STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST
PORTLAND, OREGON

AS OF

DECEMBER 31, 2021

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NAIC COMPANY CODE 95540

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SALUTATION

May 31, 2023

Honorable Andrew Stolfi, Director
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Director:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST
500 NE Multnomah Street, Suite 100
Portland, Oregon 97232

NAIC Company Code 95540

hereinafter referred to as the "Company" or "Plan." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, multi-state examination of Kaiser Foundation Health Plan of the Northwest, conducted with the insurance regulators from the States of Washington and California, for the coordinated examination of insurers under the Kaiser Foundation Group ("Kaiser"). Oregon was designated as the lead state. The examination was conducted in conjunction with the examination of three affiliated Health Care Service Contractors (HCSC) and one Health Maintenance Organization (HMO). A separate report of examination will be prepared for each entity. The last examination of this Health Care Service Contractor was completed as of December 31, 2016. This examination covers the period of January 1, 2017 to December 31, 2021.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1) which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook.* The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Plan 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 Plan were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes facts determined and conclusions made, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report, but separately communicated to other regulators and the Company.

COMPANY HISTORY

The Plan was incorporated as Kaiser Foundation Health Plan of Oregon, a non-profit corporation in the State of Washington, on May 1, 1942, and remained a Washington corporation from 1942 to 1981. It then re-domesticated to Oregon by incorporating under the provisions of ORS Chapter 61 on October 19, 1981, and received its Certificate of Authority on December 30, 1981. The Plan became authorized to transact the business of accepting the prepayment of health care services as a health care service contractor under the provisions of ORS Chapter 750. On November 26, 1984, the present name of the Plan was adopted, and effective February 13, 1995, the Plan adopted an assumed business name of Kaiser Permanente.

The Plan is a non-profit charitable corporation and is generally exempted from federal and state income taxes. Until October 10, 2008, the Plan was a qualified health maintenance organization (HMO) under the Health Maintenance Organization Act of 1973, after which point its status became a Comprehensive Medical Plan.

Capitalization

The Plan is a non-profit corporation registered as a public benefit corporation with members. It reported $177,753,051 as paid in or contributed surplus, identical to the amount reported in the last report of examination. In 2015, the Plan recorded a $175,000,000 capital contribution from Kaiser Foundation Hospitals (KFH).

Dividends and Other Distributions

The Plan has not paid any dividend or made any distributions during the period under examination.

CORPORATE RECORDS

Board Minutes

In general, the review of the Board meeting minutes of the Plan indicated the minutes support the transactions of the Plan and clearly describe the actions taken by its directors. A quorum, as defined by the Plan's Bylaws, met at all of the meetings held during the period under review.

The Plan's Bylaws authorize an Executive Committee and any other committee the Board may appoint to advise and assist in managing the corporation's affairs. Kaiser Foundation Health Plan, Inc. (KFHP, Inc.), the direct parent, has a number of committees that oversee and support the Kaiser Permanente Group; an Executive Committee, an Audit and Compliance Committee, a Finance Committee, a Compensation Committee, a Governance, Accountability and Nominating Committee, a Quality and Health Improvement Committee, and a Community Health Committee. Due to composition of the Boards consisting of identical Board members, the committee meetings of the Plan and its direct parent are combined. The minutes indicated the Board approves officer salaries through the executive and compensation committees to comply with the provisions of ORS 732.320(3).

Articles of Incorporation

The Articles of Incorporation were originally filed with the Oregon Insurance Division on October 19, 1981. The Plan most recently filed an amended and restated Articles of Incorporation effective June 29, 2012. No other changes were made to the Articles during the period under examination. The Articles of Incorporation conformed to the Oregon Insurance Code.

Bylaws

The initial corporate Bylaws were adopted on October 19, 1981. The Plan's Bylaws were last amended on June 17, 2020. Article D, Section D-4 was amended. Beginning in 2018, with the expiration of the term of each class, the independent directors shall be elected annually at the first regularly scheduled meeting of the member's Board of Directors, to a term of office which shall end at the later of the first regularly scheduled meeting of the member's Board of Directors in the following year or when their successors are elected. No other changes were made during the period under examination. The Plan's Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws, in Article VI, state all corporate powers of the corporation shall be exercised by or under the authority of the Board of Directors and the Board shall control the business and affairs of the corporation. Section D-2 state the number of directors shall be a range from 13 to 17, with two being inside directors, the Chairman of the Board, who shall serve as ex officio, and a second, who shall be a senior officer of the Health Plan and Hospitals, designated by the Chairman of the Board. As of December 31, 2021, the Plan was governed by a thirteen member Board of Directors as follows:

Name and Address	Principal Affiliation	Member Since	Represents
Gregory A. Adams Altadena, California	Board Chairman, CEO & President Kaiser Foundation Health Plan, Inc.	2013	Plan
Ramon F. Baez Coeur d'Alene, Idaho	Retired Senior Vice-President Hewlett Packard Enterprise	2016	Public

David J. Barger Ann Arbor, Michigan	Partner, Connor Capital Transportation Opportunities	2017	Public
Regina M. Benjamin, MD Spanish Fort, Alabama	Founder and CEO Bayou Clinic, Inc.	2015	Public
Jeffrey E. Epstein Portola Valley, California	Operating Partner Bessemer Venture Partners	2013	Public
Leslie S. Heisz Pacific-Palisades, California	Former Managing Director Lazard Ltd.	2015	Public
David F. Hoffmeister Rancho-Santa-Fe, California	Former SVP & Chief Financial Officer Life Technologies, Inc.	2014	Public
Judith A. Johansen, JD. Scottsdale, Arizona	Former President Marylhurst University	2006	Public
Jenny J. Ming Hillsborough, California	Former President and CEO Charlotte Russe	2021	Public
Margaret E. Porfido, JD. Boulder, Colorado	Retired Chief Human Resources Officer Level 3 Communications, Inc.	2011	Public
Richard P. Shannon, MD Durham, North Carolina	Chief Quality Officer Duke University Health System	2014	Public
Matthew T. Ryan Los Angeles, California	CEO Soli Organic, Inc.	2020	Public
A. Eugene Washington, MD Durham, North Carolina	President & Chief Executive Officer Duke University Health System	2016	Public

The Insurance Code requires at least one third of the Board of Directors be representatives of the public who are not practicing doctors, employees, or trustees of a participant hospital. The Plan was in compliance with ORS 750.015. The Directors as a group had experience in insurance, accounting and management, in accordance with the provisions of ORS 731.386.

Officers

Principal officers serving the Plan at December 31, 2021, were as follows:

Name	Title
Jeffrey A. Collins	Regional President
Kirk L. Dobbins	Assistant Secretary - VP & Regional Counsel
Rebecca M. Williams	Regional Chief Financial Officer
Gregory A. Adams	Chairman, CEO and President

In addition, the Plan has senior leadership from the parent (KFHP, Inc.) that assists in managing the affairs of the Company in the Northwest region as follows:

Name	Title
Kimberly K. Horn	EVP, Group President, Markets outside of CA
Arthur M. Southam, MD.	EVP, Health Plan Operations & Chief Growth Officer
Ryan D. Jenson	Interim SVP, Corporate Controller & CAO
Kathryn L. Lancaster	EVP & Chief Financial Officer
Thomas R. Meier	SVP & Treasurer
Mark S. Zemelman	SVP & General Counsel
Janet A. Liang	EVP, Group President and COO, Care Delivery
Donald H. Orndoff	SVP, National Facilities Services
Vanessa M. Benavides	SVP, Chief Legal Officer & Secretary

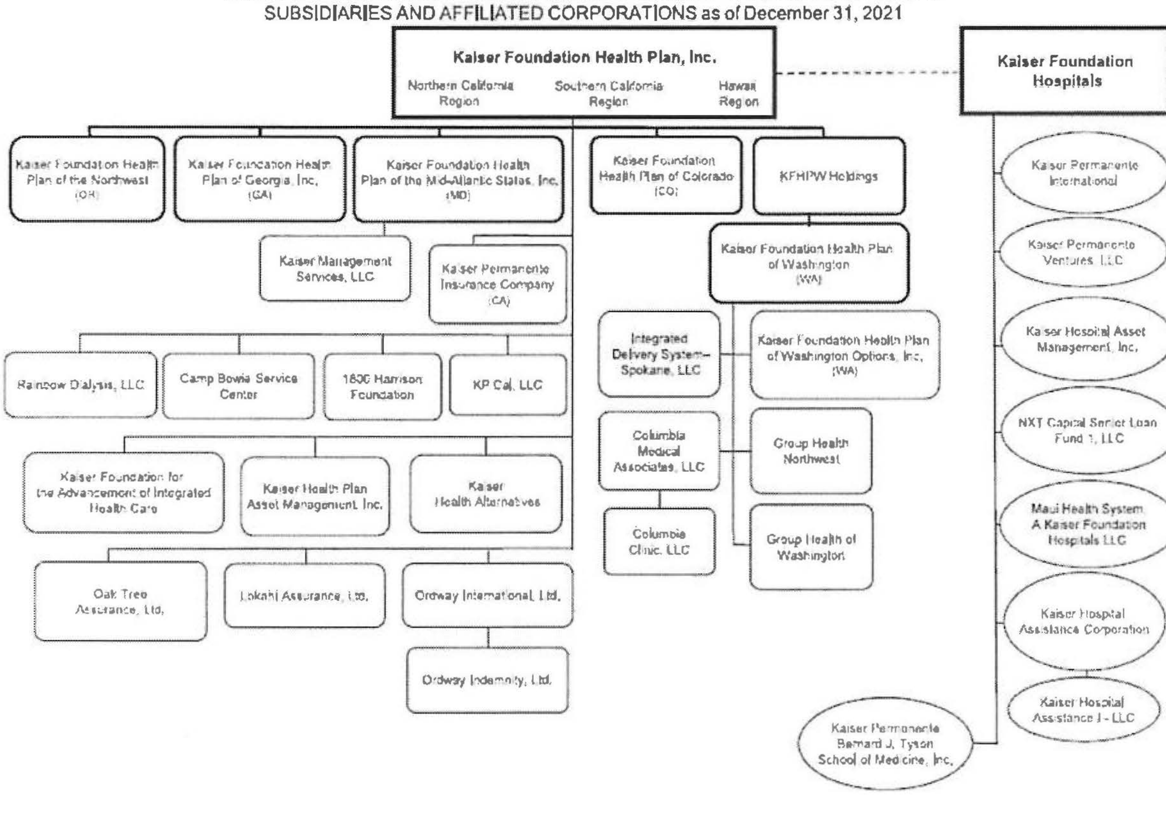
Conflict Of Interest

The Plan's Board adopted its ultimate controlling entity's Principles of Responsibility, a system-wide code of conduct. This requires all employees to notify the Plan if a conflict of interest arises. In addition, the Plan has a process in place requiring all Board members, senior officers and key employees to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the Plan's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

The Plan is a member of an Insurance Company Holding System with Kaiser Foundation Health Plan, Inc., a non-profit health care service plan operating as a Knox-Keene health care company in the State of California and is the sole corporate member of the Plan. It is the ultimate controlling entity for plans and insurers in California, Colorado, Mid-Atlantic (includes DC, Maryland and Virginia), Hawaii, Georgia, Washington and the Northwest. An insurance holding company registration statement was filed by the Plan in accordance with the provisions of ORS 732.552, ORS 732.554, and OAR 836-027-0020(1). The following is an abbreviated organizational chart of those and other entities (all subsidiaries are 100% owned or controlled):

KAISER FOUNDATION HEALTH PLAN, INC. AND KAISER FOUNDATION HOSPITALS
SUBSIDIARIES AND AFFILIATED CORPORATIONS as of December 31, 2021



A description of other entities within the holding company system with contracts or other dealings with the Plan is as follows:

Kaiser Foundation Hospitals (KFH), a CA non-profit corporation, together with its various subsidiary Medical Groups provide or arrange hospital and medical services to members.

The Plan, KFHP, Inc. and KFH share a common Board of Directors in addition to sharing certain corporate officers.

Permanente Medical Groups (PMGs) represents nine separate for-profit corporations or professional partnerships, owned by physicians, to provide for or arrange medical care for members in each of the regions served by KFHP, Inc.

Permanente Dental Associates, PC (PDA) is an OR for-profit partnership doing business in the Pacific Northwest providing dental services for the Plan's members.

Lokahi Assurance LLC is an HI limited liability corporation that is a captive insurance company for self-insured risks. See Fidelity Bond and Other Insurance below.

INTERCOMPANY AGREEMENTS

Agreements or contracts between the insurance companies and its affiliates within the insurance holding company system are as follows:

Hospital Service Agreement

Under the agreement, effective January 1, 2011, and last amended June 8, 2020 between the Plan and Kaiser Foundation Hospitals, healthcare benefits are made available to Plan members through provider contracts with the following organizations:

a. Kaiser Foundation Hospitals, a California non-profit public benefit corporation, under a "Hospital Service Agreement" agrees to provide all hospital services and all hospital based medical facilities necessary to satisfy the obligations of the Plan to the members. Arrangements with non-owned hospitals are also in effect with hospitals in Portland, Oregon, and Clark County, Washington.

b. Northwest Permanente, P.C., Physicians and Surgeons, is an Oregon professional corporation of physicians. Under the "Medical Service Agreement" the physicians provide all professional physician services necessary to satisfy the obligations of the Plan to the members. Northwest Permanente is compensated primarily on a capitated basis. The Northwest Permanente physicians, as part of contracted services provided for by the capitation fee, are responsible for the costs of any referrals they make to outside doctors and specialists.

c. Permanente Dental Associates is an Oregon partnership of dentists. Under the "Dental Service Agreement" the dentists provide all the professional services necessary to satisfy the obligations of the Plan to the members. The dentists are compensated in a manner similar to the Northwest Permanente group (capitation basis) and also share in the costs of any referrals.

The Plan pays Hospitals for its net operating requirements, plus additional amounts necessary for Hospitals' operation that may be agreed upon by Hospitals and the Plan. The Plan will pay compensation to Hospitals no less than quarterly and the final payment for the year shall not be later than ninety (90) days after the end of the calendar year. In 2013, the agreement was amended to clarify the calculation of compensation to Hospitals to take into account extraordinary events. In 2014, the agreement was amended to include multiple regulatory updates regarding Medicaid, Medicare, Federal Employee Health Benefits Program, Washington state compliance and accreditation requirements related to the National Committee for Quality Assurance. In January 2016, the agreement was amended to revise the method of payment for Hospitals services. In October 2016, the Plan amended the Agreement to include multiple regulatory updates regarding Oregon state compliance, Medicaid, Medicare, Federal Employee Health Benefits Program, and Washington state compliance. Oregon PEBB/OEBB compliance and nondiscrimination against members' requirements were added. In 2020, the Plan amended the agreement to include further updates to Oregon Medicaid, Oregon PEBB/OEBB and Medicare compliance, and add FEMA-required provisions.

Administrative Services Agreement

Effective January 1, 2013, and last amended and most recently restated July 1, 2019, the Company entered into an Amended and Restated Administrative Services Agreement with its parent, KFHP, Inc. under which KFHP, Inc. shall provide pharmaceutical services, financial service operations, human resource services, risk management and insurance services, cash management services, retirement services, claims shared services, facilities services, membership administration services and program office services. The Plan agrees to pay either (a) a per member per month fee, (b) an amount based on the cost of providing such services, or (c) such other amounts as the parties may negotiate from time to time. In 2015, the Agreement was amended by adding broker administration services, including broker or agent appointments and terminations, broker agreement negotiations, production and issuance of commission and bonus payments, and handling complaints with brokers as additional services to be provided by KFHP, Inc. to the Plan. The Agreement was further updated to include a provision that expenses incurred and payments received for all of the Ultimate Controlling Person services provided to the Plan under the Agreement shall be allocated to the Registrant in conformity with customary insurance accounting practices consistently applied and shall be timely settled no less frequently than quarterly. In 2019, the Plan entered into the Second Amendment of the "Amended and Restated Administrative Services Agreement" to make minor changes to existing exhibits with respect to services being provided by KFHP, Inc. and to add new services to be provided by KFHP, Inc. to the Plan, including marketing and communication services; member services; mail order pharmacy fulfillment services; specialty pharmacy services; and Medicare services.

Guaranty Agreement

Effective April 1, 1989, the Plan became a party to a Guaranty Agreement with KFH, KFHP, Inc., and all the regional Subsidiary Plans at that time. Under terms of the agreement, KFH and KFHP, Inc. each is a guarantor of the liabilities, debts and obligations of each other's party to the agreement, and each of KFH and KFHP, Inc., joint and severally unconditionally guarantees the regional health plans.

Intercompany Lending Agreement

In 2007, the Plan entered into an Intercompany Lending Agreement with KFH., whereby KFH may borrow up to 7 ½ percent of the value of the Plan's admitted assets, excluding the balance of the revolving line of credit. In 2008, the first amendment changed the basis upon which interest is calculated and indicated the principal balance shall be paid in full at least annually. In 2011, the second amendment extended the termination of this agreement from November 1, 2011 to November 1, 2021. In 2013, the third amendment was made to apply the seven and one-half percent limitation on the amount of loans on a quarterly basis. In 2021, the fourth amendment was made to revise the interest rate applicable to the loans to be equal to the monthly variable costs of debt of Hospitals, and to extend the Termination Date from November 1, 2021 to November 1, 2030.

Self-Funded Administrative Service Agreement

Effective July 1, 2008, this agreement went into effect between the Plan and Kaiser Permanente Insurance Company, whereby KPIC will enter into agreements with Plan Sponsors under ASO Contracts to perform certain administrative services necessary for the operation of the self-funded health benefits plans. The Company agrees to provide integrated medical management services, network management services, sales and marketing, and customer services, as well as provide access to providers in Oregon and Washington. KPIC will pay a services fee equal to the Plan Sponsor ASO Fee, less the aggregate KPIC vendor costs and a 2% margin KPIC Fees. The agreement does not specify a due date for payment, but defaults to Settlement of Intercompany Transactions Agreement described below. In 2017, the Agreement was amended to require KPIC to settle all of its receivables, except loans, with the Plan within thirty (30) days but no later than ninety (90) days from the date the monthly report is received by KPIC that describes the services provided to KPIC by the Plan and the charge for such services.

Intercompany Information Technology Services Agreement

Effective January 1, 2000, and last amended in 2004, Kaiser Foundation Hospitals, through KP-IT, agrees to provide or arrange through affiliates, independent contractors and outside professionals certain information technology services to KFHP, Inc. and its subsidiaries, including the regional health plans. Services include purchasing, dispositions and management of information technology equipment, hardware and software. On a monthly basis, KFHP, Inc. and its subsidiaries shall reimburse KFH through an intercompany chargeback methodology for services provided.

Right of Setoff Agreement

Effective January 1, 2001, between KFHP, Inc. and each of its subsidiaries, the agreement states that one or more Kaiser organization(s) from time to time will owe determinable amounts to one or more other Kaiser organizations. At its election, any Kaiser Organization (First Kaiser Organization) may offset any liabilities it may have to any other Kaiser organization (Second Kaiser Organization) by any receivables then due it from the Second Kaiser Organization.

Settlement of Intercompany Transactions Agreement

Effective December 31, 2007, between KFHP, Inc., KFH and each of the subsidiary health plans. Under the agreement, each affiliate shall use its best efforts to settle all receivables, except loans, among the other affiliates within thirty (30) days but no later than ninety (90) days from the initial reporting date of such receivable between affiliates. Amounts taking longer to settle will be non-admitted.

Master Service Agreement for Administrative and Clinical Services between KFH and KFHPNW

Effective January 1, 2014, the Plan entered into an agreement with Hospitals to provide administrative and clinical services to each other. Compensation for the services is based on the cost of providing such services or other amounts as the parties may negotiate from time to time. In 2015, the Agreement was amended to include Strategic Program Management, Project Management, Process Improvement, and Strategic Planning provided by Hospitals to the Plan. The amended Agreement also included Biomedical Equipment as a Clinical Service provided by the Plan to Hospitals, as well as specialty dialysis clinical services provided by the Plan to Hospitals at the Peritoneal Dialysis Facility. Effective January 1, 2018, the Agreement was amended a second time to add patient access business services to Hospitals - Kaiser Sunnyside Medical Center, Sunnybrook Ambulatory Surgery Center, and Brookside Residential Treatment Facility. Effective July 1, 2021 the Agreement was amended a third time to add an additional Peritoneal Dialysis Facility as a Clinical Service.

Professional and Public Liability Insurance

The Company entered into an agreement with Lokahi Assurance, Ltd., a Hawaii domiciled captive insurance company, a wholly owned subsidiary of KFHP, Inc. Lokahi was established to increase the stability of the Professional and Public Liability (PPL) expense incurred by the various affiliated Health Plans, including the Company. Through the self-insured risk funding program, Lokahi enables the affiliated Health Plans to pool risk for purposes of actuarial forecasting, leveraging investment opportunities, tempering medical professional liability claim development, and, in certain cases, accessing the commercial reinsurance market. This is done by allocating forecasted expenses for the year, reflective of the Company's proportionate multi-year claim experience. Lokahi reimburses the Company for the damage awards and settled claim expenses up to a specified amount per occurrence. In addition, Lokahi provides the Company with terrorism, property and pandemic insurance coverage. KFHP, Inc. cancelled its pandemic insurance coverage with Lokahi beginning in 2022.

Optical Agreement

In 2015, the Plan entered into the Optical Agreement with KFHP-HI. The Plan is to fabricate and supply to KFHP-HI surfaced uncut ophthalmic lenses, coated with such lens coatings as KFHP-HI requests, and provide other related services as the parties mutually agree, based on cost incurred.

Worker Compensation and Construction Risks Self-Insurance programs

In 2015, the Plan entered into an agreement with Oak Tree Assurance, Ltd., a wholly owned subsidiary of the KFHP, Inc. Oak Tree provides various workers' compensation and construction risks self-insurance programs, such as earthquakes.

Excess Professional and Public Liability Insurance

The Plan entered into an agreement with Ordway Indemnity, Ltd., a Bermuda domiciled captive insurance company, a wholly owned subsidiary of KFHP, Inc. Ordway was established to provide excess Professional and Public Liability coverage to the various affiliated health plans, including the Plan. Through the self-insured risk funding program, Ordway enables the affiliated Health Plans to pool risk for purposes of actuarial forecasting, leveraging investment opportunities, tempering medical professional liability claim development, and, in certain cases, accessing the commercial reinsurance market. This is done by allocating forecasted expenses for the year, reflective of the Plan's proportionate multi-year claim experience. Ordway reimburses the Plan for the damage awards and settled claim expenses up to a specified amount per occurrence.

Administrative Services Agreement with Kaiser Washington

Effective January 1, 2018, the Plan entered into the "Administrative Services Agreement" with its affiliates, Kaiser Foundation Health Plan of Washington (KFWA) and Kaiser Foundation Health Plan of Washington Options, Inc. (KFWAO) (collectively referred as "Kaiser

Washington"), to provide health coaching services for members of Kaiser Washington to address wellness, including without limitation, for weight management, physical activity, healthy eating, and stress management. Kaiser Washington will pay Registrant for the services based on the cost of providing such services or the expenses incurred in the course of providing such services or such other amounts as the parties may negotiate from time to time. Any amounts due under the agreement will be settled not less frequently than quarterly.

Visiting Member Administrative Services Agreement

In 2019, the Plan entered into the Visiting Member Administrative Services Agreement with KFHP, Inc., Kaiser Foundation Health Plan of Colorado, Kaiser Foundation Health Plan of Georgia, Inc., and Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. for certain specified administrative services associated with the provision and arrangement of covered health care services to enrollees when they are visiting in the service area of another party. In addition, each party will provide covered health care services to enrollees when they are visiting such party's service area and then submit a claim for payment to the party issuing the enrollee's coverage. In 2020, the Plan entered into the First Amended and Restated Administrative Services Agreement - Visiting Member Services to continue contracting with each other and to add Kaiser Foundation Health Plan of Washington (KFWA).

Administrative and Provider Service Agreement

In 2020, the Plan entered into an Administrative and Provider Service Agreement with its affiliate, Kaiser Foundation Health Plan of Washington Options, Inc., (KFWAO) to provide certain specified administrative services associated with the provision of covered health care services as in-network services to enrollees when they are visiting in the service area of the Plan.

Inter-Entity Agreement with Affiliates

In 2020, the Plan entered into the Inter-Entity Agreement with its affiliates that allows one of the affiliates to act on behalf of the others when participating in Risk Sharing Arrangements with large group customers for fully insured group health plan coverage(s).

Memorandum of Understanding with Hospitals

In 2020, the Plan entered into a Memorandum of Understanding with Hospitals to lease its property located at 2850 NW Nicolai Avenue, Portland, Oregon 97210, to the Hospitals, which will use it for general office activities, shipping and receiving IT equipment.

Memorandum of Understanding with Kaiser Foundation Health Plan, Inc.

In 2021, the Registrant entered into a Memorandum of Understanding with Kaiser Foundation Health Plan, Inc. (Parent) to lease a part of its property located at 500 NE Multnomah Street, Portland, Oregon 97232, to the Parent, which will use it for general office activities.

Agreement with Camp Bowie Service Center

In 2021, the Plan entered into an agreement with Camp Bowie Service Center to provide the Plan certain specified administrative services associated with the provision and arrangement of member services and claims payment and processing.

Agreement with Kaiser Foundation Health Plan, Inc. to Lease Employees

In 2021, the Registrant entered into an agreement with KFHP, Inc. (Parent) to lease to the Parent employees who are designated by the parties from time to time to work on the Parent's projects and/or operations.

FIDELITY BOND AND OTHER INSURANCE

The Plan's professional liability, managed care organizations' and general liability risks were funded by two liability policies comprised of a primary policy and an excess policy. The policies are issued by its captive insurance affiliate, Lokahi Assurance Ltd., domiciled in Hawaii. Lokahi provides occurrence based indemnification to KFHP, Inc. and its regional Plan subsidiaries. The Plan pays Lokahi monthly installments equal to an actuarially determined annual premium. The policy with Lokahi is described as a Professional and Public Liability (PPL) policy and covers errors & omission liability, general liability, contractual liability, and personal and advertising injury liability.

KFHPNW is covered as a named insurer under KFHP, Inc., which has fidelity and crime coverage with National Union Fire Insurance Company of Pittsburg, PA, a member company of AIG. The coverage includes loss of assets, loss of client assets, loss of employee benefit plan assets, and credit card forgery. The coverage limit and deductible for each named risk complies with the coverage amounts recommended by the NAIC *Financial Condition Examiners Handbook.*

Other coverages in force at December 31, 2021, included:

Commercial general liability	Professional liability Errors & Omissions liability
Automobile liability	General liability
Workers compensation and employers' liability	Contractual liability Personal & Advertising Injury liability

PENSIONS AND POST-RETIREMENT BENEFITS

Employee Retirement Plans

The Company participates with affiliated organizations in a defined benefit pension plan covering substantially all of its employees. Benefits are based on age at retirement, years of credited service, and average compensation for a specified period prior to retirement. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. There were no employee contributions made during the period under examination, and the Plan contributed approximately $133.7 million in 2017, $87.4 million in 2018, $404.9 million in 2019, $315.3 million in 2020 and $10.7 million in 2021 for its employees. Costs associated with the pension plan are charged directly to current operations. During 2022, the Plan expects to contribute approximately $19.5 million to the pension plan.

The Plan also sponsors a defined contribution plan for certain eligible employees, with employer contributions and costs based on a percentage of the covered employees' eligible compensation. The Plan contributed $14.5 million in 2017, $15.2 million in 2018, $16.5 million in 2019, $16.6 million in 2020, and $17.2 million in 2021.

In addition, the Plan participates in defined benefit and defined contribution multi-employer pension plans to provide benefits to certain union-represented employees. The Plan's employer expense for these plans totaled $3.1 million in 2017, $3 million in 2018, $2.6 million in 2019, $3.2 million in 2020, and $2.8 million in 2021.

Post- Retirement Benefits

The Company has a program in place for those employees eligible for health care and life insurance benefits upon retirement while working for the Plan, including subsidized Medicare premiums, medical and prescription drug benefits, and vision benefits. There were no employee contributions from active employees during the period under examination, and employer contributions totaled $109.3 million in 2017, $17.3 million in 2018, $14.4 million in 2019, $8.7 million in 2020, and $9.6 million in 2021.

Starting January 1, 2013, the Plan became subject to SSAP No. 92 and No. 102 which require insurers to report gains or losses, prior service costs or credits, and remaining transition assets or obligations from prior application of SSAP No. 14 and No. 89, respectively, that have not yet been included in net periodic benefit cost as of December 31, 2012, as components of the balance of unassigned funds (surplus), net of tax. Due to the potential impact to surplus as a result of immediately applying the accounting guidance, reporting entities may elect to recognize the entire surplus impact over a period not to exceed ten (10) years. At December 31, 2015, the Plan had recognized all of its unfunded obligations in post-retirement liabilities and pension liabilities as a result of the accounting change.

An independent actuarial review of the Plan's Pension and Post-Retirement obligations was performed by Merlinos & Associates – A Davies Company, per the provisions of **SSAP No.92** (Postretirement Benefits Other Than Pensions) and **SSAP No.102** (Pensions). The actuaries reviewed the respective December 31, 2021 SSAP Disclosure Reports prepared by the Company's consulting actuaries from Aon. Base on their review, the actuaries concluded the following with respect to **SSAP No.92**:

"The actuarial valuation and accounting disclosures have been prepared in accordance with SSAP No.92 and the actuarial standards of practice. The accumulated benefit obligations appear reasonable based on the plan provisions and actuarial assumptions disclosed in the SSAP No.92 actuarial report. Results are consistent with prior year disclosures. The actuary's assumptions and methods generally conform to SSAP No.92 and the actuarial standards of practice and appear reasonable in relation to the Plan's provisions and experience."

Based on their review, the actuaries concluded the following with respect to **SSAP No.102**:

"The actuarial valuation and accounting disclosures have been prepared in accordance with SSAP No.102 and the actuarial standards of practice. The projected benefit obligation appears reasonable based on the Plan provisions and actuarial assumptions disclosed in the SSAP No.102 actuarial report. Results are consistent with prior year disclosures. The actuary's assumptions and methods generally conform to SSAP No.102 and actuarial standards of practice and appear reasonable in relation to the Plan's provisions and experience."

TERRITORY AND PLAN OF OPERATION

The Plan is licensed in Oregon and Washington to provide prepaid healthcare services, which includes Individual & Group Medical Insurance, Medicare, Medicaid and Federal Employees Health Benefit Plan. The Company contracts with Kaiser Foundation Hospitals (affiliate), Northwest Permanente, P.C. and Permanente Dental Associates, P.C. ("Medical Groups") to provide or arrange hospital, medical and dental services for members. Health plans offered cover comprehensive medical benefits for large group, small group, family and individuals. Additionally, the Plan writes Medicare, Medicaid (through a CCO, Health Share of Oregon) and Federal Health Plan Benefits (FHPB) business. Services include preventative care, outpatient services, inpatient hospital care, emergency and urgent care, and prescription drugs. Additional services cover vision and dental. The Plan's primary service areas include Portland and Salem, Oregon, and Vancouver and Kelso-Longview, Washington.

The Plan owns or leases the medical and dental office facilities at non-hospital locations and employs the administrative and supporting personnel in these offices. The Plan is not a direct provider of health care services, except to the extent non-physician personnel at non-hospital locations (e.g., clinic nurses) provide health care services under the direction of physicians.

The Plan has experienced a stable number of enrollees during the past five years, as follows:

Line of Business	**2021**	**2020**	**2019**	**2018**	**2017**
Health maintenance organizations	527,014	525,988	534,897	525,634	507,793
Provider service organizations	-	-	-	-	-
Preferred provider organizations	-	-	-	-	-
Point of service	16,700	16,534	16,834	15,716	14,745
Indemnity only	-	-	-	-	-
Other	-	-	-	-	-

Total enrollment	543,714	542,522	551,731	541,350	522,538

GROWTH OF THE COMPANY

Growth of the Plan over the past five years is reflected in the following table. Amounts were derived from Plan's filed annual statements, except in those years where a report of examination was published by the Oregon Division of Financial Regulation.

Year	Assets	Liabilities	Capital and Surplus	Net Income (Loss)
2017	$1,191,988,786	$838,825,734	$353,163,052	$ (1,569,851)
2018	1,254,529,077	791,445,382	463,083,695	(6,991,477)
2019	1,179,977,274	796,762,684	383,214,590	113,256,644
2020	1,105,969,963	633,805,520	472,164,443	231,492,178
2021*	1,191,934,461	455,696,899	736,237,562	160,318,422

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual loss experience of the Plan over the last five years. The amounts were compiled from copies of the Plan's filed annual statements and, where indicated, from examination reports.

Year	(1) Total Premium Revenues	(2) Total Hospital and Medical	(2) / (1) Medical Ratio	(3) CAE and General Expenses	(2)+(3)/(1) Combined Loss Ratio
2017	$3,765,165,184	$3,548,829,209	94.3%	$235,400,506	100.5%
2018	4,027,080,925	3,718,514,500	92.3%	324,474,406	100.4%
2019	4,307,739,585	3,921,107,629	91.0%	304,787,741	98.1%
2020	4,526,667,984	3,962,746,106	87.5%	354,764,469	95.4%
2021*	4,597,753,520	4,142,944,464	90.1%	303,637,700	96.7%

A combined claims and expense to premium ratio in excess of 100% typically indicates an underwriting loss, which the Plan reported in 2017 and 2018.

REINSURANCE

Beginning January 1, 2004, the Plan self-insures its risks. The Plan did not assume or cede any business during the period under examination, other than those mandated by statute, including the Oregon Reinsurance Program, effective January 1, 2018. The intent of this program is to bring assurance and stability to Oregon's individual health insurance market. The program provides additional funding to insurance carriers for claims above an attachment point of $83,000, limited to a per member cap of $1 million for 2021, with a coinsurance rate of 50%. The Plan recovered $11,965,000 in paid losses from the program for 2021. The Plan and its affiliates manage professional liabilities and other risks using captive risk pooling vehicles, primarily Lokahi Assurance, Ltd, a subsidiary of KFHP, Inc.

The maximum retained risk on any one risk is unlimited; therefore it is not possible to determine if the Plan is in compliance with ORS 731.504. However, with reported surplus of $736,237,562 at December 31, 2021, the Plan believes it will not be exposed to any claim risk in excess of 10% of its total capital and surplus.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's December 31, 2021 annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

STATUTORY DEPOSITS

To satisfy the statutory deposit requirement in Oregon for health care service contractors, the Plan maintained a deposit with the Oregon Division of Financial Regulation, Department of Consumer and Business Service, a US Treasury Note with a par value of $275,000, in compliance with ORS 750.045(2). The deposit was verified from the records of the Division of Financial Regulation.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no adjustments made to the Plan's surplus as a result of the prior examination and no recommendations or comments made. A follow-up review was not made for this company.

SUBSEQUENT EVENTS

Board of Director member Cynthia A. Telles, PhD left the Board in June, 2022. During the first quarter of 2022, Kaiser Foundation Health Plan of Nevada, Inc. was added to the Kaiser Foundation Group ORG Chart. This company is a direct subsidiary of Kaiser Foundation Health Plan, Inc. No other significant subsequent events were noted.

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of Kaiser Foundation Health Plan of the Northwest as of December 31, 2021. The financial statements are prepared by management and therefore, the responsibility of management:

Statement of Assets
Statement of Liabilities, Capital and Surplus
Statement of Revenue and Expenses
Reconciliation of Surplus since the Last Examination

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST
ASSETS
As of December 31, 2021

Assets	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 554,438,035	$ -	$ 554,438,035	1
Real Estate				
Properties occupied by the company	363,120,458	-	363,120,458	
Properties held for the production of income	17,537,941	-	17,537,941	
Cash, cash equivalents and short-term investments	57,641,142	-	57,641,142	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	992,737,576	$ -	992,737,576	
Investment income due and accrued	1,898,007	-	1,898,007	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	26,803,982	-	26,803,982	
Accrued retrospective premiums and contracts subject to redetermination ($54,010,410)	54,010,410		54,010,410	
Amounts recoverable from reinsurers	11,965,000		11,965,000	2
EDP equipment and software	1,730,849	-	1,730,849	
Furniture and equipment, including health care delivery assets	73,472,662	-	73,472,662	
Receivable from parent, affiliates and subsidiaries	1,255,337	-	1,255,337	
Health care ($11,552,818) and other amounts receivable	28,060,638	-	28,060,638	
Aggregate write-ins for other than invested assets	-	-	-	
Total Assets	$1,191,934,461	$ -	$1,191,934,461	

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2021

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	$ 108,796,975	$ -	$ 108,796,975	3
Unpaid claim adjustment expenses	2,952,279	-	2,952,279	3
Aggregate health policy reserves	76,272,602		76,272,602	3
Premiums received in advance	48,230,250	-	48,230,250	
General expenses due or accrued	119,756,782	-	119,756,782	
Amounts withheld or retained for the account of others	2,633,696	-	2,633,696	
Remittances and items not allocated	1,767,520		1,767,520	
Payable to parent, subsidiaries and affiliates	70,038,176	-	70,038,176	
Liability for amounts held under uninsured plans		-		
Aggregate write-ins for liabilities	25,248,619	-	25,248,619	4
Total Liabilities	$ 455,696,899	$ -	$ 455,696,899	
Gross paid in and contributed surplus	177,753,051	$ -	177,753,051	
Unassigned funds (surplus)	558,484,511	-	558,484,511	
Surplus as regards policyholders	$ 736,237,562	-	$ 736,237,562	
Total Liabilities, Surplus and other Funds	$1,191,934,461	$ -	$1,191,934,461	

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended December 31, 2021

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Revenue				
Net premium income	$4,234,676,459	$ -	$4,234,676,459	
Change in unearned premium reserves and reserves for rate credit		-		
Fee-for-service	82,713,438	-	82,713,438	
Risk revenue	265,719,888	-	265,719,888	
Aggregate write-ins for health care related revenues	14,643,735	-	14,643,735	
Total revenue	4,597,753,520	-	4,597,753,520	
Hospital and Medical:				
Hospital/medical benefits	1,766,022,255	-	1,766,022,255	
Other professional services	454,109,823	-	454,109,823	
Outside referrals	68,365,896	-	68,365,896	
Emergency room and out-of-area	163,743,221	-	163,743,221	
Prescription drugs	487,569,901	-	487,569,901	
Aggregate write-ins for other hospital and medical	1,217,840,139	-	1,217,840,139	
Incentive pool, withhold adjustments and bonus amounts	-	-	-	
Subtotal	4,157,651,235	-	4,157,651,235	
Less:				
Net reinsurance recoveries	14,706,771	-	14,706,771	
Total medical and hospital	4,142,944,464		4,142,944,464	
Non-health claims	-	-	-	
Claim adjustment expenses	78,889,750	-	78,889,750	
General administrative expenses	224,747,950	-	224,747,950	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	4,446,582,164	-	4,446,582,164	
Net underwriting gain or (loss)	151,171,356	-	151,171,356	
Net investment income earned	12,304,912	-	12,304,912	
Net realized capital gains (losses)	700,978	-	700,978	
Net investment gains (losses)	13,005,890	-	13,005,890	
Net gain or (loss) from agents' or premium balances charged off	(3,994,798)	-	(3,994,798)	
Aggregate write-ins for other income or expense	135,974	-	135,974	
Federal income taxes incurred	-	-	-	
Net income (loss)	$ 160,318,422	$ -	$ 160,318,422	

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2021	2020	2019	2018	2017
Surplus as regards policyholders, December 31, previous year	$472,164,443	$383,214,590	$463,083,695	$353,163,052	$479,915,231
Net income (loss)	160,318,422	231,492,178	113,256,644	(6,991,477)	(1,569,851)
Change in net unrealized capital gains or (losses)	-	-			
Change in net deferred income tax	-	-			
Change in non-admitted assets	(290,853,354)	(7,191,062)	(39,494,055)	(45,817,338)	(974,681)
Change in provision for reinsurance	-	-			
Change in surplus notes	-	-			-
Cumulative effects of changes in accounting principles	-	-	-		-
Capital changes:					
Paid in	-	-	-		-
Transferred from surplus (Stock Dividend)	-	-	-		-
Transferred to surplus	-	-	-		-
Surplus adjustments:					
Paid in	-	-	-		-
Transferred to capital (Stock Dividend)	-	-	-		-
Transferred from capital	-	-	-		-
Distributions to parent (cash)	-	-	-	-	-
Change in treasury stock	-	-	-	-	-
Examination adjustment	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	394,608,051	(135,351,263)	(153,631,694)	162,729,458	(124,207,647)
Change in surplus as regards policyholders for the year	264,073,119	88,949,853	(79,869,105)	109,920,643	(126,752,179)
Surplus as regards policyholders, December 31, current year	$736,237,562	$472,164,443	$383,214,590	$463,083,695	$353,163,052

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2021, the Plan's long-term bond investments were in a diversified portfolio of US treasury bonds, US special revenue bonds, residential mortgage backed securities, other loan backed securities, structured securities and corporate issues. The Plan reported a moderate direct exposure in mortgaged-backed and asset-backed securities totaling $111,075,603, equal to 20.0% of total bonds and 11.2% of total invested assets.

The Plan's reported short-term investment consisted of one US Treasury maturing in less than a year from the acquisition date. Cash on deposit was held in various accounts at Wells Fargo, State Street Bank and Citibank. Cash equivalents consisted of one money market mutual fund.

A comparison of the major investments over the past five years shows the following:

	A	B	Ratio	Ratio
			A/	B/
Year	**Bonds**	**Cash and Short-term**	**Total Assets**	**Total Assets**
2017	$757,497,840	$ (1,064,534)	63.5%	(0.1)%
2018	747,100,961	13,601,153	59.6%	1.1%
2019	673,168,415	8,046,828	57.0%	0.7%
2020	578,762,882	27,713	52.3%	0.0%
2021*	554,438,035	57,641,142	46.5%	4.8%

As of December 31, 2021, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, thus the Plan was in compliance with ORS 733.580.

The Finance Committee approved the investment transactions in each of the years under review, and the actions of the committee were approved by the Board of Directors, pursuant to ORS 733.740.

Effective August 28, 2003, the Plan entered into a custodial agreement with State Street Bank and Trust Company. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Amounts Recoverable From Reinsurers

The Plan did not assume or cede any business during the period under examination, other than those mandated by statute, including the Oregon Reinsurance Program, effective January 1, 2018. The program provides additional funding to insurance carriers for claims above an attachment point of $83,000, limited to a per member cap of $1 million for 2021, with a coinsurance rate of 50%. The Plan recovered $11,965,000 in paid losses from the program for 2021

Note 3 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense reserves for the Plan was performed by Andrew Bux, FSA, MAAA, life and health actuary for the Oregon Division of

Financial Regulation. As part of his review, he examined the Actuarial Report Supporting Statements as of December 31, 2021, prepared by Robert S. Pickard, FSA, MAAA, Actuarial Manager of the Plan.

Mr. Bux performed an independent analysis of the actuarial liabilities and assets detailed in the 2021 actuarial memorandum. He also relied on work performed by the examiners who reviewed the underlying data used to create the annual statement filing. He determined that the reserves held were developed according to Actuarial Standards of Practice (ASOP) and were within a reasonable range to be sufficient to cover expected liabilities as follows:

	Annual Statement
Claims Unpaid – Page 3 line 1	$108,796,974
Accrued Medical Incentive Pool and Bonus Payments	-
Unpaid Claims Adjustment Expenses (CAE) – Page 3 line 3	2,952,279
Aggregate Health Policy Reserves – Page 3 line 4	76,272,602
Interregional Reciprocity Payable – Page 3 line 15	1,204,532
Premium Deficiency Reserves	-
Total Actuarial Liabilities	$189,226,387

Actuarial Items Presented as Assets	
ACA Risk Adjustment – Page 2 Line 15.3	$ 20,053,009
Interregional Reciprocity Payable – Page 2 line 23	1,090,455

Mr. Bux performed a separate actuarial estimate of the total pre-margin IBNR and determined that his estimate of $66.5 million exceeded the Company's estimate of $64.9 million by $1.5 million. However, he concluded that the difference was minimal and had no concerns surrounding the Company's amount booked for Regular IBNR. He concluded that all estimates show the Company's reserve estimates are reasonable and adequately redundant.

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2021, were reasonable.

Note 4 – Changes in Accounting Guidance for Pension and Post-Retirement Benefits

As noted in the Pension and Post Retirement Benefit section above, the Plan was required to amortize specific unrecognized items into net periodic post-retirement and pension costs pursuant to SSAP No. 92 and No. 102. The offset to unassigned funds is required to be reported separately as an "Aggregate Write-in for Other Liability" in the financial statements. At December 31, 2021, the Plan reported zero liability for post-retirement benefit plans and zero liability for its defined benefit retirement plans.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adjustments to surplus as a result of this examination, and the examiners made no recommendations in this report of examination

CONCLUSION

During the five year period covered by this examination, the surplus of the Plan has increased from $479,915,231 as presented in the December 31, 2016, report of examination, to $736,237,562, as shown in this report. The comparative assets and liabilities are:

	December 31,		
	2021	**2016**	**Change**
Assets	$1,191,934,461	$1,399,374,261	$(207,439,800)
Liabilities	455,696,899	919,459,030	463,762,131
Surplus	$ 736,237,562	$ 479,915,231	$256,322,331

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Plan during the examination process are gratefully acknowledged.

In addition to the undersigned, Tho Le, CFE, PIR senior insurance examiner and Andrew Bux, FSA, MAAA, life and health actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated on this examination. We would also like to thank the following for their participation on this coordinated examination:

Washington Office of the Insurance Commissioner
Randy Fong, CFE, P&C Team Supervisor
Katy Bardsley, CPA, CFE, Examiner In Charge
Jonathan Yee, CPA, CFE, Financial Examiner
Branden Philpot, CPA, Financial Examiner
Constantine Arustamian, CFE, CPA, CIE, Financial Examiner
Che Pasia, Financial Examiner
Tim Hays, JD, Investment Specialist

California Department of Insurance
Li Lim, CFE, Senior Insurance Examiner (Supervisor)
Mei Gu, CFE, Examiner In Charge
Vicky Au-Yeung, Associate Insurance Examiner
Robert Depp, CPCU, Claims Specialist
Eric Scheppmann, ASA, MAAA, Senior Life Actuary

Risk & Regulatory Consulting – Representing Oregon
Darlene Lenhart-Schaeffer, CFE, CISA, Financial Examination Supervisor
Derrick H. Lopez, Senior Manager
Brian Menard, CFE, CISA, FLMI, Financial Examination Supervisor
Robin Brown, CFE, Financial Examination Supervisor
David Crandall, CFE, CPA, CIA, Senior Manager

Risk and Regulatory Consulting – Representing Washington
Tricia Matson, FSA, MAAA, Actuarial Partner
Andrew Larocque, ASA, MAAA, Actuarial Senior Associate
Kenneth Mwangi, Actuarial Senior Associate
John Zomchick, FCA, EA, MAAA, Actuarial Manager
Joseph Belger, FSA, MAAA, EA, Actuarial Manager

Merlinos & Associates – A Davies Company – Representing Oregon
Michael J. Berman, FSA, MAAA, Director

JLM Actuarial, LLC – Partnering with Merlinos & Associates
John Mitchell, FSA, MAAA, Consulting Actuary
Matthew Yonz, ASA, MAAA, Consulting Actuary

Respectfully submitted,

/s/ Mark A. Giffin

Mark A. Giffin, CFE
Senior Insurance Examiner
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Mark A. Giffin, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Kaiser Foundation Health Plan of the Northwest, Portland, Oregon.

2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report. The examination of Kaiser Foundation Health Plan of the Northwest was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Mark A. Giffin

Mark A. Giffin, CFE
Senior Insurance Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 20th day of June, 2023

/s/ Lauren Nicole Bodine

Notary Public for the State of Oregon My

Commission Expires: 3/10/26

OFFICIAL STAMP
LAUREN NICOLE BODINE
NOTARY PUBLIC - OREGON
COMMISSION NO. 1021742
MY COMMISSION EXPIRES MARCH 10, 2026