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FILED *BY*
NOV 02 2018
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:

BLUE CROSS OF IDAHO CARE PLUS,
INC.

Certificate of Authority No. 4191
NAIC No. 15022

Docket No. 18-3558-18

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2016**

The State of Idaho, Department of Insurance (“Department”), having conducted an examination of the affairs, transactions, accounts, records, and assets of Blue Cross of Idaho Care Plus, Inc. (“Idaho Care Plus”), pursuant to Idaho Code §§ 41-3911 and 41-219(1) and (5), 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 Blue Cross of Idaho Care Plus, Inc. as of December 31, 2016 (“Report”), as filed.

FINDINGS OF FACT

1. Idaho Care Plus is an Idaho-domiciled company authorized to transact disability insurance, including managed care, in Idaho under Certificate of Authority No. 4191.

2. The Department completed an examination of Idaho Care Plus pursuant to Idaho Code § 41-219(1) on or about September 11, 2018. 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 September 14, 2018, and a copy of such verified Report was transmitted to Idaho Care Plus on September 20, 2018. A copy of the verified Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-227(4), Idaho Care Plus had thirty (30) days from September 20, 2018, to make a written submission or rebuttal with respect to any matters contained in the Report. No such written submission or rebuttal was received by the Department from Idaho Care Plus.

CONCLUSIONS OF LAW

5. 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.

6. Having fully considered the Report, the Director concludes that Idaho Care Plus meets the minimum capital and surplus requirements set forth in Idaho Code § 41-313.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Blue Cross of Idaho Care Plus, Inc. as of December 31, 2016 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, Idaho Care Plus 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 2 day of November, 2018.

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 2nd day of November, 2018, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2016 to be served upon the following by the designated means:

Blue Cross of Idaho Care Plus, Inc.
Attn: Charlene Maher, President and CEO
3000 E. Pine Avenue
Meridian, ID 83642

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

Nathan Faragher
Chief Examiner, Company Activities Bureau Chief
Idaho Department of Insurance
700 W. State Street, 3rd Floor
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DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

of

BLUE CROSS OF IDAHO CARE PLUS, INC.

(NAIC Company Code 15022)

as of

December 31, 2016



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State of Idaho
DEPARTMENT OF INSURANCE

C. L. "BUTCH" OTTER
Governor

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DEAN L. CAMERON
Director

Meridian, Idaho

September 11, 2018

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
Boise, Idaho 83720

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, 2016, of the financial condition and corporate affairs of:

Blue Cross of Idaho Care Plus, Inc.
3000 East Pine Avenue
Meridian, Idaho 83642

hereinafter referred to as the "Company," at its offices in Meridian, Idaho. The following Report of Examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our examination of Blue Cross of Idaho Care Plus, Inc., a health insurer licensed to write business in the State of Idaho. This is the first examination and it covers the period from February 21, 2013 (inception date) through December 31, 2016.

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 Statutory Accounting Principles (SSAPs) and NAIC *Annual Statement Instructions* when applicable to domestic state regulations.

The Company retained the services of a certified public accounting firm, Eide Bailly LLP, to audit its financial records for the years 2014 through 2016. Harris & Co., PLLC, Meridian, Idaho, audited the Company in 2013.

Eide Bailly LLP allowed 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. The initial phase of the examination focused on evaluating the Company's corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to the Company's individual operating profile. A risk-focused approach was determined appropriate.

Through a services agreement between the Company and Blue Cross of Idaho Health Service, Inc. (BCI), the Company's affiliate, BCI agreed to provide various services to support the Company's operations subject to the oversight of the Company's Board of Directors. 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 BCI 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 Department to verify claims unpaid, unpaid claims adjustment expenses and aggregate health policy reserves.

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

This is the first examination conducted by the Idaho Department of Insurance for this Company.

HISTORY AND DESCRIPTION

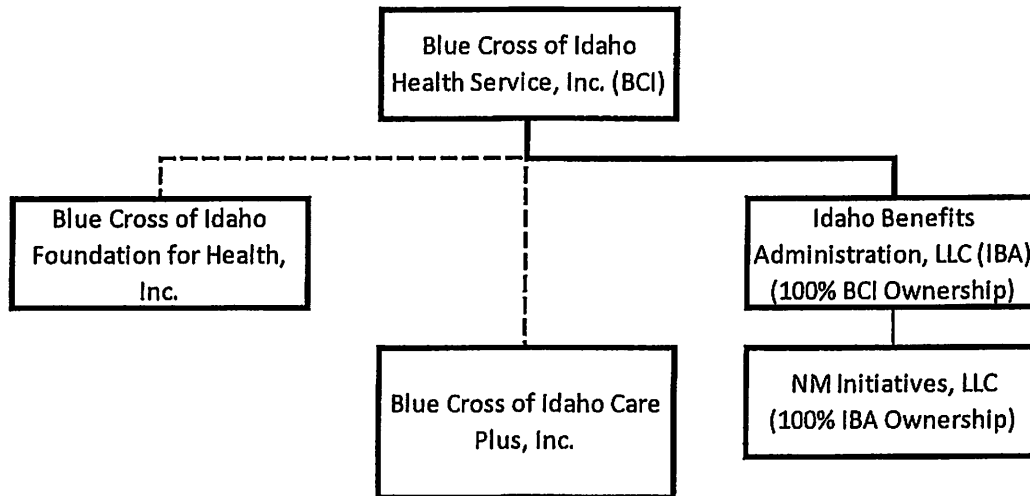
Blue Cross of Idaho Care Plus, Inc. (ICP), is a taxable not-for-profit mutual insurer that was formed on February 19, 2013. It is licensed to do business in the State of Idaho under Title 41, Chapter 39 of the Idaho Code. The Company was formed by BCI, to promote public welfare by providing managed care programs that lower the costs and improve the outcomes of members on government health programs such as Medicare and Medicaid.

In February 2013, BCI funded the Company with \$1 million to meet statutory capital requirements, with additional funding in the form of surplus notes provided thereafter for a total of \$50 million as of December 31, 2016. The Company began insurance operations on October 1, 2014, after approval from the Centers for Medicare and Medicaid Services (CMS).

MANAGEMENT AND CONTROL

Insurance Holding Company System

The Company is a member of an insurance holding company system. BCI is the ultimate controlling person, as depicted in the following organizational chart as of December 31, 2016:



As previously reported, the Company was created on February 19, 2013. BCI filed the holding company registration statement with the Idaho Department of Insurance relating to the formation of this entity on March 8, 2013.

Directors

The Company is a taxable non-profit corporation and BCI is the Company’s sole Member. Directors are elected by the Member. They are elected for a one-year term and there are no term limits. Majority of the Board are employees of BCI; however, at least two directors must be independent.

All corporate powers shall be exercised by or under the authority of the Board of Directors. The Company must have at least five directors and up to nine directors. The number of directors is in compliance with Section 41-2835(5), Idaho Code, which requires no less than five nor more than twenty-five members.

The following persons were the duly elected members of the Board of Directors at December 31, 2016:

<u>Name</u>	<u>Principal Occupation</u>
Charlene Maher	President and Chief Executive Officer Blue Cross of Idaho, Meridian, ID
Laurie Heyer	Executive Vice President, Operations Blue Cross of Idaho, Meridian, ID
Brian Fellner*	Treasurer and Chief Financial Officer Blue Cross of Idaho, Meridian, ID

Independent Director:

Linda Cople-Trout

Tim Dunnagan

Retired Judge

Idaho Supreme Court

Dean, College of Health Sciences

Boise State University

*=Replaced by Ralph Woodard in January, 2017.

The number of directors has been increased to seven in 2017 with the addition of Dave Jeppesen and Alicia Ritter (Independent Director).

The Company's amended and restated Bylaws provide that the Board shall elect directors to serve as the Board Chair and Vice Chair. The Board Chair and Vice Chair at year-end 2016 were:

Charlene Maher

Laurie Heyer

Board Chair

Board Vice Chair

Officers:

The following persons were appointed as officers of the Company as of December 31, 2016:

Charlene Maher

Steven J. Tobiason

Brian Fellner*

President

Secretary

Treasurer

*Replaced by Ralph Woodard in 2017

Committees:

Pursuant to the amended and restated Bylaws, the Board may create one or more regular or special Board committees. Each committee must include at least two directors. The Committees operate under Statements of Purpose and Organization, which set forth the purpose of each committee, responsibilities, duties, eligibility, appointment, and meetings.

At year-end 2016, the Company only had an Independent Directors Committee as shown below:

Linda Cople-Trout

Tim Dunnagan

Chair

In 2017, the Company established an Audit Committee as shown below:

Tim Dunnagan

Ralph Woodard

Chair

Conflict of Interest

The Company has a conflict of interest procedure in place that requires each director to disclose all circumstances that might be perceived a conflict of interest for both themselves or for related persons. Each director is required to make the disclosures by completing a conflict of interest questionnaire.

Conflict of interest questionnaires that were completed for the period from January 1, 2015 through December 31, 2016, and subsequent thereto, appeared to appropriately disclose any real or potential conflicts of interest.

Contracts and Agreements:

Agreements with Affiliate

The Company had the following agreements in effect with its affiliate, Blue Cross of Idaho Health Service, Inc. (BCI), at December 31, 2016:

Guarantee Agreement

In February 2013, the Company and BCI entered into a Financial Guarantee agreement whereby BCI guarantees to the full extent of its assets, all of the contractual and financial obligations of the Company to its customers, in accordance with the Blue Cross Blue Shield Association Guidelines to administer the Controlled Affiliate License Agreement. At December 31, 2016, the Company's assets exceeded its liabilities; therefore, no liability under this agreement was required to be recorded for BCI.

Asset Transfer, Assignment and Assumption Agreement

The Company and BCI entered into an Asset Transfer, Assignment and Assumption Agreement effective October 1, 2014, to transfer from BCI to the Company the rights, title and interest in Medicare Advantage Plan contracts with the federal Centers for Medicare and Medicaid (CMS), and the Medicare-Medicaid Coordinated Plan with the State of Idaho Department of Health and Welfare.

Administrative Services Agreement

The Company entered into an administrative services agreement with BCI on February 21, 2013, and was later amended on June 29, 2017 with a retroactive effective date of January 1, 2015. In this agreement, BCI agreed to provide various services to support the Company's operations. The charge to the Company is the lower of the fair market value as determined by market research or the cost derived from BCI's allocation methodology.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Company's Articles of Incorporation and Bylaws were amended once during the examination period. The Board of Directors adopted the changes at their meeting of April 14, 2014. The amended Articles of Incorporation and restated Bylaws were submitted to the Idaho Department of Insurance pursuant to Section 41-3910(2)(b), Idaho Code.

Minutes of Meetings

A review of the minutes of the meetings of the Board of Directors for the period October 25, 2013 through December 31, 2016 and subsequent thereto, indicated compliance with the Company's Articles of Incorporation and Bylaws with respect to the election of the Board of Directors and Officers, and the election or appointment of Committee members.

This review of the minutes also indicated that a quorum was present at all Board of Directors' meetings held during the examination period and that significant Company transactions were properly authorized.

Investment transactions were approved by the Board of Directors with the duty of reviewing and considering approval of all investment transactions, in compliance with Section 41-704, Idaho Code. Furthermore, the Company maintained records of its investments in conformity with Section 41-705, Idaho Code.

FIDELITY BOND AND OTHER INSURANCE

The Company's corporate insurance coverages included a financial institutional bond, which covered losses resulting from dishonest or fraudulent acts committed by employees up to \$1.75 million per single loss. The deductible was \$50,000 per single loss. The financial institutional bond insurance coverage met the suggested minimum limits recommended by the NAIC *Financial Condition Examiners Handbook*.

The insurance carriers providing coverages to the Company were licensed or otherwise authorized in the State of Idaho.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not have any employees; all of its operations are conducted by employees of its affiliate, BCI.

TERRITORY AND PLAN OF OPERATION

The Company is licensed only in the State of Idaho as a taxable non-profit corporation authorized to write disability, managed care only line of business. It writes only the Medicare line of business.

The Company began its insurance operations on October 1, 2014, after approval from the Centers for Medicare and Medicaid Services (CMS). It serves approximately 25,000 members.

The Company does not have any employees. Through an administrative services agreement between the Company and its affiliate, BCI, BCI provides various services for the operations of the Company.

STATUTORY AND SPECIAL DEPOSITS

As of December 31, 2016, the examination confirmed with the Idaho Department of Insurance that the Company had made provision for the following deposits to be held in trust for the protection of all its policyholders and/or creditors through said office of the Director of Insurance, State of Idaho, in compliance with Section 41-316A, Idaho Code.

<u>Description</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Book Value</u>
US Treasury Notes, 0.875 percent, Due 4/15/2019	<u>\$1,000,000</u>	<u>\$991,020</u>	<u>\$997,288</u>
Total:	<u>\$1,000,000</u>	<u>\$991,020</u>	<u>\$997,288</u>

In January 2017, the Company deposited an additional \$50,000 of First American Government Obligations Fund with the Department.

GROWTH OF THE COMPANY

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Written Premium	\$ 324,349,833	325,357,954	75,096,463	
Policyholder Surplus	\$ 59,647,518	48,132,884	3,471,224	2,235,601
Net Written Premium to Policyholder Surplus Ratio	544%	676%	2163%	

Insurance operations of the Company did not begin until October 2014. Losses in 2014 included start-up costs, a premium deficiency reserve of \$5 million and additional provision for adverse

deviation in the claims unpaid estimate at the end of the year. No premium deficiency reserve was recorded in 2015.

The Company received a total of \$50 million (surplus notes) from its affiliate, BCI, from 2013 through 2015. In addition, BCI transferred \$19 million to the Company in consideration for the losses inherent in the transfer of business from BCI to the Company. These factors contributed to the increase of the Company's admitted assets and capital and surplus from 2013 through 2016.

The Company reported an underwriting gain of \$18.4 million in 2016.

LOSS EXPERIENCE

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Premiums Earned	\$ 320,395,645	325,357,954	75,096,463	
Claims Incurred	\$ 269,281,641	300,159,253	78,164,468	
Claims Adjustment Expenses Incurred	\$ 12,288,049	11,212,402	2,102,978	
Total Loss and Loss Adjustment Expenses Incurred	\$ 281,569,690	\$ 311,371,655	\$ 80,267,446	
Total Loss and Loss Adjustment Expenses Incurred to Net Premiums Earned	88%	96%	107%	

As stated above, insurance operations of the Company did not begin until October 2014. High expense to premium ratio in 2014 was due to start-up cost and adverse loss experience. This ratio improved slightly in 2015 and 2016 due to moderately favorable loss experience.

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during this examination period.

Reinsurance Ceded

The Company had the following ceded reinsurance contracts in effect as of December 31, 2016:

<u>Type of Contract</u>	<u>Reinsurer</u>	<u>Business Covered</u>	<u>Company's Retention</u>	<u>Coverage</u>
Medicare Advantage Excess of Loss	Axis Insurance Company (100%) Princeton, New Jersey	Medicare Advantage and Dual Eligible insurance business which provides coverage above the Company's \$2 million retention per member	\$2 million per member during the term of this contract (1/1/2016-1/1/2017)	100% of the ultimate net loss in excess of the Company's retention of \$2 million for any one member. The liability for ultimate net loss for any one member shall be unlimited during the term of this contract

Axis Insurance Company (Axis) is an authorized insurer in the State of Idaho. Effective January 1, 2017, Swiss Re Life & Health America Inc. (Swiss Re) replaced Axis as its reinsurer. Swiss Re is also an authorized insurer in the State of Idaho. The named insured for the reinsurance contract is BCI with the understanding that the risk reinsured is that of ICP. This is made possible through the guarantee agreement entered into by the Company and BCI on February 2013.

The above reinsurance contracts carry adequate risk transfer in compliance with Statement of Statutory Accounting Principle (SSAP) 62R.

INSURANCE PRODUCTS AND RELATED PRACTICES

A separate limited scope market conduct examination by the Idaho Department of Insurance commenced February 2018. The results of the routine targeted market conduct examination will be submitted to the Director separately.

ACCOUNTS AND RECORDS

General Accounting

BCI, provides various services for the operations of the Company. BCI's claims payment, processing, group administration, membership/billing administration, provider administration, customer service, commissions, and benefits administration applications were performed on an off the shelf claims system.

In 2013 and 2014, the general ledger and supporting accounting records were maintained on a GAAP basis and then adjusted to a statutory basis of accounting through adjusting journal entries. Beginning in 2015, the general ledger and supporting accounting records have been maintained on a modified statutory basis for internal reporting, and are adjusted to a statutory basis through adjusting journal entries.

Independent Accountants

The annual independent audits of the Company were performed by Eide Bailly LLP from 2014 through 2016. The 2013 audit was performed by Harris & Co, PLLC, Meridian, Idaho.

The financial statements in each audit report were on a statutory basis. There was some reliance on the 2016 audit report and work papers in this examination of the Company.

Actuarial Opinion

The unpaid claim reserves and unpaid claims adjustment expenses and related actuarial items were calculated and certified by the BCI's actuary, David Hutchins, FSA, MAAA. The December 31, 2016 statement of actuarial opinion stated 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 insurance laws and regulations of the State of Idaho;
- (D) Make a good and sufficient provision of all unpaid claims and other actuarial liabilities of the organization 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 statements of the preceding year-end; and
- (F) Include appropriate provision of all related actuarial items that ought to be established.

The actuarial review of reserves, related liabilities, and other actuarial items was performed by Risk & Regulatory Consulting, LLC, consulting actuary for the Idaho Department of Insurance.

See the *NOTES TO THE FINANCIAL STATEMENTS* section, later in this report, for further discussion regarding the Department's consulting actuary's analysis.

SUBSEQUENT EVENTS

The examination noted no significant events affecting the financial condition and solvency of the company as of the date of this report.

FINANCIAL STATEMENTS

The financial section of this report contains the following statements:

Balance Sheet as of December 31, 2016

Statement of Revenue and Expenses, For the Year Ending December 31, 2016

Capital and Surplus Account, For the Year Ending December 31, 2016

Reconciliation of Capital and Surplus Account, February 21, 2013, through December 31, 2016.

BALANCE SHEET
As of December 31, 2016

	<u>ASSETS</u>		
	<u>Assets</u>	Non Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 76,334,996	\$ 0	\$ 76,334,996
Cash, cash equivalents and short-term investments	33,381,169	0	33,381,169
Receivables for securities	5,929,727	0	5,929,727
Investment income due and accrued	336,258	0	336,258
Uncollected premiums and agents' balances in the course of collection	516,346	88,092	428,254
Accrued retrospective premiums	108,903		108,903
Amounts receivable relating to uninsured plans	1,407,641		1,407,641
Net deferred tax asset	2,125,871		2,215,871
Health care and other amounts receivable	<u>8,758,343</u>	<u>5,544,133</u>	<u>3,214,210</u>
Totals	<u>\$128,899,253</u>	<u>\$5,632,225</u>	<u>\$123,267,029</u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid (less \$-0-reinsurance ceded) (Note 1)	\$32,557,432	\$ 0	\$ 32,557,432
Accrued medical incentive pool and bonus payments (Note 1)	7,900,456		7,900,456
Unpaid claims adjustment expenses (Note 1)	463,000		463,000
Aggregate health policy reserves (Note 1)	5,381,604		5,381,604
Premiums received in advance	630,957		630,957
General expenses due or accrued	213,165		213,165
Current income tax payable	1,730,201		1,730,201
Amount due to affiliate	4,749,189		4,749,189
Payable for securities	8,976,836		8,976,836
Liability for amounts held under uninsured plans	<u>1,016,670</u>		<u>1,016,670</u>
Total liabilities	<u>\$63,619,511</u>	<u>\$ 0</u>	<u>\$ 63,619,511</u>
Surplus notes			\$ 50,000,000
Unassigned funds (surplus)			<u>9,647,518</u>
Total capital and surplus			<u>\$ 59,647,518</u>
Total Liabilities, capital and surplus			<u>\$123,267,029</u>

*+ or -\$1 rounding difference

STATEMENT OF REVENUE AND EXPENSES
For the Year Ending December 31, 2016

	<u>Per Examination and Per Company</u>
Net premium income	\$324,349,833
Change in unearned premium reserves and reserve for rate credits	<u>(3,954,188)</u>
Total revenues	<u>\$320,395,645</u>
Hospital and Medical:	
Hospital/medical benefits	\$160,033,147
Other professional services	13,103,431
Outside referrals	26,651,835
Emergency room and out-of-area	5,497,196
Prescription drugs	55,051,969
Incentive pool, withhold adjustments and bonus amounts	<u>8,944,063</u>
Subtotal	<u>\$269,281,641</u>
Less:	
Net reinsurance recoveries	<u>\$ 0</u>
Total Hospital & Medical	<u>\$269,281,641</u>
Claims adjustment expenses, including \$7,251,707 cost containment expenses	\$ 12,288,049
General administrative expenses	<u>20,419,249</u>
Total underwriting deductions	<u>\$301,988,939</u>
Net underwriting loss	<u>\$ 18,406,706</u>
Net investment income earned	\$ 1,236,722
Net realized capital gains, less capital gains tax of \$143,348	<u>266,219</u>
Net income before federal income taxes	\$ 19,909,648
Federal and foreign income taxes incurred	<u>6,622,072</u>
Net income	<u>\$ 13,287,576</u>

*+ or - \$1 rounding difference

CAPITAL AND SURPLUS ACCOUNT
For the Year Ending December 31, 2016

	<u>Per Company</u>	<u>Examination Changes</u>	<u>Per Examination</u>
Capital and surplus, December 31, 2015	\$48,132,884	\$ 0	\$48,132,884
GAINS AND (LOSSES) IN SURPLUS			
Net income	\$13,287,576	\$ 0	\$13,287,576
Change in net unrealized capital gains	149,513	0	149,513
Change in net deferred income tax	541,750	0	541,750
Change in nonadmitted assets	<u>(2,464,205)</u>	0	<u>(2,464,205)</u>
Net change in capital and surplus	<u>\$11,514,634</u>	<u>\$ 0</u>	<u>\$11,514,634</u>
Capital and surplus, December 31, 2016	<u>\$59,647,518</u>	<u>\$ 0</u>	<u>\$59,647,518</u>

RECONCILIATION OF CAPITAL AND SURPLUS ACCOUNT
February 21, 2013 Through December 31, 2016

	<u>2013*</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capital and surplus,				
December 31, previous year	<u>\$ 0</u>	<u>\$ 2,235,601</u>	<u>\$ 3,471,224</u>	<u>\$48,132,884</u>
Net income	(264,399)	(14,237,082)	(5,654,168)	13,287,576
Change in net unrealized capital gains	0	0	14,800	149,513
Change in net deferred income tax	0	4,985,990	(3,544,237)	541,750
Change in nonadmitted assets	0	(4,013,285)	845,265	(2,464,205)
Change in surplus notes	1,500,000	14,500,000	34,000,000	0
Contributed capital from Blue Cross of Idaho	<u>1,000,000</u>	<u>0</u>	<u>19,000,000</u>	<u>0</u>
Net change in capital and surplus	<u>\$2,235,601</u>	<u>\$ 1,235,623</u>	<u>\$44,661,660</u>	<u>\$11,514,634</u>
Capital and surplus,				
December 31, current year	<u>\$2,235,601</u>	<u>\$ 3,471,224</u>	<u>\$48,132,884</u>	<u>\$59,647,518</u>

*The Company received its initial capitalization of \$1 million from Blue Cross of Idaho Health Service, Inc. in February, 2013.

NOTES TO THE FINANCIAL STATEMENTS

Note 1

Claims unpaid (less \$-0-reinsurance ceded) (Note 1)	\$32,557,432
Accrued medical incentive pool and bonus payments (Note 1)	7,900,456
Unpaid claims adjustment expenses (Note 1)	463,000
Aggregate health policy reserves (Note 1)	5,381,604

Risk & Regulatory Consulting, LLC (RRC), was retained by the Department to review the above actuarial liabilities and reserves as of December 31, 2016

Shumei Kuo F.S.A., M.A.A.A., performed the actuarial review. She relied on the testing/results of the Company's controls performed by the internal and external auditors. She also reviewed the Company's reserving assumptions and methodology as documented in its actuarial memorandum and performed a hindsight analysis of year-end 2016 incurred but not reported (IBNR) using paid claims through June 30, 2017.

Based upon RRC's review, it appears the Company used appropriate and typical actuarial methods in establishing its aggregate claim liabilities and reserves. Furthermore, RRC concluded that the Company was holding adequate liabilities at year-end 2016 for the lines of coverage and risks reviewed and that the FEP amount was appropriately computed.

SUMMARY


The results of this examination disclosed that as of December 31, 2016, the Company had admitted assets of \$123,267,029, liabilities of \$63,619,511, surplus notes of \$50,000,000 and unassigned funds of \$9,647,518. Therefore, the Company's total capital and surplus exceeded the \$2,000,000 minimum prescribed by Section 41-313, Idaho Code.

ACKNOWLEDGEMENT

The undersigned acknowledges the assistance and cooperation of the Directors, Officers and BCI's employees in conducting the examination.

In addition to the undersigned, Shumei Kuo, F.S.A., M.A.A.A, Risk & Regulatory Consulting, LLC, conducted the actuarial portion of the examination. The Company's information systems were reviewed by Information System Specialist, Joanna Latham, CPA, CFE, AES, CISA, CRISC, on behalf of Jennan Enterprises LLC.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kelvin Ko", written over a horizontal line.

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

SEP 14 2018

AFFIDAVIT OF EXAMINER


State of California
County of Los Angeles

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 Blue Cross of Idaho Care Plus, Inc. for the period from February 21, 2013 through December 31, 2016, including subsequent events, 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 the report are based on the facts disclosed in the examination.



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

Subscribed and sworn to before me the 11 day of September, 2018 at San Gabriel



Notary Public

My commission expires: 02/12/2020

