundred eighty (180) days written notice.

On December 30, 2020, the Company and MedAmerica executed a commutation and release agreement relating to the indemnity agreement originally executed on September 1, 1997. Pursuant to the agreement, the Company agreed to commute and release MedAmerica of all obligations and liabilities of reinsured risk in exchange for a payment to the Company based on the valuation of the formulaic reserves estimated by MedAmerica. This resulted in a \$4,304,521 increase in cash, and the elimination of ceded reserve credits resulting in a \$3,470,997 increase in policy reserves, \$817,171 increase in claim reserves, and \$16,353 increase in claims unpaid.

LifeMap Assurance Company ("LifeMap")

The Company cedes one hundred percent of the accidental death benefits included in individual and group medical policies to its affiliate, LifeMap. 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.

ACCOUNTS AND RECORDS

A trial balance was obtained from the Company for the year ending December 31, 2020, and traced to the appropriate assets, liabilities, and income and expense exhibits of the 2020 Annual Statement. The examination of assets and liabilities revealed no material differences in the accounts reported on the trial balance.

Cambia manages certain services for its affiliates, including the Company pursuant to the MASA, such as strategic planning, budgeting, actuarial, underwriting, marketing, finance, legal, information technology and human resources.

The Company utilizes multiple information system applications to conduct its operations and to maintain its accounts and records. Generally, applications vary by business unit and by business process. The Company's policy and claims administration functions are performed through the Facets 5.7 application. In addition, the Company's general ledger, financial reporting, and other financial functions are performed through its PeopleSoft application. Investment and Fund Management are maintained through Clearwater Analytics.

The annual independent audits of the Company for the years 2018 through 2020 were performed by Deloitte & Touche LLP. Their audit reports and workpapers were made available for the examination.

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, 2020. The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of a U.S. Treasury Note, with total par value of \$1,100,000, which was adequate to cover the required deposit. As of December 31, 2020, the book adjusted carrying value of the special deposit maintained by or through the Idaho Department of Insurance was \$1,101,683 and the fair value was \$1,104,774.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any material examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Balance Sheet

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$244,337,091		\$244,337,091
Stocks			
Common stocks	75,901,602		75,901,602
Real estate			
Properties occupied by the company	17,488,637		17,488,637
Cash, cash equivalents and short-term investments	10,405,022		10,405,022
Receivables for securities	201,539		201,539
Subtotals, cash and invested assets	\$348,333,891		\$348,333,891
Investment income due and accrued	1,678,020		1,678,020
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	6,976,376	234,105	6,742,271
Accrued retrospective premium and contracts subject to redetermination	8,240,951		8,240,951
Reinsurance			
Amounts recoverable from reinsurers	48,658		48,658
Amounts receivable relating to unin-sured plans	20,482,716	3,112,097	17,370,619
Electronic data processing equipment and software	4,481,568	4,481,568	0
Furniture and equipment, including health care delivery assets	515,540		515,540
Receivables from parent, subsidiaries and affiliates	10,878,336		10,878,336
Healthcare and other amounts receivable	10,487,724	4,800,690	5,687,034
Aggregate write-ins for other than invested assets	4,186,604	450,622	3,735,982
Total	\$416,310,384	\$13,079,082	\$403,231,302

Note, all line items are subject to rounding to the nearest dollar.

Balance Sheet

LIABILITIES, CAPITAL, AND SURPLUS

Claims unpaid	\$39,617,001
Accrued medical incentive pool and bonus amounts	1,491,054
Unpaid claims adjustment expenses	1,326,327
Aggregate health policy reserves	42,290,049
Aggregate health claim reserves	1,020,000
Premiums received in advance	6,628,138
General expenses due or accrued	4,989,865
Current federal and foreign income tax payable and interest thereon	6,108,580
Net deferred tax liability	209,034
Ceded reinsurance premiums payable	35,648
Amounts withheld or retained for the account of others	4,064,680
Remittances and items not allocated	403,960
Amounts due to parent, subsidiaries and affiliates	7,291,801
Payable for securities	700,356
Liability for amounts held under uninsured plans	18,422,962
Aggregate write-ins for other liabilities	106,073
Total	<u>\$134,705,528</u>
Unassigned funds (surplus)	<u>268,525,773</u>
Total capital and surplus	<u>268,525,773</u>
Total liabilities, surplus and other funds	<u>\$403,231,301</u>

Note, all line items are subject to rounding to the nearest dollar.

Statement of Revenue and Expenses

Net premium income	\$387,874,111
Change in unearned premium reserves and reserve for rate credits	(2,704,147)
Total revenues	<u>\$385,169,964</u>
Hospital and Medical Expenses:	
Hospital/medical benefits	\$172,851,731
Other professional services	18,590,662
Outside referrals	2,943,664
Emergency room and out-of-area	64,254,822
Prescription drugs	49,719,426
Incentive pool, withhold adjustments and bonus amounts	1,217,060
Subtotal	<u>\$309,577,365</u>
Less:	
Net reinsurance recoveries	809,670
Total hospital and medical	<u>\$308,767,695</u>
Claims adjustment expenses including cost containment expenses	22,407,637
General administrative expenses	39,205,236
Increase in reserves of life and accident and health contracts	3,067,681
Total underwriting deductions	<u>\$373,448,249</u>
Net underwriting gain or (loss)	<u>\$11,721,716</u>
Net investment income earned	7,698,949
Net realized capital gains (losses) less capital gains tax	1,946,436
Net investment gains (losses)	<u>\$9,645,385</u>
Net gain or (loss) from agents' or premium balances charged off	(5,088)
Aggregate write-ins for other income or expenses	<u>(1,252,381)</u>
Net income or (loss) after capital gains tax and before all other federal income taxes	\$20,109,632
Federal and foreign income taxes incurred	<u>1,244,736</u>
Net income (loss)	<u>\$18,864,896</u>

Note, all line items are subject to rounding to the nearest dollar.

Reconciliation of Capital and Surplus

	2020	2019	2018
Capital and surplus prior reporting year	\$245,741,482	\$214,367,751	\$181,456,290
Net income	18,864,896	20,677,478	32,985,533
Change in net unrealized capital gains or (losses) less capital gains tax	4,370,566	10,146,431	(640,934)
Change in net deferred income tax	656,740	1,086,804	1,225,346
Change in nonadmitted assets	(1,107,911)	(536,982)	(658,484)
Net change in capital and surplus	\$22,784,291	\$31,373,731	\$32,911,461
Capital and surplus end or reporting period	\$268,525,773	\$245,741,482	\$214,367,751

Note, all line items are subject to rounding to the nearest dollar.

Analysis of Changes in Financial Statements Resulting from Examination

There were no adjustments to capital and surplus resulting from the examination.

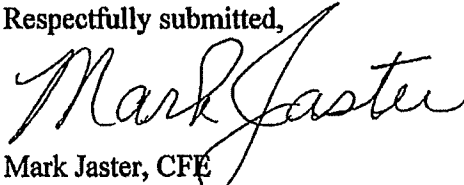
SUMMARY OF RECOMMENDATIONS

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

ACKNOWLEDGEMENT

In addition to the undersigned, Richard Foster, CFE, of The INS Companies participated in the examination. He joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mark Jaster".

Mark Jaster, CFE
Examiner-in-Charge
The INS Companies
Representing the Idaho Department of Insurance

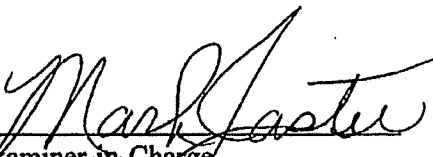
A handwritten signature in cursive script that reads "Jessie L. Adamson".

Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance


AFFIDAVIT OF EXAMINER

State: Oklahoma
County: Oklahoma

Mark Jaster, CFE, 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 Regence BlueShield of Idaho, Inc. for the period from January 1, 2018 through December 31, 2020, 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.


Examiner-in-Charge
The INS Companies
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 23rd day of May, 2022, at Oklahoma City OK
(City) (State)


Notary Public



My Commission Expires: 11/10/2025

AFFIDAVIT OF EXAMINER

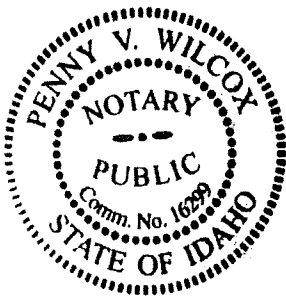
State: Idaho
County: Ada

Jessie L. Adamson, CFE, 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, 2018 through December 31, 2020, 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 this report are based on the facts disclosed in the information.

Jessie Adamson

Jessie L. Adamson
Deputy Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 23rd day of May, 2022, at Boise, ID
(City) (State)



Penny V. Wilcox

Notary Public

My Commission Expires: 7/02/2027