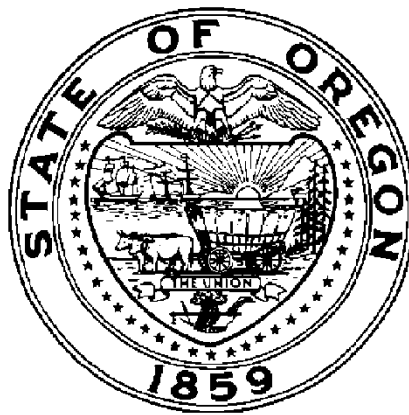


**STATE OF OREGON**  
**DEPARTMENT OF**  
**CONSUMER AND BUSINESS**  
**SERVICES**  
**DIVISION OF FINANCIAL**  
**REGULATION**



**REPORT OF FINANCIAL EXAMINATION**  
**OF**  
**REGENCE BLUECROSS BLUESHIELD OF OREGON**  
**PORTLAND, OREGON**

**AS OF**  
**DEC. 31, 2023**

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**REGENCE BLUECROSS BLUESHIELD OF OREGON  
PORTLAND, OREGON**

**NAIC COMPANY CODE 54933**

AS OF

DEC. 31, 2023

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**SALUTATION**

April 29, 2025

Honorable Andrew R. Stolfi, director  
Department of Consumer and Business Services  
Division of Financial Regulation  
State of Oregon  
350 Winter St. NE  
Salem, OR 97301-3883

Dear Director Stolfi:

According to your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*, under Oregon Revised Statutes (ORS) 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

**REGENCE BLUECROSS BLUESHIELD OF OREGON  
200 SW Market St.  
Portland, OR 97201**

**NAIC Company Code 54933**

hereinafter referred to as the “plan.” The following report is respectfully submitted.

## **SCOPE OF EXAMINATION**

We have performed our regular, triennial, multistate examination of Regence BlueCross BlueShield of Oregon, conducted with the insurance regulators from the states of Idaho, Utah, and Washington, for the coordinated examination of insurers under Cambia Health Solutions Inc. (Cambia). Oregon was designated as the lead state. The examination was conducted in conjunction with the examination of eight affiliated health care service contractors and one life and health insurers. A separate report of examination will be prepared for each entity. The last examination of this health care service contractor was completed as of Dec. 31, 2020. This examination covers the period of Jan. 1, 2021, to Dec. 31, 2023.

We conducted our examination under ORS 731.300 and according to 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 currently and prospectively.

All accounts and activities of the plan were considered according to 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; if, during the course of the examination an adjustment is identified, the effect of such an 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 or proprietary information), are not included within the examination report, but separately communicated to other regulators and the plan.

### **COMPANY HISTORY**

Northwest Hospital Service (dba Blue Cross of Oregon) was incorporated under the laws of the State of Oregon on Oct. 7, 1941, and commenced business in June 1942. Oregon Physicians' Service (dba Blue Shield) was incorporated under the laws of the State of Oregon on Dec. 6, 1941, and commenced business in June 1942. Both entities functioned independently as health care service contractors under individual certificates of authority until March 1983, when Oregon Physicians' Service merged with and into Northwest Hospital Service, the surviving corporation, and soon after the entity changed its name to Blue Cross and Blue Shield of Oregon. Effective Aug. 1, 1997, Blue Cross and Blue Shield of Oregon changed its name to Regence BlueCross BlueShield of Oregon.

### **Dividends to stockholders and other distributions**

During the period under examination, the plan declared and paid cash distributions to its sole member as follows:

<b><u>Declared date</u></b>	<b><u>Paid date</u></b>	<b><u>Amount</u></b>	<b><u>Description</u></b>
9/14/2021	10/18/2021	\$30,000,000	Ordinary
9/13/2022	10/24/2022	30,000,000	Ordinary
9/12/2023	10/25/2023	50,000,000	Ordinary

The plan made the proper disclosure of the distributions to the director of the Department of Consumer and Business Services (DCBS) according to the reporting requirements established by ORS 732.554 and 732.576. Since it began making distributions to its sole corporate member in 2010, the plan has distributed a total of \$438 million in cash distributions.

## **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.

Neither the plan's articles nor its bylaws authorize any standing committee, but they do state the board may appoint special committees for specific purposes and for a limited duration. Instead, the plan relies on appointed committees of the ultimate parent, Cambia. There are five committees authorized to help in the management of Cambia, as follows:

- Audit and compliance committee
- Investment committee
- Organizational and governance committee
- Personnel and compensation committee
- Strategies initiatives committee

A review of the board minutes indicated the compensation of Cambia's chief executive officer (CEO) is approved through the personnel and compensation committee, which is then approved by the board. Compensation of other senior officers, including the plan'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 plan's articles of incorporation were last amended on June 26, 2012. No changes were made during the period under examination. The articles of incorporation conformed to the Oregon Insurance Code.

### **Bylaws**

The bylaws were last amended and restated on June 23, 2022. The plan's bylaws conform to Oregon statutes.

## **MANAGEMENT AND CONTROL**

### **Board of directors**

The bylaws, in Article II – Section 1, state the business affairs of the corporation shall be managed by its board of directors. Section 3 states the number of directors constituting the board of directors shall not be less than five nor more than seven. As of Dec. 31, 2023, the plan 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>Representative</u></b>	<b><u>Member since</u></b>
Jake R. Nichol Park City, Utah	Retired president and CEO Leatherman Tool Group	Public	2020
Luis F. Machuca Hillsboro, Oregon	CEO Enli Health Intelligence	Public	2008
Todd M. Underwood Portland, Oregon	Chief financial officer Ampere Computing	Public	2023
John W. Morgan * Tucson, Arizona	Operating partner, Public Pension Capital LLC	Public	2012
Jared L. Short Ridgefield, Washington	President and CEO Cambia Health Solutions Inc.	Plan	2009
Timothy J. Morgan Portland, Oregon	President and CEO AAA Oregon/Idaho	Public	2022



Pamela Y. Culpepper Scottsdale, Arizona	Managing partner Hanold Associates LLC	Public	2023
--	---	--------	------

\*Chairman

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, according to the provisions of ORS 731.386.

### **Officers**

Principal officers serving at Dec. 31, 2023, were as follows:

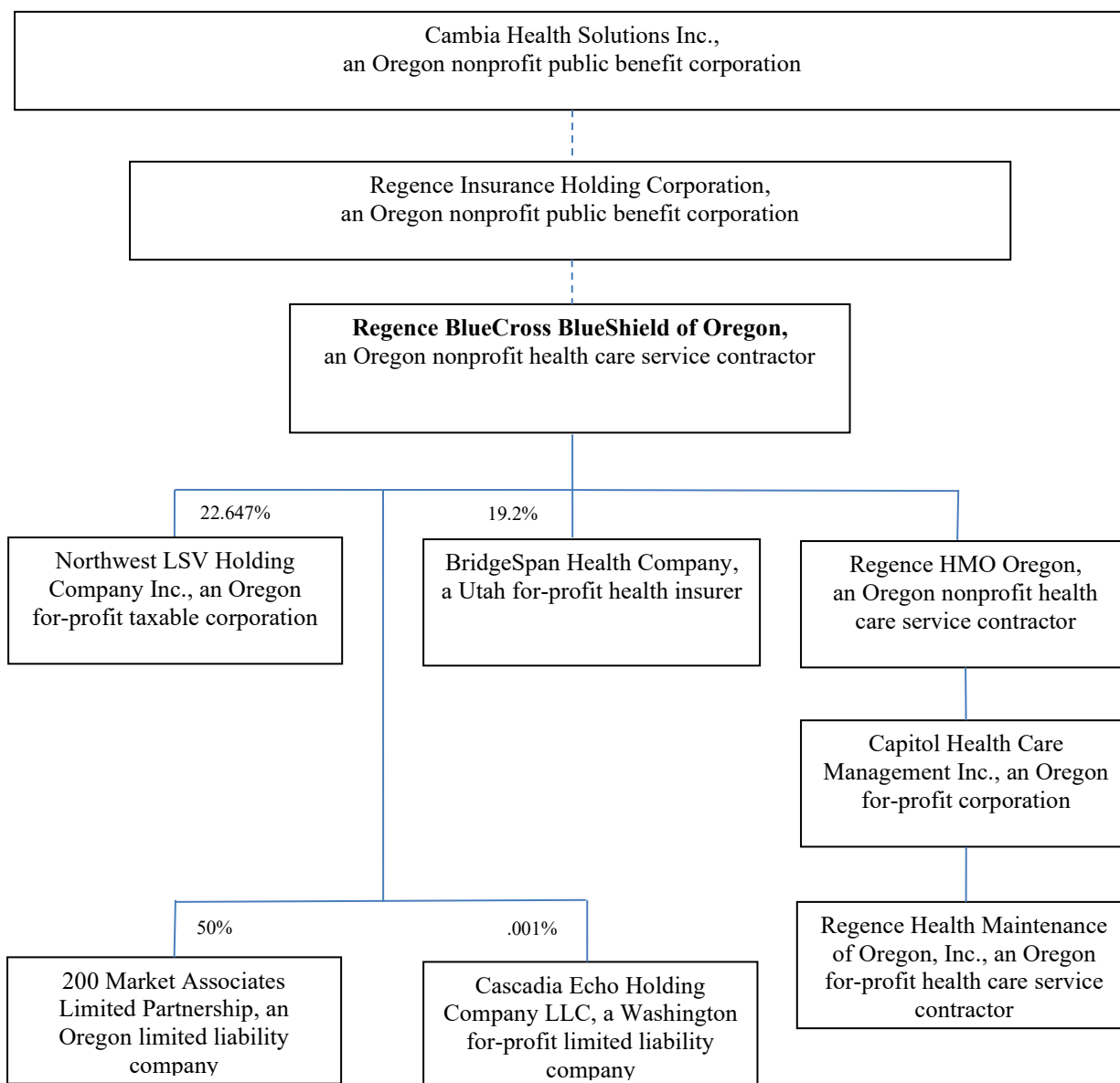
<b><u>Name</u></b>	<b><u>Title</u></b>
Michael G. Cole	President
Jennifer L. New	Treasurer
John W. Attey	Secretary
William J. Lehman	Assistant secretary

### **Conflict of interest**

The plan'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 plan's personnel performed due diligence in completing the conflict-of-interest statements. No material conflicts of interest were noted.

### **Insurance company holding system**

An insurance holding company registration statement was filed by the plan according to the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1). The following condensed organizational chart depicts the relationships of the plan within the holding company system:



Cambia owns or is the sole member of four noninsurance companies, as follows:

- Regence Insurance Holding Corporation is an Oregon nonprofit public benefit corporation established by Cambia on Nov. 21, 2011. It operates as a holding company and is the sole corporate member for Regence BlueShield, Regence BlueCross BlueShield of Utah, and the plan.

- OmedaRx Inc. is an Oregon for-profit taxable corporation that operates as a pharmaceutical benefits management program contracting with pharmacies, processing prescription claims, reviewing medication formularies, and providing educational tools for members and doctors. OmedaRx is a wholly owned subsidiary of Cambia.
- Cambia Health Foundation is an Oregon tax-exempt, private foundation established by Cambia on June 11, 2007, as a 501(c)(3) corporation. It was formed to provide charitable contributions in Idaho, Oregon, Utah, and Washington that benefits three core areas: 1) building healthier communities, 2) transforming health care, and 3) end-of-life issues. Its primary mission is to increase access to medical care for those who cannot afford it, while delivering and coordinating care with innovative methods that improve outcomes and address disparities in care.

Additional direct and indirect subsidiaries of Cambia include:

- Journi Inc. is a for-profit Oregon Corporation health care solutions company offering a mobile-enabled application that allows personnel to get health advice, find in-network providers, make appointments, view health history and deductible information available to organizations that offer health and wellness benefits to employees in the four states where Cambia operates its health plans. It is 100 percent owned by Cambia. Journi Inc. owns one direct subsidiary:
  - JourniRx Inc. is a website that provides information about the effectiveness and cost of prescription medications for patients, caregivers, and doctors. It assigns evidence-based letter grades to medications, making them easier to compare. Grades are based on objective criteria developed from best practices in

evidence-based medicine, and assigned by a team of pharmacists who have specialized training in clinical evidence review and evaluation.

- Cascadia Echo Holding Company LLC is a Delaware limited liability, for-profit investment management company formed in 2016 by Cambia Health Solutions with various contributions from the plans. It is funded through Cambia, Regence BlueShield (RBS) and Regence BlueCross BlueShield of Utah (RBCBSU), with ownership interest of 42.455%, 47.284% and 10.261%, respectively. It owns 50 percent of Echo Health Ventures LLC. This holding company is used to invest in noninsurance-related entities that provide various services focusing on the consumer such as information technology services, programs/applications and pharmacy benefit management services, and network management and health and wellness services.
- Capitol Health Care Management Inc. is an Oregon for-profit corporation that serves as a downstream holding company to own all stock of health maintenance organization (HMO) subsidiaries. This company is 100 percent owned by Regence HMO Oregon.
- 200 Market Associates LP is an Oregon limited partnership formed on April 5, 1990, to hold and manage a commercial office building and park in Portland, Oregon. Market Building LLC is the general partner. Regence BlueCross BlueShield of Oregon is a Class B limited partner (50 percent ownership interest) and John W. Russell is a Class C limited partner. The partnership owns and operates the 200 SW Market Street commercial office building.

- CSN Acquisition Corporation is a Washington for-profit insurance agency formed on March 31, 1999, and is a wholly owned subsidiary of Regence BlueShield.
- Healthcare Management Administrators Inc. is a Washington corporation formed on March 20, 1986. It acts as a third-party administrative company for self-funded employers located in Washington and Oregon, offering access to providers as a preferred provider organization (PPO) and participating networks. It is 100 percent owned by Regence BlueShield.
- Group Services Inc. is a Utah for-profit corporation formed as an insurance agency on April 17, 1974. This company is 100 percent owned by Regence BlueCross BlueShield of Utah.
- BCSU Professional Services Corporation is a Utah for-profit facility management company formed on Feb. 5, 1986. It is 100 percent owned by Regence BlueCross BlueShield of Utah.
- RBCSU Realty Holding Corporation was a Utah for-profit company acting as a downstream holding company to 100 percent own RBCSU Realty LLC, a limited liability corporation formed to own a commercial office building in Salt Lake City, Utah (Utah Cottonwood building). This company is 100 percent owned by Regence BlueCross BlueShield of Utah. On Sept. 5, 2023, the company was dissolved.
- Pando Health Ventures LLC is a Delaware limited liability company formed on July 8, 2015, with the University of Utah to pursue activities that further the not-for-profit health goals of each joint-venture member. This company is 50 percent owned by Regence BlueCross BlueShield of Utah.

## **INTERCOMPANY AGREEMENTS**

The following agreements are in place between the plan and its affiliates or subsidiaries within the insurance company holding system:

### **Plan and agreement of affiliation**

Effective May 1, 1995, and amended July 28, 1997, the plans from Idaho, Oregon, Utah, and Washington agreed to form a nonprofit holding corporation (now known as Cambia Health Solutions) to become the sole corporate member of Regence BlueCross BlueShield of Oregon, Regence BlueCross BlueShield of Utah, and Regence BlueShield. A fourth plan, Regence Blue Shield of Idaho Inc. (RBSI), is a mutual insurer and became affiliated through a separate agreement. The four plans also agreed to create a business plan to consolidate certain operations and functions to achieve desired economies.

### **Administrative service agreement**

Effective Dec. 28, 2007, Cambia agrees to provide all operational, administrative, and management services reasonably necessary to transact business, including managerial, legal, financial, actuarial, underwriting, accounting, human resources, employee benefits administration, data network/telecommunications, marketing, advertising, community affairs, public relations, communications, billing, banking, membership, claims adjudication, customer service, reporting, regulatory compliance, mail, and information technology services. In addition, Cambia shall provide all equipment, materials, office space, and general supplies. The plan shall pay Cambia its proportionate share of the cost as well as its proportional share of general overhead expenses, according to a systemwide cost allocation methodology and according to generally accepted cost

accounting principles. It is intended that Cambia shall receive complete reimbursement for its costs and derive no profit from such reimbursement. All direct and indirect expenses incurred will be reconciled monthly and balances settled within 90 days from the end of the reporting month. The agreement was last amended on Sept. 15, 2021, to include business associate agreement, Medicare compliance addendum, and qualified health plan addendum.

#### **Administrative services agreement**

The plan entered into an administrative services agreement on Dec. 31, 2021, with USABLE Life Insurance company, (USABLE), whereby, USABLE agrees to provide comprehensive administrative services in connection with self-insured (ASC) dental benefit plans, dental insurance policies and Medicare Advantage (“MA”) dental related programs. Services provided by USABLE include market research and intelligence, actuarial and underwriting, sales and distribution support, member/provider service and websites, product development, quotes and proposals, claims adjudication and payment, claims fraud and abuse detection, network management, clinical quality and care reviews, and financial and regulatory compliance. Additionally, the plan and USABLE will share the following services: appointments and commissions; strategy, planning, and coordination; go-to-market approaches; health and ancillary customer inventory sharing and mining; health sales tools; sales planning, goals, and commissions; broker programs; and grievance and appeals. In return the plan will compensate USABLE based on ASC administrative customer billings for dental services, as well as by ceding underwritten dental policies to USABLE under a reinsurance agreement. The agreement was amended effective April 2, 2014, updating the compensation and ASC claims payment section to state that the plan will reimburse USABLE on not less than a monthly basis or such other date and time as may be mutually agreed upon by the parties in writing, and it will provide a report to USABLE on or before the 10th business day of the month detailing

what amounts it will provide for reimbursement and will make payment of such amounts within five business days.

**Consolidated federal income tax agreement**

Effective Jan. 1, 1997 (although the agreement was not signed until Sept. 20, 2000), and last amended on Feb. 25, 2019, Cambia agrees to file a consolidated federal 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 will be allocated to those members with the credits or generating the losses. Payment of estimated installments due for such taxable periods will 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.

**Master intercompany promissory note**

Effective Dec. 10, 2024, Cambia and its seven insurance company affiliates, entered into a master intercompany promissory note, effectively creating an intercompany lending program. Under the terms of the note, any of the affiliated entities can be a borrower (“maker”) and/or a lender (“payee”) of the note. Each maker will also have to pay interest from time to time on the principal amount outstanding under this note at a rate per annum as agreed upon from time to time by such maker and such payee. The interest rate will be fair and reasonable, based on market rates, and will be noted in the record of each loan.

However, the note does not include a specific due date for timely settlement of amounts owed, according to Statement of Statutory Accounting Principles (SSAP) No. 25, paragraph 10.



**I recommend the plan to amend the note to include a specific due date for timely settlement of amounts owed, according to SSAP 25, paragraph 10.**

In addition, it was noted that this agreement was not filed in a timely manner with the Division of Financial Regulation, as required by ORS 732.574 (2) (A).

**I recommend the plan immediately file a Form D – Notice of Proposed Transaction for this affiliated agreement to the Oregon Division of Financial Regulation for approval according to ORS 732.574(2)(a)(A).**

### **FIDELITY BOND AND OTHER INSURANCE**

The examination of insurance coverages involved a review of the 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 unaffiliated insurance companies. Coverage protected the plan and all subsidiary and affiliated companies were listed as a named insured. The group as a whole is insured up to \$10 million per occurrence, after a \$200,000 deductible, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity coverage was found to meet the coverage level recommended by NAIC.

Other insurance coverages in force as of Dec. 31, 2023, were found to be adequate, and are as follows:

Cyber liability	Fiduciary liability
Employment practices liability	General liability, auto, employee benefits
Director's and officer's liability	Managed care errors and omissions
Umbrella liability	Property liability
International liability	Excess liability
Workers' compensation	

### **TERRITORY AND PLAN OF OPERATION**

During the period under examination, the plan offered a full line of health insurance products for large and small employer groups, individuals and government employee programs, including Medicare, and Medicare supplement coverage. The plan also offered a range of supplemental products such as dental, vision, and prescription drug coverage. The plan covers all of Oregon and parts of southern Washington.

The plan also participates in the Federal Employee Program (FEP) and the BlueCard Program. FEP is a nationwide contract with the Federal Office of Personnel Management to provide health benefit coverage to federal employees and their dependents. The BlueCard Program is a Blue Cross Blue Shield Association nationwide program that enables members who need health care services while traveling or living in another Blue Shield Association plan's service area to access a local plan's providers. Additionally, the plan offers a broad range of health benefit services for self-funded plans including claims processing, stop-loss insurance, actuarial and reporting services, medical cost management, and other administrative services.

The plan reported total enrolled members over the past five years as follows:

<b>Line of business</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Individual hospital and medical	27,729	20,057	18,649	5,148	5,554
Group hospital and medical	152,253	155,518	155,371	180,854	170,741
Medicare supplement	15,850	16,016	16,572	16,203	11,278
Vision only	78,015	78,833	75,199	76,434	69,082
Dental only	28,459	30,381	31,002	44,587	41,203
FEHBP	61,651	61,004	61,924	62,168	61,191

Medicare*	68,912	67,628	62,914	68,518	60,056
Medicaid	0	0	0	0	0
Long-term care	376	396	0	0	0
Other	<u>0</u>	<u>0</u>	<u>412</u>	<u>440</u>	<u>446</u>
Total enrollment	<u>433,245</u>	<u>429,833</u>	<u>422,043</u>	<u>454,352</u>	<u>419,551</u>

At year-end 2023, the plan reported direct business, as follows:

<b>State</b>	<b>Direct premiums written</b>
Oregon	\$ 2,542,904,512
Washington	<u>327,385,764</u>
Total	<u>\$ 2,870,290,276</u>

### **GROWTH OF THE COMPANY**

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

<b><u>Year</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Capital and surplus</u></b>	<b><u>Net income (loss)</u></b>
2019	\$ 1,462,401,453	\$ 625,779,046	\$ 836,622,407	\$ 60,605,628
2020 *	1,722,480,385	779,084,046	943,396,339	72,756,804
2021	1,942,028,489	909,480,498	1,032,547,991	70,039,698
2022	1,885,646,054	736,715,253	1,148,930,801	215,066,112
2023*	1,961,233,752	699,014,692	1,262,219,060	137,212,345

\*Per examination

## **LOSS EXPERIENCE**

The following exhibit reflects the annual underwriting results of the plan over the past five years. The amounts were obtained from copies of the plan's filed annual statements and, where indicated, from the previous examination reports.

	(1)	(2)	(2)/(1)	(3)	(2)+(3)/(1)
<b><u>Year</u></b>	<b><u>Total revenues</u></b>	<b><u>Total hospital and medical</u></b>	<b><u>Medical loss ratio</u></b>	<b><u>Claim adjustment and general expenses</u></b>	<b><u>Combined loss ratio</u></b>
2019	\$ 2,128,531,494	\$ 1,833,436,730	86.1%	\$ 265,233,636	98.6%
2020*	2,280,463,076	1,846,809,200	81.0%	332,139,441	95.5%
2021	2,494,514,593	2,167,747,519	86.9%	299,204,530	98.9%
2022	2,657,478,763	2,258,415,709	85.0%	315,928,082	96.9%
2023*	2,830,080,349	2,503,857,894	88.5%	317,933,698	99.7%

\* Per examination

A combined claims and expense to premium ratio in excess of 100 percent typically indicates an underwriting loss. The plan reported underwriting gains in each of the past five years.

## **REINSURANCE**

### **Assumed**

Effective Jan. 1, 2006, the plan entered into a reinsurance agreement with Asuris Northwest Health (Asuris) to assume 100 percent of the liability incurred under Asuris Medicare Script insurance policies issued by Asuris to individuals in Oregon on or after the effective date.

Effective Jan. 1, 2020, the plan amended the agreement to include a settlement clause and an entire agreement clause.

Effective Jan. 4, 2024, the plan, Regence BlueShield of Idaho Inc., and BlueCross BlueShield of Utah entered into a proportional share reinsurance agreement. Under the agreement, the plan assumes 65 percent and BlueCross BlueShield of Utah assumes 25 percent of the total liabilities

incurred from Regence BlueShield of Idaho for group insurance policies from the state of Idaho contract. The agreement will be in effect for a minimum of three years following Jan. 1 next succeeding the effective date. The parties may terminate the agreement without cause 270 days before the start of the next renewal date. Payments are due within 90 days of the end of each month. The agreement contains a settlement clause and an entire agreement clause.

### **Ceded**

Effective Jan. 1, 2014, the plan ceded 100 percent of its accidental death benefits included in certain individual and group medical policies to LifeMap. Effective Jan. 1, 2020, the plan amended the agreement to include a settlement clause and an entire agreement clause.

*Note:* LifeMap Assurance Company was acquired by Life & Specialty Ventures in 2021. Life Map is no longer part of Cambia Health Solutions.

Effective Jan. 1, 2014, the plan ceded 100 percent of the liability for eligible high-risk patient claims to the Oregon Health Authority. Effective Jan. 5, 2015, Cambia entered into an excess-of-loss contract with HM Life Insurance Company that reinsures them against high commercial, retrospective, federal exchange, and stop-loss claims in excess of \$2 million for its fully insured members. The agreement was subsequently terminated and replaced with a medical excess-of-loss agreement between Cambia (including the plan) and QBE Reinsurance Corporation, which included a settlement clause. Under the agreement, QBE will cover any claims incurred for a member exceeding Cambia's retention of a \$4 million ultimate net loss.

Effective Jan. 1, 2022, the plan entered into a reinsurance agreement with USABLE Life Insurance Company, whereby the plan ceded 100 percent of the companies liability incurred on certain dental insurance plans, relating to the commercial (including Qualified Health Plans) and Medicare dental

insurance policies written by the companies, but, specifically excludes any dental procedures that process under a medical benefit, such as oral surgery. Payments will be made in cash not later than five days after receipt by the reinsurer. Effective April 2, 2024, the plan amended the agreement to include a settlement clause and an entire agreement clause.

Each of the reinsurance agreements contained a proper insolvency clause according to ORS 731.508(3) as required to take reserve credits for reinsurance ceded. In view of the plan's reported surplus at Dec. 31, 2023, it does not maintain risk on any one subject in excess of 10 percent of its surplus, in compliance with ORS 731.504.

### **ACCOUNTS AND RECORDS**

In general, the plan's records and source documentation supported the amounts presented in the plan's Dec. 31, 2023, annual statement and were maintained in a manner by which the financial condition was readily verifiable under the provisions of ORS 733.170.

### **STATUTORY DEPOSIT**

As of the examination date, the plan maintained a \$260,000 (par value) U.S. Treasury bond on deposit at the Division of Financial Regulation (DFR), which meets the requirements of ORS 750.045(2). The deposit was verified from the records of DFR. In addition, the plan reported \$1,125,000 (par value) in a U.S. Treasury note as a deposit held for the Washington Office of the Insurance Commissioner for the benefit of all policyholders. Both deposits were properly listed in the 2023 annual statement on Schedule E – Part 3.

## **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no adjustments made to the surplus and no recommendations were made in the 2020 report of examination. A follow-up review was not made for this plan.

## **SUBSEQUENT EVENTS**

A settlement and settlement amount has been reached for the Provider Class Action Antitrust Lawsuit against BCBSA and all Blue Plans. The settlement has received preliminary court approval but is subject to further evaluation and deliberation by the court and Blue Plans now that provider opt outs has been filed. Certain provider opt outs have also filed separate litigation. Cambia Health Solutions and its affected Blue plan insurers has estimated additional reserves for their portion of the settlement. The subscriber portion has been settled, although subscriber opt-out litigation continues.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the plan with DFR and present the financial condition of the plan for the period ending Dec. 31, 2023. 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, Capital and Surplus
- Statement of Revenue and Expenses
- Reconciliation of Capital and Surplus Since the Last Examination

**REGENCE BLUECROSS BLUESHIELD OF OREGON**  
**ASSETS**  
**As of Dec. 31, 2023**

<b>Assets</b>	<b>Net admitted assets</b>	<b>Notes</b>
Bonds	\$ 1,249,897,960	1
Common stocks	432,421,777	1
Properties occupied by the company	6,970,791	2
Cash, cash equivalents, and short-term investments	(25,106,642)	1
Other invested assets	16,353,076	3
Receivables for securities	282,755	
Aggregate write-ins for invested assets	-	
Subtotals, cash and invested assets	<u>1,680,819,717</u>	
Investment income due and accrued	9,307,419	
Premiums and considerations		
Uncollected premiums and agents' balances in the course of collection	99,420,267	
Accrued retrospective premiums, and contracts subject to redetermination	24,296,032	
Amounts recoverable from reinsurers	17,119,124	
Funds held by or deposited with reinsured companies	-	
Amounts receivable relating to uninsured plans	60,098,491	
Current federal income tax recoverable	5,970,857	
Receivables from parent, subsidiaries and affiliates	17,267,873	
Health care, and other amounts receivable	42,313,722	
Aggregate write-ins for other-than-invested assets	<u>4,620,250</u>	
Total assets	<u>\$ 1,961,233,752</u>	



**REGENCE BLUECROSS BLUESHIELD OF OREGON**  
**LIABILITIES, CAPITAL AND SURPLUS**  
**As of Dec. 31, 2023**

	Current year total	Notes
Claims unpaid	\$ 354,995,672	4
Accrued medical incentive pool and bonus amounts	17,414,683	4
Unpaid claims adjustment expenses	10,318,433	4
Aggregate health policy reserve	96,723,029	4
Aggregate health claim reserves	1,828,584	
Premiums received in advance	21,248,264	
General expenses due or accrued	38,366,696	
Current federal and foreign income tax payable	-	
Net deferred tax liability	10,612,731	
Ceded reinsurance premiums payable	3,911,266	
Amounts withheld or retained for the account of others	8,312,418	
Remittances and items not allocated	5,844,416	
Amounts due to parent, subsidiaries and affiliates	30,233,978	
Payable for securities	4,772,790	
Payable for securities lending	-	
Liability for amounts held under uninsured plans	94,128,766	
Aggregate write-ins for other liabilities	302,966	
Total liabilities	<u>\$ 699,014,692</u>	
Aggregate write-ins for special surplus funds	\$ -	
Common capital stock	-	
Gross paid in and contributed surplus	-	
Surplus notes	-	
Unassigned funds (surplus)	1,262,219,060	
Surplus as regards policyholders	<u>1,262,219,060</u>	
Total liabilities, surplus, and other funds	<u>\$ 1,961,233,752</u>	

**REGENCE BLUECROSS BLUESHIELD OF OREGON**  
**STATEMENT OF REVENUE AND EXPENSES**  
**For the year ended Dec. 31, 2023**

Revenue	Current year total	Notes
Net premium income	\$ 2,822,971,514	
Change in unearned premium reserves and reserve for rate credits	7,108,835	
Aggregate write-ins for other health care-related revenues	-	
Aggregate write-ins for other non- health revenues	-	
Total revenues	<u>2,830,080,349</u>	
Hospital and Medical:		
Hospital/medical benefits	1,541,134,257	
Other professional services	257,882,912	
Outside referrals	33,567,674	
Emergency room and out-of-area	372,937,987	
Prescription drugs	335,844,825	
Aggregate write-ins for other hospital and medical	-	
Incentive pool; withhold adjustments and bonus amounts	<u>15,581,011</u>	
Subtotal	2,556,948,666	
Less:		
Net reinsurance recoveries	<u>53,090,772</u>	
Total hospital and medical	2,503,857,894	
Non-health claims (net)	-	
Claims adjustment expenses	140,034,649	
General administrative expenses	177,899,049	
Increase in reserves for life and accident and health contracts	<u>(456,226)</u>	
Total underwriting deductions	<u>2,821,335,366</u>	
Net underwriting gain or (loss)	<u>8,744,983</u>	
Net investment income earned	48,700,800	
Net realized capital gains or (losses)	18,047,555	
Net investment gains or (losses)	66,748,355	
Net gain or (loss) from agents' or premium balances charged off	(359,236)	
Aggregate write-ins for other income or expenses	(3,950,435)	
Federal income taxes incurred	<u>(66,028,678)</u>	
Net income	<u>\$ 137,212,345</u>	

**REGENCE BLUECROSS BLUESHIELD OF OREGON**  
**RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION**  
**For the year ended Dec. 31,**

	2023	2022	2021	2020
Surplus as regards policyholders, Dec. 31, previous year	\$ 1,148,930,801	\$ 1,032,547,991	943,396,339	836,622,407
Net income or (loss)	137,212,345	215,066,112	70,039,698	72,756,804
Change in net unrealized capital gains (losses)	30,651,047	(74,359,739)	41,426,965	36,321,493
Change in net deferred income tax	(350,775)	2,612,078	(1,839,947)	8,953,196
Change in nonadmitted assets	(4,224,357)	3,064,359	9,524,935	(11,257,561)
Change in provision for reinsurance	-	-	-	-
Change in treasury stock	-	-	-	-
Change in surplus notes	-	-	-	-
Cumulative effect 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	-	-	-	-
Distribution to parent (cash)	-	-	-	-
Examination adjustments	-	-	-	-
Aggregate write-ins for gains or (losses) in surplus	(50,000,000)	(30,000,000)	(30,000,000)	-
Change in surplus as regards policyholders for the year	113,288,259	116,382,810	89,151,651	106,773,932
Surplus as regards policyholders, Dec. 31, current year	\$ 1,262,219,060	\$ 1,148,930,801	\$ 1,032,547,991	\$ 943,396,339

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1 – Invested assets**

At year-end 2023, the plan's long-term bond investments were diversified in U.S. government obligations, U.S. special revenue and special assessment obligations, corporate issues, and unaffiliated bank loans. The plan did have a moderate exposure to mortgaged-backed (MBS) and asset-backed securities (ABS). All MBS/ABS issues were investment rated at year-end 2020, and the carrying book value of \$428 million comprised 34.3 percent of the total long-term bond portfolio, and 25.5 percent of all invested assets.

Short-term deposits consisted of three exempt money market mutual funds.

Common stocks included U.S. and foreign corporations, and the equity in two subsidiaries based on the plan's 22.6 percent ownership interest in Northwest LSV holding company, and 19.2 percent ownership interest in BridgeSpan.

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

	<b>A</b>	<b>B</b>	<b>C</b>	<b>Ratio</b>	<b>Ratio</b>	<b>Ratio</b>
<b><u>Year</u></b>	<b><u>Bonds</u></b>	<b><u>Common stocks</u></b>	<b><u>Cash and short-term</u></b>	<b><u>A/ total assets</u></b>	<b><u>B/ total assets</u></b>	<b><u>C/ total assets</u></b>
2019	823,473,209	370,458,047	14,886,070	56.3%	25.3%	1.0%
2020 *	959,988,357	441,570,567	24,696,130	55.7%	25.6%	1.4%
2021	1,178,355,506	470,440,218	(29,693,615)	60.7%	24.2%	(1.5)%
2022	1,219,384,322	396,810,827	(42,125,567)	64.7%	21.0%	(2.2)%
2023*	1,249,897,960	432,421,777	(25,106,642)	63.7%	22.0%	(1.3)%

The Cambia investment 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, under ORS 733.740. As of Dec. 31, 2023, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in Federal Deposit Insurance Company insured cash deposits, and the plan was in compliance with ORS 733.580.

Effective Dec. 17, 2009, and last amended and restated on March 19, 2019, the plan entered into a custodial agreement with BNY Mellon. The agreements contained all the relevant protections described in OAR 836-027-0200(4)(a) through (n).

### **Note 2 – Real estate**

The plan reported properties on Schedule A – Part 1 of the 2023 annual statement for the plan's office building in Medford, Oregon. The total book value was reported at \$6,970,791 and consisted of the land and depreciated cost of the building, adjusting for renovations or other capital expenditures. There were no encumbrances on the property.

### **Note 3 – Other invested assets**

During the period under examination, the plan reported five assets in Schedule BA; 1) an investment in BlueCross BlueShield Venture Partners III LLC in Chicago, Illinois, 2) an investment in BlueCross BlueShield Venture Partners IV LLC in Chicago, Illinois, 3) a limited partnership interest in the Portland headquarters building known as 200 Market Associates LP, 4) an investment in Cascadia Echo Holding Company in Wilmington, Delaware, and 5) an investment in a subsidiary, Regence HMO Oregon. The limited partnership interest in 200 Market Associates LP was reported at zero book value and the investment in Regence HMO Oregon was non-admitted for statutory reporting.

### **Note 4 – Actuarial reserves**

A review of the actuarial liabilities, including unpaid claims and claim adjustment expense reserves for the plan was performed by T. Michael Presley, FSA, MAAA and Actuarial Examiner of Exam 360. As part of his review, he examined the Dec. 31, 2023, actuarial opinion and memoranda prepared by Steven J. Gaspar, FSA, MAAA, senior vice president and chief actuary of Cambia Health Solutions. He also reviewed various information provided by the plan, including claim data, statutory audit work-papers, responses to requests, and financial statements. The data, analysis and information was reviewed for reasonableness. Model audit rule actuarial workpapers were also included in his review, in addition to underlying claims data testing performed by the exam team. Further, he identified the most significant risks facing the plan, identified controls and processes in place to mitigate the risks, and performed substantive testing procedures, as necessary.

Based on their examination, the following actuarially related liabilities were:

	<u>Exam estimate</u>	<u>Annual statement</u>
Claims unpaid	\$ 354,995,672	\$ 354,995,672
Accrued medical incentive pool and bonus amounts	17,414,683	17,414,683
Unpaid claims adjustment expenses (CAE)	10,318,433	10,318,433
Aggregate health policy reserves	96,723,029	96,723,029
Aggregate health claim reserves	<u>1,828,584</u>	<u>1,828,584</u>
Total actuarial liabilities	<u>\$ 481,280,401</u>	<u>\$ 481,280,401</u>

The appointed actuary opined that the reserves for the above actuarial liabilities, including unpaid claims and claims adjustment expenses carried by the plan as of Dec. 31, 2023, were reasonable. Mr. Presley's total estimate equaled the appointed actuary's and he concurred that the actuarial liabilities of the plan were determined to be reasonably and accurately stated as of Dec. 31, 2023.

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

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

## **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

The following is a summary of the recommendations made in this report of examination:

Page:

- 15 I recommend the plan to amend the note to include a specific due date for timely settlement of amounts owed, according to SSAP 25, Paragraph 10.
- 15 I recommend the plan immediately file a Form D – Notice of Proposed Transaction for this affiliated agreement to the Oregon Division of Financial Regulation for approval in accordance with ORS 732.574(2)(a)(A).

## **CONCLUSION**

During the three-year period covered by this examination, the surplus of the plan has increased from \$943,396,339, as presented in the Dec. 31, 2020, report of examination to \$1,262,219,060, as shown in this report. The comparative assets and liabilities are:

	<b><u>2023</u></b>	<b>Dec. 31, <u>2020</u></b>	<b><u>Change</u></b>
Assets	\$ 1,961,233,752	\$ 1,722,480,385	\$ 238,753,367
Liabilities	<u>699,014,692</u>	<u>779,084,046</u>	<u>(80,069,354)</u>
Surplus	<u>\$ 1,262,219,060</u>	<u>\$ 943,396,339</u>	<u>\$ 318,822,721</u>

## **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, David Lorenz, CIE, insurance examiner, Andrew D. Bux, ASA, MAAA, life and health actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination. Additionally, Eric Free, CFE, ALMI, director, from Risk and Regulatory Consulting LLC participated in this examination. We would also like to thank the following for their participation in this coordinated examination:

### **Idaho Department of Insurance**

Eric Fletcher, CFE, chief examiner

James Anderson, AFE, deputy chief examiner

### **Utah Department of Insurance**

Cambria Shore, MSA, CFE, APIR, chief examiner/examiner-in-charge

Jamie Larson, PIR, financial examiner

### **Washington Office of the Insurance Commissioner**

Randy Fong, CFE, team supervisor

Bert Karau, CPA, CFE, FLMI, examiner-in-charge

Constantine Arustamian, CFE, CPA, CIE, CISA, IT examiner

Che Pasia, financial examiner

Branden Philpot, CPA, financial examiner

Jonathan Yee, CPA, CFE, financial examiner

Katy Bardsley, CPA, CFE, APIR, financial examiner

James Koo, financial examiner

Amina Mohammud, financial examiner

### **INS Companies**

Toni Bean, CFE, CIA, CFE (Fraud), CRMA, MCM (Idaho EIC)

### **Exam 360**

Mike Presley, FSA, MAAA, lead consulting actuary – Utah contract actuary

Respectfully submitted,

/s/ Tho Le

Tho Le, CFE, PIR

Senior insurance examiner

Division of Financial Regulation

Department of Consumer and Business Services

State of Oregon

**AFFIDAVIT**

STATE OF OREGON

County of Marion

Tho Le, CFE, PIR, being duly sworn, states as follows:

1. I have authority to represent the State of Oregon in the examination of Regence BlueCross BlueShield of Oregon, 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 workpapers and examination report. The examination of Regence BlueCross BlueShield of Oregon was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Tho Le  
\_\_\_\_\_  
Tho Le, CFE, PIR  
Senior insurance examiner  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

Subscribed and sworn to before me this 7<sup>th</sup> day of July, 2025.

/s/ Cindy Engle  
\_\_\_\_\_  
Notary public in and for the State of Oregon

My commission expires: 7/9/2027