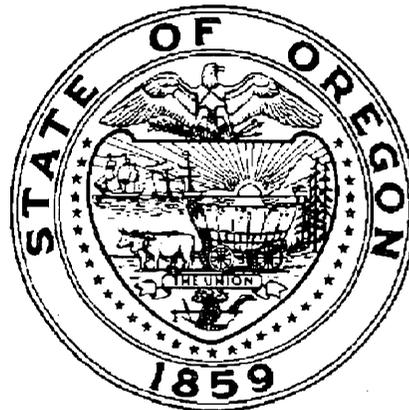


**STATE OF OREGON**  
**DEPARTMENT OF**  
**CONSUMER & BUSINESS**  
**SERVICES**  
**DIVISION OF FINANCIAL**  
**REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

**REGENCE HMO OF OREGON**  
**PORTLAND, OREGON**

AS OF

DECEMBER 31, 2017

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**REGENCE HMO OREGON**

**PORTLAND, OREGON**

**NAIC COMPANY CODE 95699**

AS OF

DECEMBER 31, 2017

## 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>Dividends and Other Distributions</i> .....	<i>6</i>
<b>CORPORATE RECORDS</b> .....	<b>6</b>
<i>Board Minutes</i> .....	<i>6</i>
<i>Articles of Incorporation</i> .....	<i>7</i>
<i>Bylaws</i> .....	<i>7</i>
<b>MANAGEMENT AND CONTROL</b> .....	<b>7</b>
<i>Board of Directors</i> .....	<i>7</i>
<i>Officers</i> .....	<i>8</i>
<i>Insurance Company Holding System</i> .....	<i>8</i>
<b>INTERCOMPANY AGREEMENTS</b> .....	<b>12</b>
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>13</b>
<b>TERRITORY AND PLAN OF OPERATION</b> .....	<b>14</b>
<b>GROWTH OF THE COMPANY</b> .....	<b>14</b>
<b>LOSS EXPERIENCE</b> .....	<b>14</b>
<b>REINSURANCE</b> .....	<b>15</b>
<b>ACCOUNTS AND RECORDS</b> .....	<b>15</b>
<b>STATUTORY DEPOSITS</b> .....	<b>15</b>
<b>COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS</b> .....	<b>16</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>16</b>
<b>FINANCIAL STATEMENTS</b> .....	<b>16</b>
<i>ASSETS</i> .....	<i>17</i>
<i>LIABILITIES, CAPITAL AND SURPLUS</i> .....	<i>18</i>
<i>STATEMENT OF REVENUES AND EXPENSES</i> .....	<i>19</i>
<i>RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION</i> .....	<i>20</i>
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	<b>21</b>
<i>Note 1 – Invested Assets</i> .....	<i>21</i>
<i>Note 2 – Actuarial Reserves</i> .....	<i>21</i>
<b>SUMMARY OF COMMENTS AND RECOMMENDATIONS</b> .....	<b>22</b>
<b>CONCLUSION</b> .....	<b>22</b>
<b>ACKNOWLEDGMENT</b> .....	<b>23</b>
<b>AFFIDAVIT</b> .....	<b>24</b>

**SALUTATION**

February 19, 2019

Honorable Cameron Smith, 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

**REGENCE HMO OREGON  
100 SW Market Street  
Portland, Oregon 97204**

**NAIC Company Code 95699**

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

## SCOPE OF EXAMINATION

We have performed our regular, triennial, multi-state examination of Regence HMO 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 two 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 December 31, 2014. This examination covers the period of January 1, 2015 to December 31, 2017.

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 Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company'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 the Plan.

### **COMPANY HISTORY**

The Plan was incorporated as a non-profit corporation in Oregon on November 24, 1976, under the name Capitol Health Care, Inc., and received its Certificate of Authority as a domestic health care service contractor under Oregon Revised Statutes (ORS) Chapter 750 from the Division of Financial Regulation on March 1, 1977. Prior to its incorporation, on September 23, 1976, the Company entered into an agreement with the United States Secretary of Health, Education and Welfare as a health maintenance organization to provide benefits and services under the Federal Medicare program. In March 1978, the Company became a federally qualified health maintenance organization under the provisions of Title XIII of the Public Health Service Act. Capitol Health Care was re-named HMO Oregon on October 22, 1993.

From its inception until 1988, the Plan operated independently. Effective November 15, 1988, the Plan entered into a "Plan and Agreement of Acquisition" with BlueCross and BlueShield of Oregon (BCBSO). The agreement named BCBSO as the Plan's sole corporate member and gave BCBSO the authority to appoint the chairman of the Board of Directors, approve all directors, budgets, changes in product lines and amendments to Bylaws and Articles of Incorporation. Under the terms of the agreement, BCBSO transferred to the Company 100% the issued and outstanding shares of stock of its wholly owned subsidiary — Health Maintenance of Oregon, Inc.

On April 17, 1995, a public benefit corporation was formed under the name ENTRUST, which

changed its name to The Benchmark Group on June 27, 1995. It was formed as a holding company to perform administrative services for its subsidiaries. On June 1, 1995, four entities, BCBSO (State of Oregon), King County Medical Blue Shield (State of Washington), Pierce County Medical Bureau, Inc. (State of Washington), and Medical Service Bureau of Idaho, Inc., entered into an Agreement of Affiliation with The Benchmark Group. On March 28, 1997, the Benchmark Group changed its name to The Regence Group (TRG). Effective August 1, 1997, Regence BlueCross BlueShield of Utah became an affiliate of TRG. On November 4, 2011, TRG received approval to use the name Cambia Health Solutions, Inc. (Cambia).

### **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.

Neither the Plan'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 Plan relies on appointed committees of the ultimate parent, 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

A review of the Board minutes indicated the compensation of Cambia's CEO is approved through the Personnel & Compensation Committee, which is then approved by the Board. Compensation of other senior officers, including the Plan's senior officers, 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 restated on July 30, 2003. No changes were made during the period under examination. The Articles of Incorporation conformed to the Oregon Insurance Code.

**Bylaws**

The Bylaws were most recently restated on June 26, 2012. No 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 II – Section 2, state the business affairs of the corporation shall be managed by its Board of Directors. Section 2 states the number of Directors constituting the Board of Directors shall not be less than five (5) nor more than nine (9). The Plan was governed by a five-member Board of Directors at December 31, 2017, as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Affiliation</u></b>	<b><u>Member Since</u></b>
John W. Attey Portland, Oregon	Chief Legal Officer Cambia Health Solutions	2015
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
Vincent P. Price Portland, Oregon	Executive Vice President and CFO Cambia Health Solutions	2009
Jared L. Short Battleground, Washington	Chief Operating Officer Regence Insurance Holding Corporation	2009

The composition of the Plan's Board of Directors complied with ORS 732.305.

### Officers

Principal officers serving at December 31, 2017, were as follows:

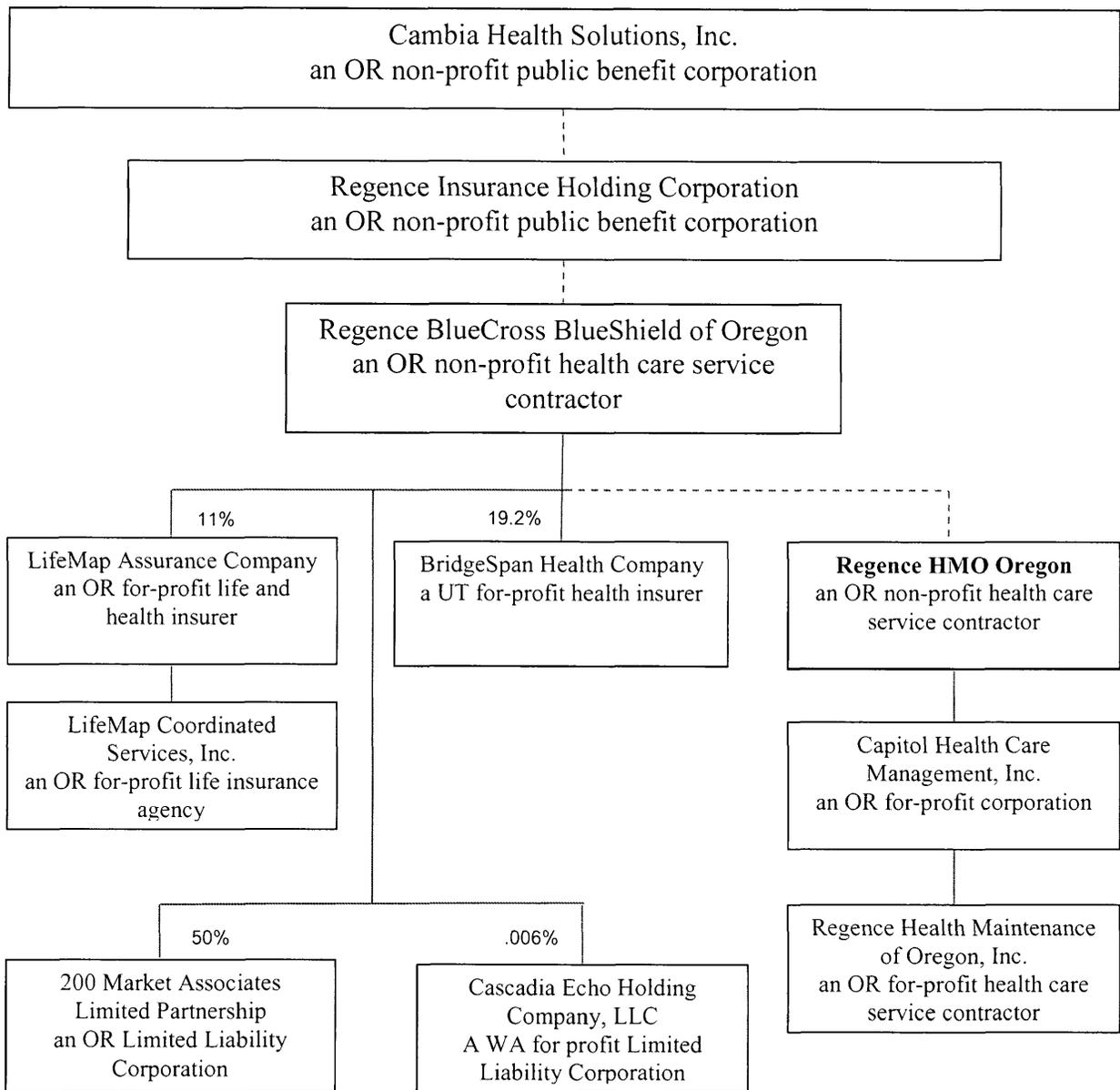
<u>Officer</u>	<u>Officer</u>
Angela M. Dowling	President
Lisa T. Murphy	Secretary
Andreas B. Ellis	Treasurer

### 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

The Plan 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):



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. It operates as a holding company and is the sole corporate 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 program contracting with pharmacies, processing prescription claims, reviewing medication formularies, and providing educational tools for members and doctors. On March 19, 2012, OmedaRx entered into a new PBM administration arrangement effective May 1, 2012 with Catalyst Rx, an unrelated third party that was subsequently purchased by SXC Health Solutions Corp. on April 17, 2012. Catalyst and SXC merged into one company with a new name and brand, Catamaran Rx. On March 30, 2015, UnitedHealth Group Inc. agreed to buy Catamaran Rx for \$12.8 billion, merging Catamaran Rx with its drug-benefit unit called OptumRx.

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

Hubbub Health, Inc. is an organization that hosts a social media site to provide an interactive wellness program. It provides an online monthly subscription service to customers (business groups), which issue health and wellness challenges to its employees via the Hubbub platform. Additional features include health coaching, consulting, mobile access, and fitness device integration.

MedSavvy, 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.

HealthSparq, Inc. was incorporated in Oregon on August 9, 2013, and is an online marketplace for employers and health providers. It is an integrated solution that transforms health by turning health care data into consumer information.

Cambia Health Foundation (formerly The Regence 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 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. 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 indirect subsidiaries of Cambia include:

Cascadia Echo Holding Company is a Delaware for-profit investment management company formed in 2016 by Cambia Health Solutions. It is mainly funded through RBS, which has a 99.186% ownership interest. The Holding Company is used to invest in non-insurance related entities which provide various services focusing on the consumer such as IT services; programs/applications, pharmacy benefit management services, network management, and health and wellness services.

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

Capitol Health Care Management, Inc., an Oregon for-profit corporation that serves as a downstream holding company to own all stock of HMO subsidiaries. This company is 100% owned by Regence HMO Oregon.

200 Market Associates Limited Partnership, 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, RBCBSO is a Class B limited partner (50% ownership interest) and John W. Russell is a Class C limiter partner. The partnership own and operates the 200 SW Market Street commercial office building.

### **INTERCOMPANY AGREEMENTS**

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

#### Administrative Service Agreement

This agreement became effective December 28, 2007, between Cambia and all of its subsidiaries including the Plan. Cambia shall 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 system-wide cost allocation methodology and in accordance with 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.

#### 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 federal income tax return, including any liability for any 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.

#### Insolvency Agreement

The Plan entered into an agreement on August 1, 1991, with RBCBSO. The agreement requires RBCBSO to make certain payments for covered services and to protect members from incurring liability in the event of the insolvency of the Plan.

### **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. This coverage complies with the coverage amounts recommended by the NAIC *Financial Condition Examiners Handbook*.

Other coverages in force at December 31, 2017, were found to be adequate and included:

Property liability  
 Cyber liability  
 Travel Accident, Accidental Death and Dismemberment  
 International liability  
 Excess liability  
 Fiduciary liability  
 Employment practices liability  
 General liability, auto, employee benefits  
 Director's and officer's liability  
 Managed care errors & omissions liability  
 Workers' compensation  
 Umbrella liability  
 Fitness Center – General liability  
 Fitness Center – Excess liability

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

The Plan has been dormant since 2005. The Plan reported no enrolled members over the past five years.

### **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.

<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>
2013	6,686,449	149,774	6,536,675	(13,208)
2014*	13,813,529	2,758,599	11,054,930	4,515,918
2015	3,278,664	170,648	3,108,016	42,565
2016	3,121,637	2,746	3,118,891	3,276
2017*	3,137,203	7,392	3,129,811	10,919

\*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.

<u>Year</u>	(1) <u>Total Revenues</u>	(2) <u>Total Hospital and Medical</u>	(2)/(1) <u>Medical Loss Ratio</u>	(3) <u>Claim Adjustment and General Expenses</u>	(2)+(3)/(1) <u>Combined Loss Ratio</u>
2013	\$ 0	\$ 0	n/a	\$ 1,233,932	0.0%
2014*	0	0	n/a	1,474,217	0.0%
2015	0	0	n/a	211	0.0%
2016	0	0	n/a	7,081	0.0%
2017*	0	0	n/a	453	0.0%

#### REINSURANCE

Assumed

None.

Ceded

The company ceased writing business in 2005.

#### ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's December 31, 2017, 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 a \$260,000 (par value) US Treasury bond on deposit at the Division of Financial Regulation, which meets the requirements of ORS 750.045(2). The deposit was verified from the records of the Division of Financial Regulation. The deposits were properly listed in the 2017 Annual Statement on Schedule E- Part 3.

## **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no adjustments made to surplus and no recommendations were made in the 2014 report of examination. No follow-up review was made for this company.

## **SUBSEQUENT EVENTS**

There were no events subsequent to the examination date that would have a material impact on the financial statements of the Company.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Plan with the Division of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2017. 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 Surplus since the Last Examination

**REGENCE HMO OREGON**  
**ASSETS**  
**As of December 31, 2017**

<b>Assets</b>	<b>Balance per Plan</b>	<b>Examination Adjustments</b>	<b>Balance per Examination</b>	<b>Notes</b>
Bonds	\$ 3,011,467	\$ -	\$ 3,011,467	1
Cash, cash equivalents and short-term investments	114,579	-	114,579	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>3,126,046</u>	<u>\$ -</u>	<u>3,126,046</u>	
Investment income due and accrued	11,157	-	11,157	
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$ 3,137,203</u>	<u>\$ -</u>	<u>\$ 3,137,203</u>	

**REGENCE HMO OREGON**  
**LIABILITIES, CAPITAL AND SURPLUS**  
**As of December 31, 2017**

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ -	\$ -	\$ -	2
Accrued medical incentive pool and bonus amounts	-	-	-	2
Unpaid claim adjustment expenses	-	-	-	
Aggregate health policy reserve	-	-	-	
General expenses due or accrued	1,243	-	1,243	
Current Federal and foreign income tax payable	5,880	-	5,880	
Payable to parent, subsidiaries and affiliates	269	-	269	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>\$ 7,392</u>	<u>\$ -</u>	<u>\$ 7,392</u>	
Gross paid in and contributed surplus	\$ 1,620,928	\$ -	\$ 1,620,928	
Unassigned funds (surplus)	<u>1,508,883</u>	<u>-</u>	<u>1,508,883</u>	
Surplus as regards policyholders	<u>\$ 3,129,811</u>	<u>-</u>	<u>\$ 3,129,811</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 3,137,203</u>	<u>\$ -</u>	<u>\$ 3,137,203</u>	

**REGENCE HMO OREGON  
STATEMENT OF REVENUES AND EXPENSES  
For the Year Ended December 31, 2017**

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
<b>Revenue</b>				
Net premium income	\$ -	\$ -	\$ -	
Change in unearned premium reserves and reserves for rate credit	-	-	-	
Aggregate write-ins for health care related revenues	-	-	-	
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	
Hospital and Medical:				
Hospital/medical benefits	-	-	-	
Other professional services	-	-	-	
Outside referrals	-	-	-	
Emergency room and out-of-area	-	-	-	
Prescription drugs	-	-	-	
Incentive pool, withhold adjustments and bonus amounts	-	-	-	
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	
Less:				
Net reinsurance recoveries	<u>-</u>	<u>-</u>	<u>-</u>	
Total medical and hospital	-	-	-	
Non-health claims	-	-	-	
Claim adjustment expenses	-	-	-	
General administrative expenses	453	-	453	
Increase in reserves for life and accident and health contracts	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	<u>453</u>	<u>-</u>	<u>453</u>	
Net underwriting gain or (loss)	<u>(453)</u>	<u>-</u>	<u>(453)</u>	
Net investment income earned	17,252	-	17,252	
Net realized capital gains (losses)	<u>-</u>	<u>-</u>	<u>-</u>	
Net investment gains (losses)	17,252	-	17,252	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	<u>5,880</u>	<u>-</u>	<u>5,880</u>	
Net income	<u>\$ 10,919</u>	<u>\$ -</u>	<u>\$ 10,919</u>	

**REGENCE HMO OREGON**  
**RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION**  
**For the Year Ended December 31, 2017**

	2017	2016	2015
Surplus as regards policyholders, December 31, previous year	<u>\$ 3,118,891</u>	<u>\$ 3,108,016</u>	<u>\$ 11,054,930</u>
Net income (loss)	10,919	3,276	42,565
Change in net unrealized capital gains or (losses)	28,310	17,601	5,582
Change in net unrealized foreign exchange capital gain or (loss)	-	-	-
Change in net deferred income tax	-	(4,091)	4,091
Change in non-admitted assets	(28,309)	(5,911)	848
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	-	-	(8,000,000)
Distributions to parent (cash)	-	-	-
Change in treasury stock	-	-	-
Examination adjustment	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	<u>10,920</u>	<u>10,875</u>	<u>(7,946,914)</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 3,129,811</u>	<u>\$ 3,118,891</u>	<u>\$ 3,108,016</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Invested Assets

At year-end 2017, the Plan's long-term bond investments were invested in US obligations. Short-term deposits consisted of one US Treasury note purchased within one year of maturity and an exempt money market mutual fund.

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

<u>Year</u>	<u>A</u>	<u>B</u>	<u>Ratio</u>	<u>Ratio</u>
	<u>Bonds</u>	<u>Cash and Short-term</u>	<u>A/ Total Assets</u>	<u>B/ Total Assets</u>
2013	-	4,100,544	0%	61.3%
2014*	266,710	13,448,156	1.9%	97.4%
2015	-	3,265,823	0%	99.6%
2016	3,022,817	87,657	96.8%	2.8%
2017*	3,011,467	114,579	96.0%	3.7%

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, 2017, 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 actuarial liabilities, including unpaid claims and claim adjustment expense reserves for the Plan was performed by Michael Presley, FSA, MAAA and Senior Consulting Actuary of Risk & Regulatory Consulting (RRC) and by John Humphries, ASA, MAAA, Partner of RRC. As part of their review, they examined the Actuarial Report Supporting Statements as of December 31, 2017 prepared by Steven J. Gaspar, FSA, MAAA, Senior VP and Chief Actuary of Cambia Health Solutions. The Plan has been dormant since 2005 and has no recorded actuarial liabilities. As a result, an actuarial review was not conducted.

**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 three-year period covered by this examination, the surplus of the Plan has decreased from \$11,054,930 as presented in the December 31, 2014, report of examination, to \$3,129,811, as shown in this report. The comparative assets and liabilities are:

	<b><u>2017</u></b>	<b><u>December 31,</u></b>	<b><u>2014</u></b>	<b><u>Change</u></b>
Assets	\$ 3,137,203		\$ 13,813,529	\$ (10,676,326)
Liabilities	<u>7,392</u>		<u>2,758,599</u>	<u>(2,751,207)</u>
Surplus	<u>\$ 3,129,811</u>		<u>\$ 11,054,930</u>	<u>\$ (7,925,119)</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, Khoa V. Nguyen, AFE, Maanik C. Gupta, 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 this coordinated examination:

Idaho Department of Insurance

Kelsey Barlow, MBA, APIR, Financial Examiner

Utah Department of Insurance

Malis Rasmussen, MSA, CFE, SPIR, Deputy Chief Examiner and EIC  
Mike Porter, AFE, APIR, Financial Examiner

Washington Office of the Insurance Commissioner

Tarik Subbagh, CFE, CPA, MSBA, Team Supervisor  
Constantine Arustamian, CFE, CPA, CIE, Financial Examiner and EIC  
Cynthia L. Clark, CPA, Financial Examiner  
Zairina Othman, Financial Examiner

Johnson Lambert, LLP.

Elizabeth Nielson, CPA, CFE, representing Idaho as the EIC

Risk & Regulatory Consulting, LLC

John Humphries, AES, ASA, CFE, CISA, MAAA, MCM, Partner and Supervising Actuary  
Mike Presley, FSA, MAAA, Lead Consulting Actuary  
Shumei Kuo, FSA, MAAA, Assisting Consulting Actuary  
Kristina Gaddis, AES, CFE, CISA, Actuarial Analyst

Respectfully submitted,



Mark Giffin, CFE  
Senior Insurance Examiner  
Division of Financial Regulation  
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:

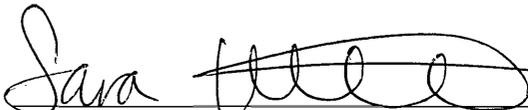
1. I have authority to represent the state of Oregon in the examination of Regence HMO Oregon, Portland, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial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

The affiant says nothing further.



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

Subscribed and sworn to me this 6<sup>th</sup> day of May, 2019.



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

My Commission Expires: 12/17/21

