

**STATE OF OREGON  
DEPARTMENT OF  
CONSUMER & BUSINESS SERVICES**

**DIVISION OF FINANCIAL  
REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

**LIFEMAP ASSURANCE COMPANY  
PORTLAND, OREGON**

AS OF

DECEMBER 31, 2014

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

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PORTLAND, OREGON**

**NAIC COMPANY CODE 97985**

AS OF

DECEMBER 31, 2014

## TABLE OF CONTENTS

<b>SALUTATION</b> .....	<b>3</b>
<b>SCOPE OF EXAMINATION</b> .....	<b>4</b>
<b>COMPANY HISTORY</b> .....	<b>5</b>
<i>Capitalization</i> .....	5
<i>Dividends and Other Distributions</i> .....	6
<b>CORPORATE RECORDS</b> .....	<b>6</b>
<i>Board Minutes</i> .....	6
<i>Articles of Incorporation</i> .....	7
<i>Bylaws</i> .....	7
<b>MANAGEMENT AND CONTROL</b> .....	<b>7</b>
<i>Board of Directors</i> .....	7
<i>Officers</i> .....	8
<i>Conflict Of Interest</i> .....	8
<i>Insurance Company Holding System</i> .....	8
<b>INTERCOMPANY AGREEMENTS</b> .....	<b>11</b>
<i>Amended Regence Administrative Services Agreement</i> .....	11
<i>Master Services Agreement</i> .....	12
<i>Consolidated Federal Income Tax Agreement</i> .....	12
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>13</b>
<b>TERRITORY AND PLAN OF OPERATION</b> .....	<b>13</b>
<b>GROWTH OF THE COMPANY</b> .....	<b>14</b>
<b>LOSS EXPERIENCE</b> .....	<b>15</b>
<b>REINSURANCE</b> .....	<b>15</b>
<i>Assumed</i> .....	15
<i>Ceded</i> .....	16
<b>ACCOUNTS AND RECORDS</b> .....	<b>17</b>
<b>STATUTORY DEPOSITS</b> .....	<b>17</b>
<b>COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS</b> .....	<b>17</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>17</b>
<b>FINANCIAL STATEMENTS</b> .....	<b>18</b>
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	<b>23</b>
<i>Note 1 – Invested Assets</i> .....	23
<i>Note 2 – Actuarial Reserves</i> .....	23
<b>SUMMARY OF COMMENTS AND RECOMMENDATIONS</b> .....	<b>24</b>
<b>CONCLUSION</b> .....	<b>24</b>
<b>ACKNOWLEDGMENT</b> .....	<b>25</b>
<b>AFFIDAVIT</b> .....	<b>26</b>

**SALUTATION**

January 22, 2016

Honorable Laura N. Cali, Insurance Commissioner  
Division of Financial Regulation  
State of Oregon  
350 Winter Street NE  
Salem, Oregon 97301-3883

Dear Commissioner:

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

**LIFEMAP ASSURANCE COMPANY  
100 SW Market Street  
Portland, Oregon 97201**

**NAIC Company Code 97985**

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

## SCOPE OF EXAMINATION

We have performed our multi-state examination of LifeMap Assurance Company, conducted with the insurance regulators from the states of Idaho, Utah and Washington, for the coordinated examination of insurers under Cambia Health Solutions, Inc. Oregon was designated as the lead state. The examination of this life and health insurer was conducted in conjunction with the examination of eight affiliated health care service contractors; a separate report of examination will be prepared for each entity. The last examination was completed as of December 31, 2011. This examination covers the period of January 1, 2012 to December 31, 2014.

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 Plan's financial statements.

This examination report includes significant findings of fact, 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/or the Plan.

### **COMPANY HISTORY**

Medical Health Company, Inc., was incorporated by Oregon Physicians' Services on September 22, 1964, as a for-profit stock health care service contractor in Oregon. Effective September 17, 1982, the Company changed its name to Greater Northwest Insurance Company, and on December 17, 1982, converted from a health care service contractor to a stock life and health insurer with the approval of the Division of Financial Regulation. On April 24, 1984, the company again changed its name, to Oregon Pacific States Insurance Company. Upon the completion of the affiliation agreement on June 1, 1995, the Company was again renamed Regence Life and Health Insurance Company. On February 1, 2012, the Company changed its name to LifeMap Assurance Company.

### **Capitalization**

The Company was authorized under Article IV of its Articles of Incorporation to issue 55,000 shares of common stock. At a special meeting held July 28, 2014, the Board increased the stated par value from \$60.00 per share to \$85.00 per share and at December 31, 2014, the Company reported 29,465 issued and outstanding shares, representing common capital stock equal to \$2,504,525. No additional capital or paid-in surplus had been contributed to the Company during the period under examination. The Company's issued and outstanding shares of common stock are owned by Regence BlueShield (75%), Regence BlueCross BlueShield of Utah (12%), Regence BlueCross BlueShield of Oregon (11%), and Regence BlueShield of Idaho, Inc., (2%).

### *Dividends and Other Distributions*

During the period under examination, the Company did not declare or pay any cash dividend or make any distributions to its shareholders.

## **CORPORATE RECORDS**

### *Board Minutes*

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

Neither the Company's Articles nor its Bylaws authorize any standing committee, but the Board may appoint special committees for specific purposes and for a limited duration. Instead, the Company relies on appointed committees of the ultimate controlling entity, Cambia. There are six committees authorized to assist in the management of Cambia, as follows:

- Organizational and Governance Committee
- Investment Committee
- Audit and Compliance Committee
- Personnel and Compensation Committee
- Health Strategies Committee
- Direct Health Solutions Committee

The actions of the various committees are summarized and reported to the Board of Directors during their regular meetings.

The minutes indicated the compensation of Cambia's CEO is approved through the Personnel and Compensation Committee, which is then approved by the Board. Compensation of other senior officers, including the Company's president, is indirectly approved through the

Board's approval of an annual budget. This process complies with the provisions of ORS 732.320(3).

**Articles of Incorporation**

The Company amended its Articles of Incorporation on February 1, 2012, to adopt the current name of the Company and again on July 30, 2014 to change Article IV to increase the stated par value of voting common stock to \$85 per share. No other changes were made to the Company's Articles of Incorporation during the period under examination. The Articles of Incorporation conformed to the Oregon Insurance Code.

**Bylaws**

The Company's Bylaws were last restated and amended on April 25, 2009. No changes were made during the period under examination. The Company's Bylaws conformed to Oregon statutes.

**MANAGEMENT AND CONTROL**

**Board of Directors**

The Bylaws, in Article III – Section 1, state the business affairs of the corporation shall be managed by its Board of Directors. Article III – Section 2 state the number of directors shall not be less than five (5) nor more than nine (9). As of December 31, 2014, the Company was governed by a seven member Board of Directors as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Affiliation</u></b>	<b><u>Member Since</u></b>
Donald M. Antonucci Seattle, Washington	President Regence BlueShield	2012
Jennifer B. Danielson Centerville, Utah	President Regence BlueCross BlueShield of Utah	2012
Angela M. Dowling West Linn, Oregon	President Regence BlueCross BlueShield of Oregon	2013

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Mark B. Ganz Portland, Oregon	President and CEO Cambia Health Solutions	2005
Scott D. Kreiling Boise, Idaho	President Regence BlueShield of Idaho	2009
Vincent P. Price Portland, Oregon	Chief Financial Officer Cambia Health Solutions	2010
Dudley R. Slater* Portland, Oregon	Division President Direct Health Solutions	2013

\*Chairman

### Officers

Principal officers serving at December 31, 2014, were as follows:

<u>Name</u>	<u>Title</u>
Beth E. Anderson	President
John W. Attey	Secretary
Andreas B. Ellis	Treasurer
Lisa T. Murphy	Assistant Secretary

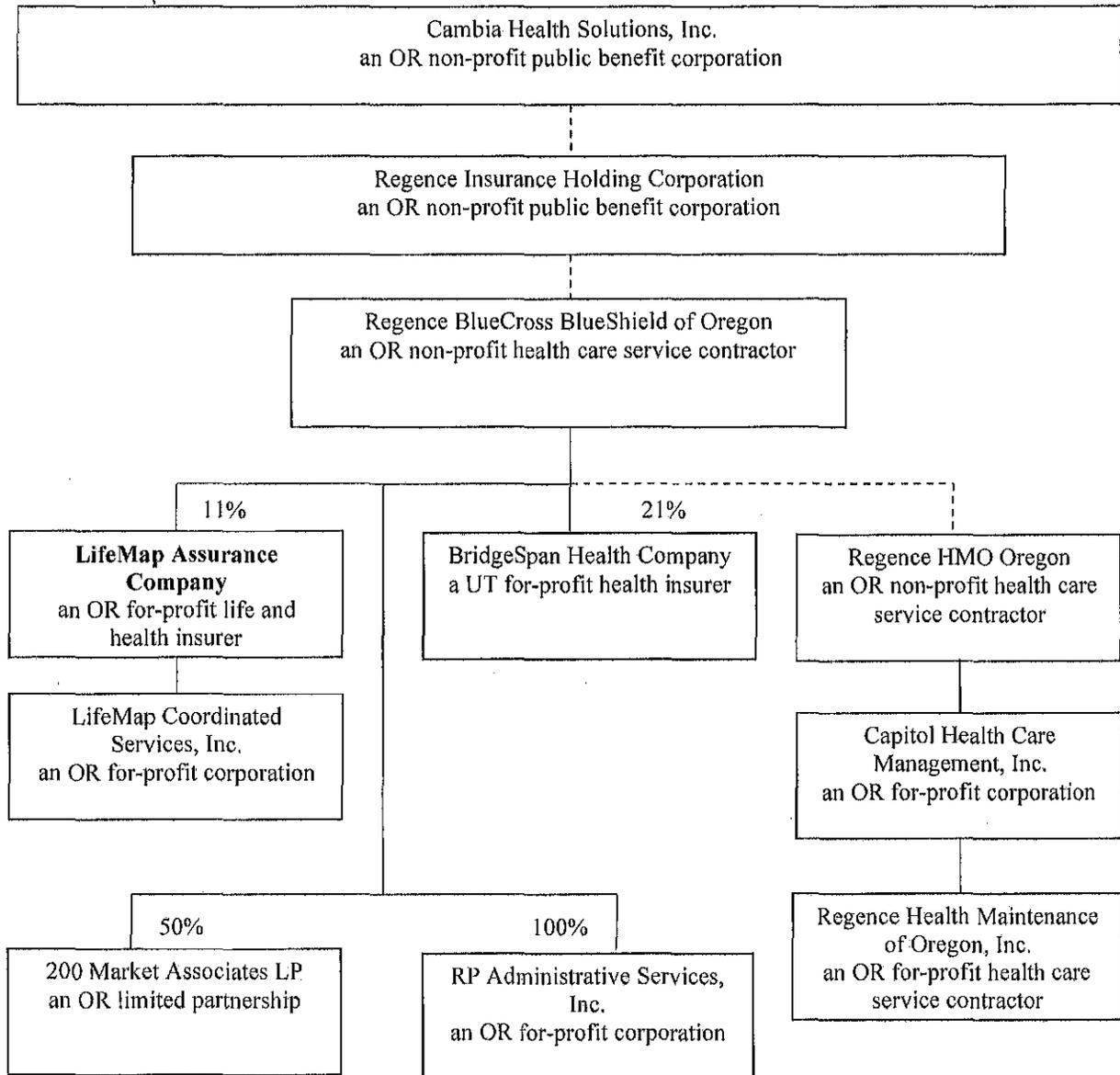
### Conflict Of Interest

The Company's Board adopted a formal statement of policy concerning conflict of interest for all directors, officers and responsible employees. Board members, senior officers and key employees are required to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the Company's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

### Insurance Company Holding System

The Company is part of an insurance company holding system whereby Cambia Health Solutions is the ultimate controlling entity.

The following abridged organization chart shows the relationships in the Oregon region (ownership is 100% unless otherwise noted, dotted line indicates sole member):



The ultimate controlling entity of the insurance holding company system is Cambia Health Solutions, Inc. Cambia owns or is the sole member of four non-insurance companies, as follows:

Regence Insurance Holding Corporation is an Oregon non-profit public benefit corporation established by Cambia on November 21, 2011.<sup>1</sup> It operates as a holding company and is the sole member for Regence BlueShield (RBS), Regence BlueCross BlueShield of Oregon (RBCBSO) and Regence BlueCross BlueShield of Utah (RBCBSU).

OmedaRx, Inc. (formerly Regence Rx, Inc.), is an Oregon for-profit taxable corporation that operates as a pharmaceutical benefits management (PBM) company contracting with pharmacies, processing prescription claims, reviewing medication formularies, and providing educational tools for members and doctors. This company is 100% owned by Cambia.

Cambia Health Foundation (formerly The Regence Foundation) is an Oregon tax-exempt, private foundation established by Cambia in 2007 as a 501(c)(3) corporation. It was formed to provide eleemosynary contributions in Idaho, Oregon, Utah and Washington, which benefits three core areas: 1) building healthier communities, 2) transforming health care, and 3) end-of-life issues.

Direct Health Solutions Corporation is an Oregon corporation incorporated on April 4, 2012, to act as a holding company for various non-insurance businesses. It owns three direct subsidiaries, as follows:

Wellero, Inc. was incorporated in Oregon on December 11, 2012, to offer mobile applications for consumers and health providers.

SpendWell Health, Inc. (formerly Sprig Health, Inc.), is an Oregon for-profit stock company incorporated on June 9, 2011, to offer products on an online marketplace for employees with high-deductible plans to purchase health related services.

HealthSparq, Inc. was incorporated in Oregon on August 9, 2013, and is an online marketplace for employers and health providers.

Cambia is the ultimate controlling entity of other indirect subsidiaries, including:

LifeMap Coordinated Services, Inc. is an Oregon for-profit corporation that is a life insurance agency. This company is 100% owned by the Company.

Capitol Health Care Management, Inc. is an Oregon for-profit corporation that serves as a holding company, and owns 100% of Regence Health Maintenance of Oregon, Inc. Capitol Health Care Management is 100% owned by the Regence HMO Oregon.

200 Market Associates LP is an Oregon limited partnership formed to hold and manage a commercial office building and park in Portland, Oregon. The general partner is John Russell of Market Building, LLC, and co-managed by Russell Development Company and Cushman & Wakefield of Oregon, Inc. RBCBSO is the limited partner with a 50% ownership.

### **INTERCOMPANY AGREEMENTS**

The following agreements are in place between the Company, its parent and its subsidiaries within the insurance company holding system:

#### **Amended Regence Administrative Services Agreement**

Effective December 28, 2007, Cambia entered into a cost-sharing agreement with each of the Regence plans in Oregon, Utah and Washington, including their subsidiary companies. Under the terms of the agreement, Cambia will provide all operational, administrative, and management services reasonably necessary to transact business. These services include managerial, legal, financial, actuarial, underwriting, accounting, human resources, billing, membership, claims

adjudication, customer service, reporting, regulatory compliance, and all applicable technical, clerical and communication support, as well as all necessary equipment, materials, office space and general supplies. Reimbursement will be made using a cost allocation method describe in the contract, and it is the intent that Cambia receive full compensation for the cost of its services and general overhead and taxes, and that no profit be derived from the agreement. This complies with the provisions of ORS 732.215. Reconciliations will be performed monthly, and settlement of expenses shall be made 90 days after the month end.

**Master Services Agreement**

Entered into on October 10, 2014, the agreement requires Wellero to establish a website and mobile device application for members enrolled in the Company's Dollar-Based Dental Product program. In addition, Wellero shall provide support to dental providers, such as member eligibility, benefit usage, calculating out-of-pocket amounts and make payments to providers. The Company agrees to pay a percentage of each member's out-of-pocket amount paid to Wellero.

**Consolidated Federal Income Tax Agreement**

Effective January 1, 1997 (although the agreement was not signed until September 20, 2000), Cambia agrees to file a consolidated income tax return, including any liability for alternative minimum tax. The tax liability is then allocated to each member of the affiliated group, computed as if a separate return was filed. Any credits or operating losses shall be allocated to those members with the credits or generating the losses. Payment of estimated installments due for such taxable periods shall be paid within 30 days of receiving notice. Final settlements for a tax year must be paid within 30 days after the filing of the consolidated return.

## **FIDELITY BOND AND OTHER INSURANCE**

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The Plan's insurance coverages are provided through insurance policies from an unaffiliated carrier, and coverage protected the Plan and all subsidiary and affiliated companies as a named insured. The group as a whole is insured up to \$10,000,000 per occurrence, after a \$200,000 deductible, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage was found to meet the coverage recommended by the NAIC.

Other insurance coverages in force at December 31, 2014, were found to be adequate, and are as follows:

Property liability	General liability, auto, employee benefits
Excess earthquake	Follow forms excess liability
Employment practices liability	Director's and officer's liability
Employed lawyers professional	Managed care errors & omissions
Financial institution bond	Workers' compensation
Networks security & privacy liability	Umbrella liability

## **TERRITORY AND PLAN OF OPERATION**

The Company is authorized in six states to conduct business as a life and health insurer. The Company provides group life and accidental death and dismemberment, short term and long term disability, dental and vision insurance. It also offers individual accident and illness, dental, vision, short term medical and emergency medical products.

The Company's group and individual business is produced through marketing representatives in conjunction with licensed independent agents and brokers.

The Company reported total direct premiums over the past three years as follows:

<u>Line of Business</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Life			
Ordinary	\$ 36,781	\$ 44,139	\$ 48,512
Credit	0	0	0
Group	26,525,195	26,677,811	25,938,813
Industrial	0	0	0
Total Life	<u>\$ 26,561,976</u>	<u>\$ 26,721,950</u>	<u>\$ 25,987,325</u>
Accident & Health			
Group	\$ 60,887,822	\$ 51,577,994	44,048,450
Individual	0	0	0
Other	8,238,518	10,305,747	10,870,902
Total A&H	<u>69,126,340</u>	<u>61,883,741</u>	<u>54,919,352</u>
Total direct premiums	<u>\$ 95,688,316</u>	<u>\$ 88,605,691</u>	<u>\$ 80,906,677</u>

At year-end 2014, the Company reported direct business in the states it is authorized as follows:

<u>State</u>	<u>Direct Life Premiums</u> <u>Written</u>	<u>Direct A&amp;H Premiums</u> <u>Written</u>
Alaska	\$ 15,837	\$ 24,516
Idaho	3,395,827	4,428,901
Montana	97,105	163,141
Oregon	10,149,430	23,401,328
Utah	6,348,271	7,928,027
Washington	6,555,506	33,180,427
Total	<u>\$ 26,561,976</u>	<u>\$ 69,126,340</u>

### GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and</u> <u>Surplus</u>	<u>Net Income</u> <u>(Loss)</u>
2010	\$87,113,044	\$40,977,588	\$46,135,456	\$3,030,418
2011*	89,484,706	42,728,655	46,756,051	(125,833)
2012	86,051,071	41,117,564	44,933,507	(1,837,947)
2013	89,582,812	44,266,367	45,316,445	(526,417)
2014*	85,066,051	41,926,253	43,139,798	(79,368)

\*Per examination

## LOSS EXPERIENCE

The following exhibit reflects the annual accident and health (A&H) underwriting results of the Company over the last five years. The amounts were compiled from Schedule H of the Company's filed annual statements and, where indicated, from examination reports.

<b>Year</b>	<b>(1) Premium Earned</b>	<b>(2) Incurred Claims</b>	<b>(2)/(1) Pure Loss Ratio</b>	<b>(3) Incurred Expenses</b>	<b>(2)+(3)/(1) Combined Loss Ratio</b>
2010	22,398,544	14,469,892	64.6%	9,980,670	109.2%
2011*	27,845,250	17,264,956	62.0%	10,928,643	101.2%
2012	30,409,153	20,802,416	68.4%	14,328,964	115.5%
2013	39,266,602	26,190,587	66.7%	16,741,135	109.3%
2014*	44,438,654	30,811,673	69.3%	17,912,222	109.6%

\*Per examination

A combined loss incurred and expense to premium ratio of more than 100% would indicate an underwriting loss. The Company reported underwriting losses in each of the last five years.

## REINSURANCE

### Assumed

Under a 100% reinsurance agreement with RCBBSO, RCBBSU and RBSI effective on June 1, 2001, the Company assumes 100% of individual and group accidental death insurance premiums written by RCBBSO, RCBBSU and RBSI. Effective January 1, 2013, the Company entered into an agreement with Texas Life Insurance Company to assume 100% of the risk for life conversion policies the initial two years of coverage. The Company will assume 90% of the premiums for the initial twelve months and 30% for the following twelve months of the coverage period. Total amounts assumed were \$674,146 compared to a total of \$95.5 million direct premiums written during 2014.

### Ceded

Effective June 1, 1996, the Company entered into a 100% quota share reinsurance agreement with RCBBSO to cede 100% of the premiums written for its group and individual health insurance risks. RCBBSO shall adjust, settle or compromise all claims and losses for risks reinsured, and shall not receive any compensation for this service.

The Company is reinsured for long-term disability (LTD) losses through a quota share agreement that provides for automatic cessions of risks in excess of the Company's retention. Under the terms of the agreement, the Company retains 10% of the risk and cedes the remaining 90%. The Company also reinsures LTD benefits through a facultative agreement in which it may cede 100% of its liability.

The Company's group life, group AD&D and voluntary group AD&D policies are reinsured through an excess of loss agreement with SCOR Global Life USA Reinsurance Company effective June 1, 2008. Under the terms of this agreement, the Company is covered for \$1,850,000 of losses per person in excess of \$150,000 for group life business. For group AD&D, the Company is reinsured for \$1,900,000 of losses per person in excess of \$75,000.

Effective January 1, 2011, the Company was insured for catastrophic excess of loss with Sirius International Insurance Corporation covering life, group life and group AD&D policies. The reinsurer shall pay 100% of \$20 million ultimate net loss for each and every occurrence in excess of \$300,000. Maximum retention shall be \$150,000 for group life and \$75,000 for group AD&D.

The reinsurance agreements contained a proper insolvency clause in accordance with ORS 731.508(3) as required to take reserve credits for reinsurance ceded.

In view of the Company's reported surplus at December 31, 2014, it does not maintain risk on any one subject in excess of ten percent of its surplus to policyholders, in compliance with ORS 731.504.

### **ACCOUNTS AND RECORDS**

In general, the Company's records and source documentation supported the amounts presented in the Company's December 31, 2014, 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**

As of the examination date, the Company maintained \$1,000,000 (par value) and \$440,000 (par value) in US Treasury Notes for the Idaho and Montana Departments of Insurance, respectively. The deposits were verified from the records of the Insurance Departments and were listed in the 2014 annual statement on Schedule E – Part 3. No deposits were required to be maintained with the Division of Financial Regulation.

### **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no recommendation made in the 2011 report of examination and no adjustments were made to surplus as a result of the examination findings.

### **SUBSEQUENT EVENTS**

The examiners noted no events subsequent to the examination date that would have a material impact on the financial statements as presented in the 2014 annual statement.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Division of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

- Statement of Assets
- Statement of Liabilities, Surplus and Other Funds
- Summary of Operations
- Reconciliation of Capital and Surplus Since the Last Examination

**LIFEMAP ASSURANCE COMPANY**  
**ASSETS**  
**As of December 31, 2014**

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 58,059,644	\$ -	\$ 58,059,644	1
Common stocks	18,699,110	-	18,699,110	1
Cash, cash equivalents and short-term investments	3,461,473	-	3,461,473	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>\$ 80,220,227</u>	<u>\$ -</u>	<u>\$ 80,220,227</u>	
Investment income due and accrued	413,166	-	413,166	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	1,717,855	-	1,717,855	
Reinsurance				
Amounts recoverable from reinsurers	1,086,784	-	1,086,784	
Amounts receivable relating to uninsured plans	60,368	-	60,368	
Current FIT recoverable	815,403	-	815,403	
Receivable from parent, affiliates and subsidiaries	660,545	-	660,545	
Health care receivable	91,703	-	91,703	
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$ 85,066,051</u>	<u>\$ -</u>	<u>\$ 85,066,051</u>	

**LIFEMAP ASSURANCE COMPANY**  
**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**As of December 31, 2014**

Liabilities	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Aggregate reserve for life contracts	\$ 12,934,308	\$ -	\$ 12,934,308	2
Aggregate reserve for a&h contracts	4,719,136	-	4,719,136	2
Liability for deposit-type contracts	682,351	-	682,351	2
Contract claims for life	6,238,573	-	6,238,573	2
Contract claims for a&h	4,125,385	-	4,125,385	2
Premiums and annuity considerations	1,755,553	-	1,755,553	
Contract liabilities not included elsewhere:				
Provision for experience rated refunds	1,534,154	-	1,534,154	
Other amounts payable on reinsurance	2,642,782	-	2,642,782	
Interest maintenance reserve	1,129,537	-	1,129,537	
Commissions to agents due or accrued	293,242	-	293,242	
General expenses due or accrued	1,223,837	-	1,223,837	
Taxes, licenses and fees due or accrued	14,011	-	14,011	
Net deferred tax liability	1,384,264	-	1,384,264	
Amounts withheld or retained for account of others	8,717	-	8,717	
Remittances and items not allocated	7,304	-	7,304	
Miscellaneous liabilities:				
Asset valuation reserve	2,689,405	-	2,689,405	
Payable to parent, subs and affiliates	517,518	-	517,518	
Liability for amounts held under uninsured plans	-	-	-	
Aggregate write-ins for liabilities	<u>26,176</u>	-	<u>26,176</u>	
Total Liabilities	<u>\$ 41,926,253</u>	<u>\$ -</u>	<u>\$ 41,926,253</u>	
Common capital stock	\$ 2,504,525	\$ -	\$ 2,504,525	
Aggregate write-ins for other than special surplus funds	595,896	-	595,896	
Gross paid in and contributed surplus	5,826,463	-	5,826,463	
Unassigned funds (surplus)	<u>34,212,914</u>	-	<u>34,212,914</u>	
Capital and Surplus	<u>43,139,798</u>	-	<u>43,139,798</u>	
Total Liabilities, Surplus and Other Funds	<u>\$ 85,066,051</u>	<u>\$ -</u>	<u>\$ 85,066,051</u>	

**LIFEMAP ASSURANCE COMPANY**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2014**

<b>Revenue</b>	<b>Balance per Company</b>	<b>Examination Adjustments</b>	<b>Balance per Examination</b>	<b>Notes</b>
Premiums and annuity considerations for life and accident and health contracts	\$ 68,864,677	\$ -	\$ 68,864,677	
Net investment income	1,739,477	-	1,739,477	
Amortization of interest maintenance reserve	321,009	-	321,009	
Aggregate write-ins for miscellaneous income	<u>190,869</u>	<u>-</u>	<u>190,869</u>	
Total revenue	71,116,032	-	71,116,032	
<b>Benefits paid:</b>				
Death benefits	16,076,882	-	16,076,882	
Disability benefits and benefits under accident and health contracts	31,017,280	-	31,017,280	
Interest and adjustments on contracts or deposit-type contract funds	178,761	-	178,761	
Increase in aggregate reserves for life and accident and health contracts	<u>(354,129)</u>	<u>-</u>	<u>(354,129)</u>	
Total benefits paid	46,918,794	-	46,918,794	
<b>Expenses</b>				
Commissions on premiums, annuity considerations, and deposit-type contract funds	6,226,355	-	6,226,355	
General insurance expenses	19,870,913	-	19,870,913	
Insurance taxes, licenses and fees, excluding federal income taxes	1,525,188	-	1,525,188	
Aggregate write-in for deductions	<u>-</u>	<u>-</u>	<u>-</u>	
Total benefits and expenses	<u>74,541,250</u>	<u>-</u>	<u>74,541,250</u>	
Net gain from operations before dividends to policyholders and FIT	<u>(3,425,218)</u>	<u>-</u>	<u>(3,425,218)</u>	
Dividends to policyholders	-	-	-	
Federal and foreign income taxes incurred	(1,759,109)	-	(1,759,109)	
Net realized capital gains and (losses) less capital gains tax	<u>1,586,741</u>	<u>-</u>	<u>1,586,741</u>	
Net income	<u>\$ (79,368)</u>	<u>\$ -</u>	<u>\$ (79,368)</u>	

**LIFEMAP ASSURANCE COMPANY**  
**RECONCILIATION OF CAPITAL AND SURPLUS SINCE THE LAST**  
**EXAMINATION**  
**For the Year Ended December 31,**

	2014	2013	2012
Surplus as regards policyholders, December 31, previous year	<u>\$ 45,316,445</u>	<u>\$ 44,933,507</u>	<u>\$ 46,756,051</u>
Net income	(79,368)	(526,417)	(1,837,947)
Change in net unrealized capital gains or (losses)	(335,323)	3,353,068	943,698
Change in net unrealized foreign exchange capital gain or (loss)	-	-	-
Change in net deferred income tax	317,907	1,018,441	(387,408)
Change in non-admitted assets	(2,790,615)	(2,769,146)	(364,173)
Change in reserve in account of change in valuation basis	124,907	-	-
Change in asset valuation reserve	585,845	(693,008)	(176,714)
Cumulative effects of changes in accounting principles	-	-	-
Capital changes:			
Paid in	736,625	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	(736,625)	-	-
Transferred to capital (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Dividends to stockholders (cash)	-	-	-
Change in treasury stock	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	<u>(2,176,647)</u>	<u>382,938</u>	<u>(1,822,544)</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 43,139,798</u>	<u>\$ 45,316,445</u>	<u>\$ 44,933,507</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Invested Assets

At year-end 2014, the Company's long-term bond investments were in a diversified portfolio of US obligations, US Federal agency bonds, municipal bonds and corporate issues. The Company did report an exposure in mortgaged-backed and asset-backed securities. Most of the MBS/ABS issues were investment rated at year-end 2014, and the carrying book value of \$16.7 million comprised 28.8% of the total long-term bond portfolio, and 20.9% of all invested assets.

Common stocks were primarily made up of corporate issues, including a small number of foreign securities. The Company also reported ownership of 100% of a subsidiary, which was non-admitted on the statutory statement.

Short-term deposits consisted of six US Treasury Bills, a US Treasury Note purchased within one year of maturity, and two short term money market funds held in the custodial account at Bank of New York Mellon NA.

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

<u>Year</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>Ratio</u>	<u>Ratio</u>	<u>Ratio</u>
	<u>Bonds</u>	<u>Common Stocks</u>	<u>Cash and Short-term</u>	<u>A/ Total Assets</u>	<u>B/ Total Assets</u>	<u>C/ Total Assets</u>
2010	\$58,245,658	\$19,412,032	\$2,762,485	66.9%	22.3%	3.2%
2011	58,879,007	16,619,780	7,275,445	65.8%	18.6%	8.1%
2012	58,495,650	17,328,344	5,590,029	68.0%	20.1%	6.5%
2013	59,436,786	22,868,296	4,129,020	66.3%	25.5%	4.6%
2014	58,059,644	18,699,110	3,461,473	68.3%	22.0%	4.1%

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. As of December 31, 2014, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, and the Plan was in compliance with ORS 733.580.

Effective December 17, 2009, the Plan entered into a custodial agreement with BNY Mellon. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

### Note 2 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense reserves for the Company was performed by Frank G. Edwards, Jr., ASA, MAAA, of INS Consulting, Inc. As part of his review, he examined the actuarial memorandum as of December 31, 2014, prepared by James F. Clark, FSA, MAAA, vice president of Risk Management for the Company.

Mr. Edwards reviewed the reserves for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. He relied on analyses and testing of controls associated with data validity and completeness, and on a sample of valuation files performed by the examination team. He also performed a trend analysis and conducted other procedures he deemed necessary to make his conclusions. He concluded the underlying data provided by the Company was accurate and complete for the purposes of his review.

At December 31, 2014, the Company reported the following:

	<u>Annual Statement</u>
Aggregate Reserve for Life Contracts:	\$ 12,934,308
Aggregate Reserve for A&H Contracts	4,719,136
Liability for Deposit-type Contracts	682,351
Contract Claims for Life	6,238,573
Contract Claims for A&H	<u>4,125,385</u>
Total Actuarial Liabilities	<u>\$ 28,699,753</u>

The appointed actuary opined that the reserves carried by the Company as of December 31, 2014, were reasonable. Mr. Edwards concurred with the appointed actuary's estimate and he determined the items above appeared fairly stated and were calculated using valuation parameters which appear to be substantially free of any material error.

### SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination and there were no recommendations.

### CONCLUSION

During the three year period covered by this examination, the surplus of the Company has decreased from \$46,756,051, as presented in the December 31, 2011, report of examination to \$43,139,798, as shown in this report. The comparative assets and liabilities are:

	<u>2014</u>	<u>December 31,</u>	<u>2011</u>	<u>Change</u>
Assets	\$ 85,066,051		\$ 89,484,706	\$(4,418,655)
Liabilities	<u>41,926,253</u>		<u>42,728,655</u>	<u>(802,402)</u>
Surplus	<u>\$ 43,139,798</u>		<u>\$ 46,756,051</u>	<u>\$(3,616,253)</u>

## ACKNOWLEDGMENT

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

In addition to the undersigned, Heather DeShores, MPA, MAFM, and Michael P. Phillips, CFE, CPA, AES, insurance examiners for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination. We would also like to thank the following for their participation in the coordinated examination:

Idaho Department of Insurance

Lois Haley, CFE, Financial Examiner and EIC

Utah Department of Insurance

Cory Starley, CFE, Financial Examiner

Washington Office of the Insurance Commissioner

Tarik Subbagh, CFE, Supervising Financial Examiner

Randy Fong, CFE, Financial Examiner and EIC

Katy Bardsley, CFE, Financial Examiner

Edsel Dino, CFE, Financial Examiner

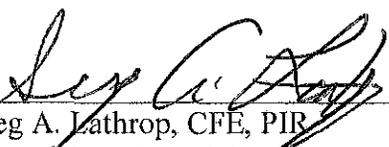
James Gill, CFE, Financial Examiner

INS Consultants

Neeraj Gupta, CFE, Senior Manager (Utah EIC)

Joseph Higgins, FSA, MAAA, Actuary

Respectfully submitted,

  
\_\_\_\_\_  
Greg A. Lathrop, CFE, PIR  
Supervising Financial Examiner  
Department of Consumer and Business Services  
State of Oregon

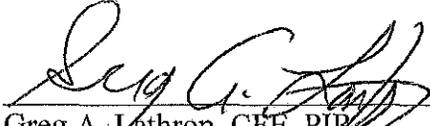
**AFFIDAVIT**

STATE OF OREGON            )  
  )    ss  
County of Marion            )

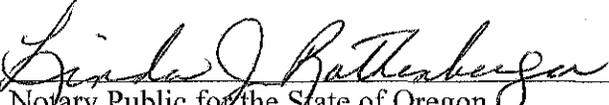
Greg A. Lathrop, CFE, PIR, being duly sworn, states as follows:

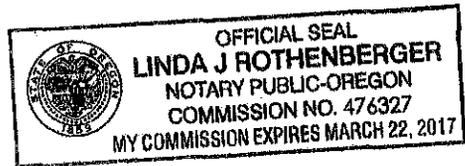
1. I have authority to represent the state of Oregon in the examination of LifeMap Assurance Company, Portland, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of LifeMap Assurance Company was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

  
\_\_\_\_\_  
Greg A. Lathrop, CFE, PIR  
Supervising Financial Examiner  
Department of Consumer and Business Services  
State of Oregon

Subscribed and sworn to me this 5 day of May, 2016.

  
\_\_\_\_\_  
Notary Public for the State of Oregon



My Commission Expires: 3/22/2017