

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, 2017

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DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

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NAIC COMPANY CODE 97985

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SALUTATION

February 19, 2019

Honorable Cameron Smith, Director
Department of Consumer and Business Services
Division of Financial Regulation
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

**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 regular, triennial, 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. (“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 insurer. A separate report of examination will be prepared for each entity. The last examination of this life and health insurer 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 Company 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/or the Company.

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 is 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, 2017, the Company reported 29,465 issued and outstanding shares, representing common capital stock equal to \$2,504,525. In March 2017 the Company received cash infusions totaling \$5,000,000 from Regence BlueShield, Regence BlueCross BlueShield of Oregon, Regence BlueCross BlueShield of Utah, and Regence

BlueShield of Idaho, Inc., resulting in an increase to surplus. 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 dividends 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 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
- Consumer Enablement Committee

A review of the Board 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

No 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 February 1, 2012. No changes were made during the period under examination. The Company's Bylaws conformed to the 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 states the number of directors constituting the Board of Directors shall not be less than five (5) nor more than seven (9). As of December 31, 2017, the Company was governed by a five-member Board of Directors as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Angela M. Dowling West Linn, Oregon	Chief Revenue Officer & President RBCBSO	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	Market President Idaho	2009
Vince P. Price Portland, Oregon	Chief Financial Officer Cambia Health Solutions	2010
James J. Swayze Salt Lake City, Utah	Market President Utah	2017

Officers

Principal officers serving the Company at December 31, 2017, were:

<u>Officer</u>	<u>Office</u>
Christopher G. Blanton	President
John W. Attey	Secretary
Andreas B. Ellis	Treasurer
Lisa T. Murphy	Assistant Secretary

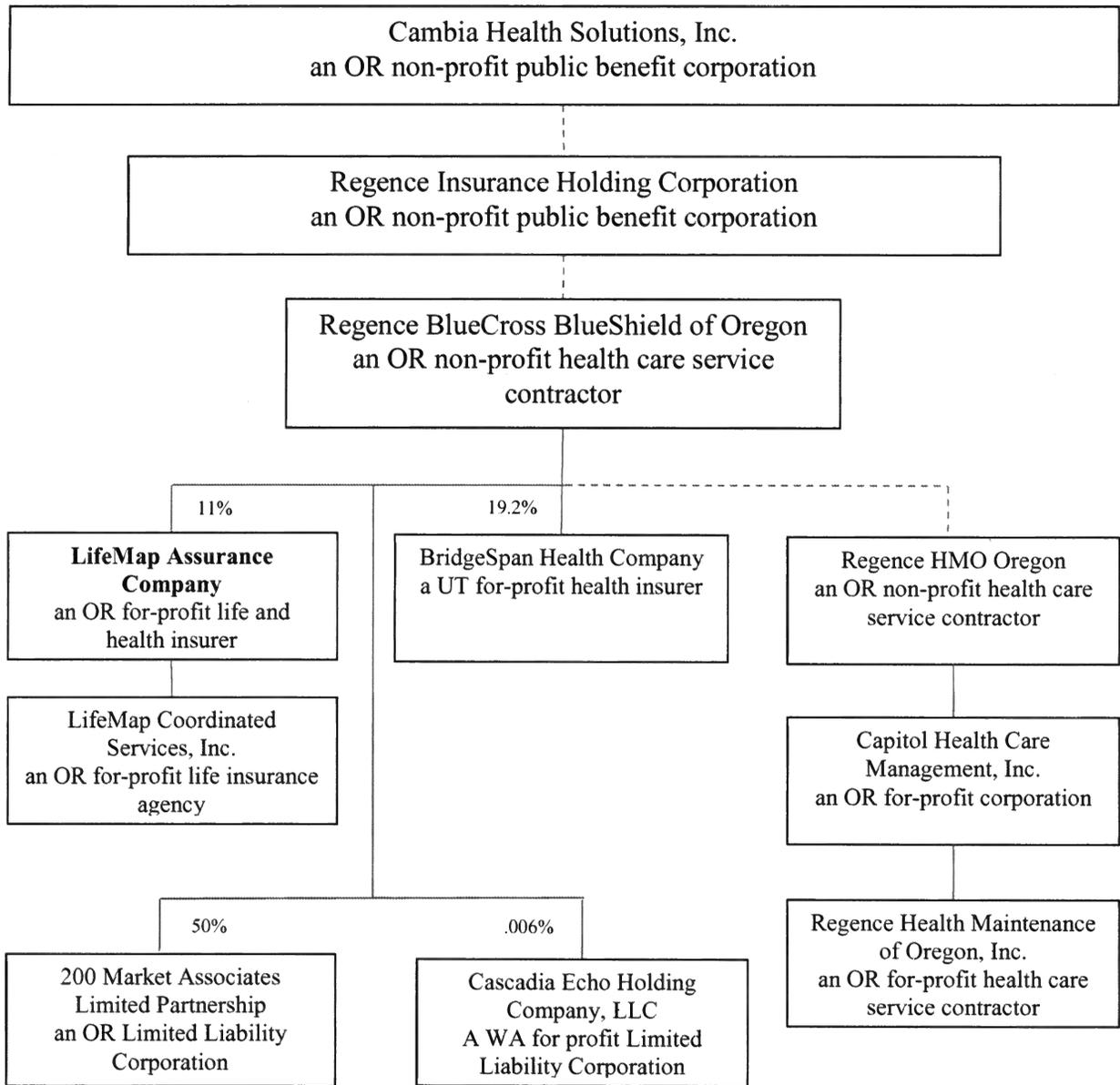
Conflict Of Interest

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):



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 their 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 the 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 owns and operates the 200 SW Market Street commercial office building.

INTERCOMPANY AGREEMENTS

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

Amended Administrative Service 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 shall provide all operational, administrative and management services reasonably necessary to transact business. These services include 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. Reimbursement will be made using a cost allocation method described in the contract, including the Company paying Cambia its proportionate share of the cost as well as its proportional share of general overhead expenses, in accordance with generally accepted cost accounting principles. It is intended that Cambia shall receive complete and full reimbursement for its costs and derive no profit from the 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 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.

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 Company's insurance coverages are provided through insurance policies from an unaffiliated carrier, and coverage protected the Company 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 coverage was found to meet the coverage level recommended by the NAIC.

Other insurance coverages in force at December 31, 2017, were found to be adequate, and are as follows:

- 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 Company is authorized to write business in eight western states as a life and health insurer. It offers group and voluntary insurance products for life, dental, critical illness and accident, short

and long term disability, and accident insurance. It also offers individual short-term medical, critical illness and dental products. Finally, the Company offers health and disability benefit services for self-funded plans, including claims processing, reporting, and other administrative services.

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

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

Line of Business	2017	2016	2015	2014	2013
Life					
Ordinary	\$ 37,666	\$ 44,219	\$ 67,473	\$ 63,780	\$ 47,579
Credit	0	0	0	0	0
Group	30,607,798	29,323,652	26,281,916	24,529,159	24,238,237
Industrial	0	0	0	0	0
Total Life	<u>\$30,645,464</u>	<u>\$29,367,871</u>	<u>\$26,349,389</u>	<u>\$24,592,939</u>	<u>\$24,285,816</u>
Accident & Health					
Group	\$46,167,036	\$43,798,281	\$42,253,129	\$35,483,054	\$29,064,696
Individual	0	0	0	0	0
Other	7,506,814	7,836,712	7,779,276	8,788,684	10,705,906
Total A&H	<u>53,673,850</u>	<u>51,634,993</u>	<u>50,032,405</u>	<u>44,271,738</u>	<u>39,770,602</u>
Total direct premiums	<u>\$84,319,314</u>	<u>\$81,002,864</u>	<u>\$76,381,794</u>	<u>\$68,864,677</u>	<u>\$64,056,418</u>

At year-end 2017, the Company reported direct business in the states it is authorized in as follows:

State	Direct Life Premiums Written	Direct A&H Premiums Written
Alaska	\$ 1,922	\$ 339
California	3,920	6,166
Idaho	4,061,270	5,712,809
Montana	347,707	655,479
Oregon	9,897,011	23,408,548
Utah	10,374,426	11,221,084
Washington	8,414,370	42,934,442
Wyoming	0	2,676
Total	<u>\$ 33,100,626</u>	<u>\$ 83,941,543</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 Surplus</u>	<u>Net Income (Loss)</u>
2013	\$ 89,582,812	\$ 44,266,367	\$ 45,316,445	\$ (526,417)
2014*	85,066,051	41,926,253	43,139,798	(79,368)
2015	83,130,422	43,722,076	39,408,345	(1,421,785)
2016	83,959,093	45,574,652	38,384,442	(308,738)
2017*	97,152,592	49,525,742	47,626,850	(158,202)

*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 the previous examination reports.

<u>Year</u>	<u>(1) Premium Earned</u>	<u>(2) Incurred Claims</u>	<u>(2)/(1) Pure Loss Ratio</u>	<u>(3) Incurred Expenses</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
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%
2015	53,273,304	34,978,960	65.6%	22,096,515	107.1%
2016	55,348,403	35,358,722	63.9%	22,469,897	104.5%
2017*	54,999,879	34,780,522	63.2%	21,398,579	102.1%

*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

Effective July 1, 2014, the Company entered into reinsurance agreements with Regence BlueCross BlueShield of Oregon, Regence BlueCross BlueShield of Utah, and Regence BlueShield of Idaho, to assume all liability incurred for accidental death benefits included in certain individual and group medical policies issued by the health care service contractors in exchange for a stated per-member per-month premium. The agreements did not contain a settlement clause nor a clause indicating this represented the entire agreement between the parties.

I recommend the Company amend the reinsurance agreements with RCBBSO, RCBSU and RBSI to include a settlement clause pursuant to the provisions of OAR 836-012-0310 and an entire agreement clause pursuant to the provisions of OAR 836-012-0320.

Ceded

Effective January 1, 1993, the Company ceded 100% of aggregate and specific Washington stop loss policies to Regence BlueCross BlueShield of Oregon. The agreement did not contain an entire agreement clause as required by OAR 836-012-0320.

I recommend the plan amend the ceded reinsurance agreement with RCBBSO to include an entire agreement clause pursuant to the provisions of OAR 836-012-0320.

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 policies. Under the terms of the agreement, RCBBSO shall adjust, settle or compromise all claims

and losses for risks reinsured and shall not receive any compensation from the Company for this service. The Agreement did not contain a settlement clause nor a clause indicating this represented the entire agreement between the parties.

I recommend the Company amend its ceded reinsurance agreement with RBCBSO to include both a settlement clause pursuant to the provisions of OAR 836-012-0310 and an entire agreement clause pursuant to the provisions of OAR 836-012-0320.

Effective June 1, 2008, the Company entered into a group life, group AD&D and voluntary group AD&D excess of loss reinsurance agreement with Generali USA Life Reassurance Company (changed to SCOR Global Life USA Reinsurance Company per amendment 7). Under the terms of the agreement, the Company is reinsured up to \$1,850,000 of losses per person in excess of \$150,000 for automatic group life, spouse term life, and voluntary group term life policies. The Company is reinsured up to \$1,900,000 of losses per person in excess of \$100,000 for automatic AD&D policies. The agreement did not contain a settlements clause as required by OAR 836-012-0310.

I recommend the Company amend the reinsurance agreement with SCOR Global Life USA Reinsurance Company to include a settlements clause pursuant to the provisions of OAR 836-012-0310.

Effective March 1, 2012, the Company entered into a catastrophic excess of loss agreement with Sirius International Insurance Corporation covering life, group life, and group AD&D policies. Under the terms of the Agreement, the reinsurer shall pay to the Company 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.

Effective January 5, 2015 Cambia Health Solutions 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 included the Company but did not contain a settlement clause as required by OAR 836-012-0310.

I recommend the plan amend the ceded reinsurance agreement with HM Life Insurance Company to include a settlement clause pursuant to the provisions of OAR 836-012-0310.

Effective July 1, 2015 the Company entered into a quota share long-term disability reinsurance agreement with Union Security Insurance Company through a reinsurance intermediary, Disability Reinsurance Management Services (DMRS). The Agreement provides for automatic reinsurance on voluntary and true group long-term disability (LTD) policies sold by the Company, whereby it retains 25% of the risk on each policy and cede the remaining 75%. Policies not eligible for automatic reinsurance may be ceded on a facultative basis. Effective January 1, 2017 the Company began to cede 60% of its liability for group long term disability to Union Security for policies with less than 300 members and 75% of its liability for this line of business for policies with more than 300 members.

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, 2017, it does not maintain risk on any one subject in excess of ten percent of their surplus, 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, 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 DEPOSIT

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 2017 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 adjustments made to surplus and no recommendations were made in the 2014 report of examination.

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 2017 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, 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

Summary of Operations

Reconciliation of Capital and Surplus Since the Last Examination

LIFEMAP ASSURANCE COMPANY
ASSETS
As of December 31, 2017

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 59,379,266	\$ -	\$ 59,379,266	1
Common stocks	19,518,355	-	19,518,355	1
Cash, cash equivalents and short-term investments	9,461,889	-	9,461,889	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	<u>\$ 88,359,510</u>	<u>\$ -</u>	<u>\$ 88,359,510</u>	
Investment income due and accrued	320,543	-	320,543	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	1,731,552	-	1,731,552	
Amounts recoverable from reinsurers	1,583,911	-	1,583,911	
Other amounts receivable under reinsurance contracts	1,821,564	-	1,821,564	
Amounts receivable relating to uninsured plans	78,956	-	78,596	
Receivables from parent, subsidiaries and affiliates	-	-	-	
Health care and other amounts receivable	14,081	-	14,081	
Aggregate write-ins for other than invested assets	<u>3,242,475</u>	<u>-</u>	<u>3,242,475</u>	
Total Assets	<u>\$ 97,152,592</u>	<u>\$ -</u>	<u>\$ 97,152,592</u>	

LIFEMAP ASSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
As of December 31, 2017

Liabilities	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Aggregate reserve for life contracts	\$ 11,647,164	\$ -	\$ 11,647,164	2
Aggregate reserve for accident and health contracts	7,520,595	-	7,520,595	2
Liability for deposit-type contracts	1,600,993	-	1,600,993	2
Contract claims Life	5,602,562	-	5,602,562	2
Contract claims Accident and health	3,723,674	-	3,723,674	2
Premiums and annuity considerations received in advance	916,148	-	916,148	
Provision for experience rating refunds	1,816,504	-	1,816,504	
Other amounts payable on reinsurance ceded	4,171,734	-	4,171,734	
Interest Maintenance Reserve	732,108	-	732,108	
Commissions to agents due or accrued	582,186	-	582,186	
General expenses due or accrued	1,284,937	-	1,284,937	
Taxes, licenses and fees due or accrued	3,777,177	-	3,777,177	
Current federal and foreign income taxes	1,094,127	-	1,094,127	
Net deferred tax liability	1,748,115	-	1,748,115	
Amounts withheld or retained	6,469	-	6,469	
Remittances and items not allocated	61,217	-	61,217	
Asset valuation reserve	2,698,756	-	2,698,756	
Payable to parent, subsidiaries and affiliates	541,276	-	541,276	
Total Liabilities	<u>\$ 49,525,742</u>	<u>\$ -</u>	<u>\$ 49,525,742</u>	
Common capital stock	\$ 2,504,525	-	\$ 2,504,525	
Aggregate write-ins for other than special surplus funds	722,806	-	722,806	
Gross paid in and contributed surplus	10,826,463	-	10,826,463	
Unassigned funds (surplus)	<u>33,573,056</u>	-	<u>33,573,056</u>	
Surplus as regards policyholders	<u>45,122,325</u>	-	<u>45,122,325</u>	
Capital and Surplus	<u>47,626,850</u>	-	<u>47,626,850</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 97,152,592</u>	<u>\$ -</u>	<u>\$ 97,152,592</u>	

LIFEMAP ASSURANCE COMPANY
SUMMARY OF OPERATIONS
For the Year Ended December 31, 2017

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Revenues				
Premiums and annuity considerations for life and accident and health contracts	\$ 84,319,314	\$ -	\$ 84,319,314	
Net investment income	1,841,544	-	1,841,544	
Amortization of IMR	198,581	-	198,581	
Aggregate write-ins for miscellaneous income	<u>509</u>	<u>-</u>	<u>509</u>	
Total revenue	<u>86,359,948</u>	<u>-</u>	<u>86,359,948</u>	
Benefits Paid				
Death Benefits	18,891,269	-	18,891,269	
Disability Benefits and benefits under accident and health contracts	33,784,252	-	33,784,252	
Interest and adjustments on contract or deposit-type contract funds	307,154	-	307,154	
Increase in aggregate reserves for life and a&h contracts	<u>(10,119)</u>	<u>-</u>	<u>(10,119)</u>	
Total benefits paid	<u>52,972,556</u>	<u>-</u>	<u>52,972,556</u>	
Expenses				
Commissions on premiums, annuity considerations, and deposit-type contract funds	7,432,060	-	7,432,060	
General insurance expenses	23,160,161	-	23,160,161	
Insurance taxes, licenses and fees excluding federal income taxes	2,470,786	-	2,470,786	
Aggregate write-ins for deductions	<u>3,927</u>	<u>-</u>	<u>3,927</u>	
Total benefits and expenses	<u>86,039,490</u>	<u>-</u>	<u>86,039,490</u>	
Net gain from operations before dividends to policyholders and FIT	320,458	-	320,458	
Federal and foreign income taxes incurred	955,585	-	955,585	
Net gain from operations after dividends to policyholders and before Federal Income Taxes	(635,127)	-	(635,127)	
Net realized capital gains and (losses) less capital gains tax	<u>476,925</u>	<u>-</u>	<u>476,925</u>	
Net income	<u>\$ (158,202)</u>	<u>-</u>	<u>\$ (158,202)</u>	

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

	2017	2016	2015
Surplus as regards policyholders, December 31, previous year	<u>\$ 38,384,442</u>	<u>\$ 39,408,345</u>	<u>\$ 43,139,798</u>
Net income (loss)	(158,202)	(308,738)	(1,421,785)
Change in net unrealized capital gains or (losses)	2,905,194	923,840	(1,615,998)
Change in net deferred income tax	(409,915)	(1,543,920)	283,604
Change in non-admitted assets	2,273,998	(160,694)	(1,270,981)
Change in Asset Valuation Reserve	(368,667)	65,609	293,707
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	5,000,000	-	-
Transferred to capital (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Change in surplus as a result of reinsurance	-	-	-
Dividends to stockholders	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	<u>9,242,409</u>	<u>(1,023,903)</u>	<u>(3,731,453)</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 47,626,851</u>	<u>\$ 38,384,442</u>	<u>\$ 39,408,345</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2017, the Company's long-term bond investments were diversified in US obligations, US federal agency bonds, municipal obligations and corporate issues. The Company did report a moderate exposure to mortgaged-backed and asset-backed securities. All MBS/ABS issues were investment rated at year-end 2017, and the carrying book value of \$24.7 million comprised 41.6% of the total long-term bond portfolio, or 28% of all invested assets.

The Company did not report any short-term investments. Common stocks were mainly comprised of corporate issues. The Company also reported 100% ownership of a subsidiary, which was non-admitted on the statutory statement.

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>
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%
2015	56,306,953	16,732,475	5,488,895	67.7%	20.1%	6.6%
2016	54,540,064	16,513,595	7,796,672	64.9%	19.6%	9.3%
2017*	59,379,266	19,518,355	9,461,889	61.1%	20.1%	9.7%

* Balance per examination

The 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, pursuant to ORS 733.730. 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 Company 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 (1).

Note 2 – Actuarial Reserves

A review of the actuarial liabilities, including aggregate reserves for Life and A&H contracts and Life and A&H contract claims was performed by Michael Presley, FSA, MAAA, 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 memorandum and supporting statements as of December 31, 2017 prepared by James F. Clark, FSA, MAAA, vice president of Risk Management and appointed actuary for the Company. External audit actuarial work-papers were also reviewed. Further, they reviewed the Company's controls related to identified actuarial risks.

The examination actuaries reviewed the reconciliation of the data used in the Company's Actuarial Report to the data in the actuarial work papers and found them to be consistent. They relied on work performed by the examination team who reviewed the underlying claims data used to create the Annual Statement filing, as well as prepared his own independent calculations. They determined the following:

	<u>RRC Estimate</u>	<u>Annual Statement</u>
Aggregate Reserve for Life Contracts	\$ 11,647,164	\$ 11,647,164
Aggregate Reserve for A&H Contracts	7,520,595	7,520,595
Liability for Deposit-type Contracts	1,600,993	1,600,993
Contract Claims for Life	5,602,562	5,602,562
Contract Claims for A&H	<u>3,723,674</u>	<u>3,723,674</u>
Total Actuarial Liabilities	<u>\$ 30,094,988</u>	<u>\$ 30,094,988</u>

The appointed actuary opined that the reserves carried by the Company as of December 31, 2017 were reasonable. Mr. Presley's concluded that the reserve liabilities were found to be accurately calculated and sufficient based upon asset adequacy analysis.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Page

- 18 I recommend the Company amend the reinsurance agreements with RBCBSO, RCBSU and RBSI to include a settlement clause pursuant to the provisions of OAR 836-012-0310 and an entire agreement clause pursuant to the provisions of OAR 836-012-0320.
- 18 I recommend the plan amend the ceded reinsurance agreement with RBCBSO to include an entire agreement clause pursuant to the provisions of OAR 836-012-0320.
- 19 I recommend the Company amend its ceded reinsurance agreement with RBCBSO to include both a settlement clause pursuant to the provisions of OAR 836-012-0310 and an entire agreement clause pursuant to the provisions of OAR 836-012-0320.

- 19 I recommend the Company amend the reinsurance agreement with SCOR Global Life USA Reinsurance Company to include a settlements clause pursuant to the provisions of OAR 836-012-0310.
- 20 I recommend Cambia Health Solutions amend the reinsurance agreement with HM Life Insurance Company to include a settlement clause pursuant to the provisions of OAR 836-012-0310.

CONCLUSION

During the three-year period covered by this examination, the surplus of the Company has increased from \$43,139,798, as presented in the December 31, 2014 report of examination to \$47,626,850, as shown in this report. The comparative assets and liabilities are:

	December 31,		
	<u>2017</u>	<u>2014</u>	<u>Change</u>
Assets	\$ 97,152,592	\$ 85,066,051	\$ 12,086,541
Liabilities	<u>49,525,742</u>	<u>41,926,253</u>	<u>7,599,489</u>
Surplus	<u>\$ 47,626,850</u>	<u>\$ 43,139,798</u>	<u>\$ 4,487,052</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, 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, AFE, MBA, MSML, PIR, 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, MBA, 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)

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 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.



Mark Giffin, CFE
Senior Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 6th day of May, 2019.


Notary Public in and for the State of Oregon

My Commission Expires: 12/17/21

