

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



REPORT OF FINANCIAL EXAMINATION

OF

**LIFEWISE HEALTH PLAN OF OREGON, INC.
DBA LIFEWISE HEALTH PLAN OF OREGON
PORTLAND, OREGON**

AS OF

DECEMBER 31, 2014

STATE OF OREGON

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DIVISION OF FINANCIAL REGULATION

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NAIC COMPANY CODE 84930

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SALUTATION

March 17, 2016

Honorable Laura N. Cali, Commissioner
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Commissioner:

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

**LIFEWISE HEALTH PLAN OF OREGON, INC.
DBA LIFEWISE HEALTH PLAN OF OREGON
2020 SW 4th Street, Suite 1000
Portland, Oregon 97201**

NAIC Company Code 84930

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

SCOPE OF EXAMINATION

We have performed our multi-state examination of LifeWise Health Plan of Oregon, Inc., dba LifeWise Health Plan of Oregon. This examination was conducted as part of the coordinated examination of the Premera Blue Cross and LifeWise Health Plan of Washington, under the lead of the Washington Office of the Insurance Commissioner. The last examination of this life and health insurer was completed as of December 31, 2010. This is a full-scope examination covering the period January 1, 2011, to December 31, 2014. All accounts and activities of the Company were considered in accordance with the risk-focused examination approach.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Plan and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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

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

COMPANY HISTORY

On August 7, 1986, the Company incorporated as a for-profit corporation in the State of Oregon as Pacific Health and Life Insurance Company. On December 24, 1986, the Oregon Insurance Division issued a Certificate of Authority under ORS Chapter 732 to transact life and health lines of business.

On January 6, 1994, the Oregon Insurance Division approved the acquisition of all the outstanding shares of common stock of the Company by Washington-Alaska Group Services, Inc. (WAGS), a Washington for-profit corporation doing business as an insurance sales agency. WAGS was a wholly-owned subsidiary of Blue Cross of Washington and Alaska (BCWA), a non-profit Blue Cross Blue Shield licensed health care service contractor based in Mountlake Terrace, Washington.

In August 1994, BCWA formed an affiliation with Medical Service Corporation of Eastern Washington, based out of Spokane, Washington, which resulted in the formation of PREMERA, a Washington nonprofit corporation and the sole member of BCWA. In June 1998, Blue Cross of Washington and Alaska and Medical Service Corporation formally merged under the name Premera Blue Cross.

On July 2, 1997, the Company received permission from the Oregon Insurance Division to change its name to LifeWise, a PREMERA Health Plan, Inc. Effective June 2002, the

Company received approval to again change its name to LifeWise Health Plan of Oregon, Inc., dba LifeWise Health Plan of Oregon.

Capitalization

During the period under examination, the Company was authorized under Article III of its Articles of Incorporation to issue 332,015 shares of common stock of \$6.03 par value per share. The Company had issued 332,015 shares to its direct parent, Connexion Insurance Solutions, Inc. (formerly known as Ucentris Insured Solutions, Inc.), representing 100% of the shares outstanding. No additional capital or paid-in surplus had been contributed to the Company during the period under examination.

Dividends to Stockholders and Other Distributions

During the period under examination, the Company did not declare or pay any dividend to its stockholder or make any distribution.

CORPORATE RECORDS

Board of Director Minutes

The Company's Bylaws, Section 2.09, state the Board of Directors shall have sole responsibility for managing the affairs of the corporation. In general, the review of the Board meeting minutes of the Company indicated they support the transactions of the Company and clearly describe the actions taken by its directors and officers. A quorum, as defined by the Plan's Bylaws, met at all of the meetings held during the period under review.

Articles of Incorporation

The amended and restated Articles of Incorporation were filed with the Oregon Insurance Division on May 29, 2007. No changes were made during the period under examination. The Articles of Incorporation conform to the Oregon Insurance Code.

Bylaws

The Company's Bylaws were adopted in 1986, and amended a number of times. The Bylaws were not amended during the period under examination. The Bylaws conform to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

Management and control of the Company was vested in a Board of Directors. The Company's Bylaws, in Section 2.01, provides the members of the Board shall not be more than thirteen (13), the exact number to be fixed from time to time by resolution of the Board. Section 2.06 defines a quorum as a majority of directors then serving on the Board. The Board of Directors met all the requirements of ORS 732.305.

As of December 31, 2014, 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>
Kent S. Marquardt Kirkland, Washington	Premera Blue Cross	2007
Richard A. Maturi Seattle, Washington	Premera Blue Cross	2014
James M. Messina Mill Creek, Washington	Premera Blue Cross	2014
Majd Fowzi El-Azma Lake Oswego, Oregon	LifeWise Health Plan of Oregon, Inc.	2006
David A Lechner Portland, Oregon	LifeWise Health Plan of Oregon, Inc.	2014

Officers

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

<u>Name</u>	<u>Office</u>
Majd Fowzi El-Azma	President & CEO
Sharilyn A. Campbell	Treasurer
John H. Pierce	Secretary
David J. Braza	SVP
Rakesh T. Chauhan, M.D.	SVP
Kristen C. Kemp	EVP
David A. Lechner	VP
James D. Havens	VP
William L. Akers	VP

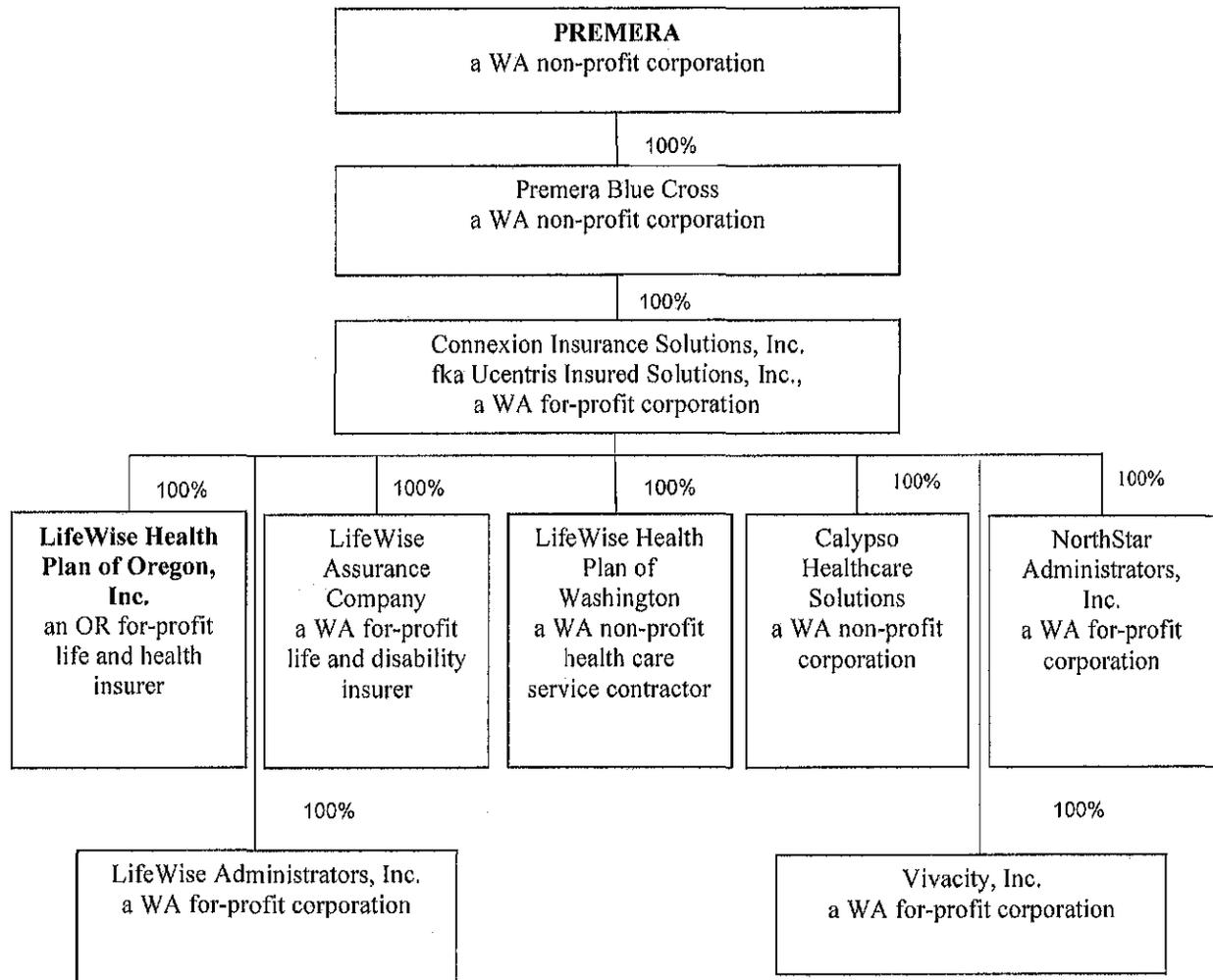
Conflict of Interest

The Company requires officers and directors to annually report any conflicts of interest or violations of ethical business practices to the Company. From a review of the completed conflict of interest statements, it appeared that the affected personnel performed due diligence in completing the statements. No material conflicts of interest were noted.

Insurance Company Holding System

The Company is part of an insurance company holding system in which Premera is the ultimate controlling entity. Insurance holding company registration statements were filed on behalf of the Company in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020.

The following condensed organizational chart depicts the relationships relevant to the Company within the holding company system:



A description of each of the entities above is as follows:

PREMERA is a Washington nonprofit corporation. PREMERA is the sole member of Premera Blue Cross by virtue of their power to appoint all the members of the Board and would be considered the ultimate controlling entity.

Premera Blue Cross (PBC) is a Washington nonprofit mutual benefit corporation with members. It is a Blue Cross Blue Shield licensed health care service contractor based in Mountlake Terrace, Washington. It sells health insurance plans under the Blue Cross license in all of Washington state (except Clark County) and under Blue Shield license in eastern Washington. It also sells under both the Blue Cross and Blue Shield licenses in Alaska. It

also directly or indirectly owns smaller health insurance operations in Washington and Oregon under the LifeWise brand. It is the indirect parent of the Company.

Connexion Insurance Solutions Inc. (Connexion) is a Washington based for-profit corporation owned 100% by PBC. Connexion is an insurance agency/broker formerly known as Ucentris Insured Solutions, Inc. and prior to that, Washington-Alaska Group Services (WAGS). Connexion owns 100% of the outstanding shares of the Company and would be considered the Company's direct parent.

NorthStar Administrators Inc. (NorthStar) is a Washington based for-profit corporation formed to act as a third-party administrator. NorthStar is owned directly by Connexion.

LifeWise Administrators Inc. (LWA) is a Washington for-profit corporation formed to provide consolidated billing and collection services to Premera's affiliates. It also provides administrative services to employer groups, associations, multiple-employer groups, trusts, and any other organization that provides health benefit plan coverage to employees. LifeWise Administrators Inc. is owned directly by Connexion.

Calypso Healthcare Solutions (Calypso) is a Washington non-profit corporation formed to provide investigation and recovery services to health plans and self-funded employer benefit plans. Calypso is owned directly by Connexion.

LifeWise Health Plan of Washington (LWW) is a Washington domiciled health care service contractor that provides group and individual health coverage to residents of the State of Washington. LWW is owned directly by Connexion.

LifeWise Assurance Company (LAC) is a Washington domiciled life and health insurer formerly known as States West Life Insurance Company. LAC is owned directly by Connexion, and is authorized in 16 states, primarily in the Western Zone.

Vivacity, Inc. (Vivacity) is a Washington based for-profit corporation that provides health and wellness consulting services.

INTERCOMPANY AGREEMENTS

The Company was party to the following agreements with its parent and affiliates as of December 31, 2014:

Intercompany Agreement (Allocation of Costs)

Effective January 10, 1994, and amended October 31, 2007, the Company entered into an agreement with PBC to establish cost allocation methods and procedures to allocate operating expenses between affiliates. On April 30, 2009, a second amendment took effect listing Premera as a limited purchasing agent for all its affiliates. PBC maintains an activity based cost accounting system, whereby operating expenses are accumulated in accordance with GAAP. Costs are then allocated at the account level within each department number, and settlements shall occur within 60 days of the date at which PBC and/or any affiliate incurs such costs.

Subsidiary Tax Sharing Agreement

Effective November 21, 1994, and amended effective October 31, 2005, the Company became party to a tax sharing agreement with PBC and all other PREMERA affiliates. Under the agreement, the Company's federal tax liability is consolidated with that of PBC, and allocated based on a calculation of the separate tax liability of each subsidiary, adjusted

for any special tax attributes. Intercompany tax balances are settled quarterly upon payment of the estimated taxes and the filing of the consolidated federal tax return.

Administrative Services Agreement

Effective August 1, 2005, LifeWise Administrators, Inc., entered into an agreement with the Company to provide COBRA-related administrative services. The Company reimbursed LifeWise Administrators any and all costs, charges, and expenses incurred under the Intercompany Agreement (Allocation of Costs) described above. The agreement took effect for a three-year period starting July 1, 2005, and automatically renewed for three additional years. The agreement expired July 1, 2011. The contract was not renewed during this exam period and but the Plan and LWA was operating as if it was still active as the Company intended for it to be continually renewed. In addition, it was noted an expense payable by LWVA was charged and paid by LWOR in error. The error was corrected subsequently.

It is recommended the Company ensure provisions of its related party arrangement are reviewed annually to verify that the agreements are operating as intended and for the period intended. Also report any changes to the Oregon DOI in accordance with ORS 732.574.

It is also recommended any charges and payments made between entities are reviewed in more depth.

Services Agreement

Effective February 1, 2005, Calypso Healthcare Solutions entered into an agreement with the Company to provide investigation, recovery and preventative services related to overpayment of claims. The Company paid monthly fee equal to 13% of the amounts recovered. The

agreement took effect for a three-year period starting February 1, 2005, and automatically renewed each year thereafter.

General Agency Agreement

Effective February 1, 2013, Connexion Insurance Solutions, Inc., entered into a general agency agreement with the Company to serve as general agent to provide marketing, assistance with proposal development and submission, enrollment services, account management services, producer commission accounting services and renewal services. The Company filed two amendments to the agreement in 2013.

Application Service Provider Agreement

Effective December 3, 2012, Premera Blue Cross on behalf of itself and as agent for its subsidiaries, LifeWise Health Plan of Washington and Vivacity, Inc., entered into an Application Service Provider Agreement with EveryMove, Inc. (EveryMove). Effective May 13, 2013, the parties filed the first amendment to that agreement to extend the same services to the Company. EveryMove has developed a web-based, fully functional member and consumer engagement system hosted on EveryMove's server. The agreement allows parties to the agreement to use the system.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2014, Premera Group primary coverage for up to \$10,000,000 per occurrence, \$20,000,000 aggregate, after a \$350,000 deductible, and an additional excess follow form for \$10,000,000 per occurrence and \$20,000,000 aggregate against losses from acts of dishonesty and fraud by its employees. This fidelity bond coverage met the coverage recommended by the NAIC. Other insurance coverages protect the Company from fiduciary liability and general liability in amounts that were determined to be sufficient. In addition, the group has coverage for cyber security and breach.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, the Company was authorized to write business in Oregon and Idaho. During our examination period, the Company only issued policies in Oregon. It issues accident and health, dental, and vision to both groups and individuals and Medicare supplement insurance policies to individuals. These coverages provide protection, after a deductible, at a usual and customary rate for covered indemnity services, or at a negotiated rate for covered preferred provider services. Business is written through a combination of licensed, independent agents, and salaried representatives.

Premiums written in 2014 were:

Idaho	\$ 0
Oregon	<u>150,607,418</u>
Total Direct Premium	<u>\$150,607,418</u>

The Company reported members at end of period as follows:

<u>Year</u>	<u>Members</u>
2011	55,527
2012	52,883
2013	50,907
2014	46,528

GROWTH OF THE COMPANY

The growth of the Company over the past five years is reflected in the following schedule. The amounts were derived from Company's filed annual statements, except in those years where a report of examination has been prepared by the Oregon Division of Financial Regulation.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Net Income (Loss)</u>
2010*	\$97,021,033	\$42,262,035	\$54,758,998	\$ (4,185,255)
2011	91,566,632	29,086,491	62,480,141	4,261,632
2012	99,725,408	35,020,435	64,704,973	(229,893)
2013	97,930,384	32,374,981	65,555,403	971,780
2014*	93,693,961	52,938,010	40,755,951	(24,278,577)

*Per examination

During 2014, the Company had large operating loss due to underwriting losses and reduced membership as well as a reduction in the anticipated receivable as part of the ACA risk corridor program.

LOSS EXPERIENCE

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

<u>Year</u>	(1) <u>Premiums Earned</u>	(2) <u>Medical and Hospital Expenses Incurred</u>	(3) <u>Claims Adjustment and Total Administrative Expenses Incurred</u>	(2)+(3)/(1) <u>Combined Ratio</u>
2010*	\$190,280,046	\$157,350,861	\$44,219,549	105.9%
2011	171,244,132	134,646,097	34,678,112	98.9%
2012	160,070,899	128,913,851	33,613,510	101.5%
2013	151,253,517	117,040,678	37,027,061	101.9%
2014*	150,324,280	133,440,946	41,540,112	116.4%

*Per examination

REINSURANCE

Ceded Business

Under a Medical Excess of Loss Reinsurance Agreement, for policies with maximum benefit of \$2,000,000 or more losses in excess of \$1,250,000 (retention) and up to \$5,000,000 (including retention) were ceded to Munich Reinsurance America, Inc. (Munich). Under the

terms of the most recent agreement, Munich reimburses the Company for losses per member up to policy limits or \$3,750,000 in excess of Company retention. Each covered employee and each covered dependent are a separate risk for purposes of determining limits and retention.

It was determined that the reinsurance agreement provided for risk transfer in accordance with the requirements of SSAP No. 61R.

The reinsurance agreements contained a proper insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency, as required by the provisions of ORS 731.508.

ACCOUNTS AND RECORDS

The Company's records and source documentation supported the amounts presented in the Company's December 31, 2014, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

STATUTORY DEPOSITS

As a life and health insurer, the Company is not normally required to hold a statutory deposit. However, as of the date of the examination, the Company maintains a US Treasury Note with a par value of \$1,000,000 as a deposit with the Oregon Division of Financial Regulation to comply with Idaho Insurance Code Section 41-316(2)(a)(i). The deposit was verified from the records of the Oregon Division of Financial Regulation.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The prior examination report did not identify any examination recommendations.

SUBSEQUENT EVENTS

On March 17, 2015, Premera Blue Cross (PBC) publicly announced that cyber-attackers had executed a sophisticated attack to gain unauthorized access to its Information Technology systems. PBC's investigation determined that the attackers may have possibly gained unauthorized access to members' and other individuals' personal information. The potential financial impact to PBC cannot be determined at this time. PBC has cyber-insurance coverage; however, the coverage may not apply to all claims, expenses, and liabilities. A multi-state market conduct examination was initiated specifically to review the cyber attack and the impact to PBC and its subsidiaries, as well as PBC's members and other affected individuals.

On April 21, 2016, LifeWise Health Plan of Oregon announced its decision to exit the Oregon market. The Plan will continue to support its existing customers through the duration of their current plan year. The Plan's current customers in the individual market will retain their coverage through December 31, 2016. The Plan's current employer customers will be able to retain their coverage through their current plan year, which will be in 2017 in some cases, based on the group's last renewal.

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 Plan for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

Assets; Liabilities, Capital and Surplus; Statement of Revenue and Expenses;
Reconciliation of Surplus for the Period Since the last Examination

LIFEWISE HEALTH PLAN OF OREGON, INC.
DBA LIFEWISE HEALTH PLAN OF OREGON
ASSETS
December 31, 2014

Invested Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 68,645,085	\$ -	\$ 68,645,085	1
Cash, cash equivalents and short-term investments	5,334,124	-	5,334,124	1
Receivables for securities	<u>891,352</u>	-	<u>891,352</u>	
Subtotal, cash and invested assets	<u>\$ 74,870,561</u>	<u>\$ -</u>	<u>\$ 74,870,561</u>	
Investment income due and accrued	496,831	-	496,831	
Premiums and considerations				
Uncollected premiums and agents' balances in the course of collection	317,365	-	317,365	
Deferred premiums, agents' balances and installments not yet due	0	-	0	
Accrued retrospective premiums	478,547	-	478,547	2
Amounts recoverable from reinsurers	6,915,380	-	6,915,380	2
Amounts receivable relating to uninsured plans	1,935,702	-	1,935,702	
Current federal and foreign income tax recoverable	5,374,980	-	5,374,980	
Net deferred tax assets	378,087	-	378,087	
Receivables from parent, subsidiaries and affiliates	15,852	-	15,852	
Health care and other amounts receivable	704,624	-	704,624	
Aggregate write-ins for other than invested assets	<u>2,206,032</u>	-	<u>2,206,032</u>	2
Total Assets	<u>\$ 93,693,961</u>	<u>\$ -</u>	<u>\$ 93,693,961</u>	

**LIFEWISE HEALTH PLAN OF OREGON, INC.
DBA LIFEWISE HEALTH PLAN OF OREGON
LIABILITIES, CAPITAL AND SURPLUS
December 31, 2014**

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ 21,703,262	\$ -	\$ 21,703,262	3
Accrued medical incentive pool and bonus amounts	1,710	-	1,710	
Unpaid claims adjustment expenses	812,104	-	812,104	3
Aggregate health policy reserves, including medical loss ratio rebate	11,164,514	-	11,164,514	3
Premiums received in advance	5,307,398	-	5,307,398	
General expenses due or accrued	6,144,217	-	6,144,217	
Ceded reinsurance premium payable	222,742	-	222,742	
Amounts due to parent, subsidiaries and affiliates	4,070,910	-	4,070,910	
Liability for amounts held under uninsured plans	829,670	-	829,670	
Aggregate write-ins for liabilities	<u>2,681,483</u>	-	<u>2,681,483</u>	
Total Liabilities	<u>\$ 50,938,010</u>	<u>\$ -</u>	<u>\$ 50,938,010</u>	
Aggregate write-in for special surplus funds	\$ 3,017,416	\$ -	\$ 3,017,416	
Common capital stock	2,002,050	-	2,002,050	
Gross paid in and contributed surplus	12,408,579	-	12,408,579	
Unassigned funds (surplus)	<u>23,327,906</u>	-	<u>23,327,906</u>	
Surplus as regards policyholders	<u>\$ 40,755,951</u>	-	<u>\$ 40,755,951</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 93,693,961</u>	<u>\$ -</u>	<u>\$ 93,693,961</u>	

**LIFEWISE HEALTH PLAN OF OREGON, INC.
DBA LIFEWISE HEALTH PLAN OF OREGON
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2014**

	Balance per Company	Examination Adjustments	Balance per Examination
Net Premium income	\$150,201,077	\$ -	\$150,201,077
Change in unearned premium reserves and reserves for rate credits	<u>123,203</u>	-	<u>123,203</u>
Total revenues	<u>150,324,280</u>	-	<u>150,324,280</u>
Hospital and Medical:			
Hospital/medical benefits	104,974,390	-	104,974,390
Emergency room and out-of-area	21,714,259	-	21,714,259
Prescription drugs	14,780,623	-	14,780,623
Incentive pool, withhold adjustments and bonus amounts	<u>3,074</u>	-	<u>3,074</u>
Subtotal	141,472,346	-	141,472,346
Less:			
Net reinsurance recoveries	<u>8,031,400</u>	-	<u>8,031,400</u>
Total hospital and medical	133,440,946	-	133,440,946
Claims adjustment expenses	14,872,321	-	14,872,321
General administrative expenses	26,667,791	-	26,667,791
Increase in reserves for accident and health contracts	<u>9,798,462</u>	-	<u>9,798,462</u>
Total underwriting deductions	<u>184,779,520</u>	-	<u>184,779,520</u>
Net underwriting gain (loss)	<u>(34,455,240)</u>	-	<u>(34,455,240)</u>
Net investment income earned	2,900,612	-	2,900,612
Net realized capital gains (losses)	<u>374,022</u>	-	<u>374,022</u>
Net investment gains (losses)	<u>3,274,634</u>	-	<u>3,274,634</u>
Aggregate write-ins for other income or expenses	541,363	-	541,363
Federal income taxes incurred	<u>(6,360,666)</u>	-	<u>(6,360,666)</u>
Net income (loss)	<u>\$ (24,278,577)</u>	\$ -	<u>\$ (24,278,577)</u>

LIFEWISE HEALTH PLAN OF OREGON, INC.
DBA LIFEWISE HEALTH PLAN OF OREGON
RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE LAST
EXAMINATION
For the Year Ended December 31,

	2014	2013	2012	2011
Surplus as regards policyholders, December 31, previous year	<u>\$ 65,555,403</u>	<u>\$ 64,704,973</u>	<u>\$ 62,480,141</u>	<u>\$ 54,758,998</u>
Net income	(24,278,577)	971,780	(229,893)	4,261,632
Change in net unrealized capital gains or (losses)	106,031	(12,636)	783,639	(414,279)
Change in net unrealized foreign exchange capital gain or (loss)	-	-	-	-
Change in net deferred income tax	(689,768)	(320,840)	687,305	(223,074)
Change in nonadmitted assets	62,862	212,126	(189,860)	4,302,074
Change in provision for reinsurance	-	-	-	-
Change in surplus notes	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	1,173,641	-
Capital changes:				
Paid in	-	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-	-
Transferred to surplus	-	-	-	-
Surplus adjustments:				
Paid in	-	-	-	-
Transferred to capital (Stock Dividend)	-	-	-	-
Transferred from capital	-	-	-	-
Net remittances from or (to) Home Office	-	-	-	-
Dividends to parent (cash)	-	-	-	-
Change in treasury stock	-	-	-	-
Examination adjustments	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	<u>(205,210)</u>
Change in surplus as regards policyholders for the year	<u>(24,799,452)</u>	<u>850,430</u>	<u>2,224,832</u>	<u>7,721,143</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 40,755,951</u>	<u>\$ 65,555,403</u>	<u>\$ 64,704,973</u>	<u>\$ 62,480,141</u>

Differences are due to rounding.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Investments

Most of the Company's long-term bond investments were well diversified in US Treasury obligations, US special revenue and corporate issues of which 96% are NAIC investment grade. The Company did have a substantial exposure to mortgaged-backed and asset-backed securities. All MBS/ABS issues were investment rated at year-end 2014, and the book carrying value of \$39.8 million comprised 58% of the total long-term bond portfolio, or almost 53.1% of all invested assets. Cash and short-term deposits consisted of cash on deposit and primarily one short-term cash management fund. A comparison of the investments over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Cash and</u> <u>Short Term</u>	<u>Ratio A/</u> <u>Total Assets</u>	<u>Ratio B/</u> <u>Total Assets</u>
2010	\$84,840,299	\$4,807,962	87.5%	5.0%
2011	80,915,128	7,767,527	88.4%	8.5%
2012	87,569,725	7,062,710	87.8%	7.1%
2013	87,901,814	5,399,139	89.8%	5.5%
2014	68,645,085	5,334,124	73.3%	5.7%

The Board of Directors approved the investment transactions, pursuant to ORS 733.740. As of December 31, 2014, sufficient assets were invested in amply secured obligations of the United States or FDIC insured cash deposits, as required by ORS 733.580.

Effective September 19, 2006, the Company entered into a custodial agreement with the Bank of New York Trust Company, NA. The agreement contains the protections described in OAR 836-027-0200(4) (1).

Note 2 – ACA Premium Stabilization Programs-3Rs

In accordance with SSAP 107, the following items were recorded by LWOR:

The amount reported for accrued retrospective premium due to ACA "Risk Corridors" was \$478,547. On October 1, 2015, HHS prorated the amount requested by all insurers in the program to 12.6%. On November 4, 2015, the NAIC issued INT-15-01, requiring insurers to impair or non-admit risk corridor recoverable above the proration amount.

Amounts recoverable for claims paid due to ACA Federal Reinsurance Program in the amount of \$6,315,594 are accepted for examination purposes.

The Risk Corridor and Reinsurance programs are temporarily authorized by the ACA for 2014, 2015 and 2016. The third R, Risk Adjustment is a permanent program.

The amount reported in "Aggregate write-ins for other-than-invested assets" in the amount of \$2,206,032 included the "Risk Adjustment" receivable balance under the ACA, Section 1343 and admitted in accordance with SSAP 107. The program includes both individual and small

group markets, both on and off the exchange. The \$2,199,387 amount reported was reviewed for data accuracy and federal guidelines and is accepted for examination purposes.

Note 3 – Actuarial Reserves

The Washington OIC health actuary, Scott L. Fitzpatrick, FSA, MAAA, reviewed the Company's actuarial report, claims unpaid, and other claim liabilities as of December 31, 2014. The review included examining the LWOR's reserving philosophy and methodologies to determine the reasonableness of the claim liabilities; verifying that claim liabilities include provisions for all components noted in SSAP 55, paragraphs 7 and 8, and SSAP 54, paragraphs 12, 13, 18 and 19; reviewing historical paid claims and loss ratios; checking the consistency of the incurred-paid data from the Company's system with the figures reported in the 2014 NAIC Annual Statement; and estimating claims unpaid at December 31, 2014.

Reserves were in compliance with statutory requirements, the methods, assumptions, and methodologies used by the Company were appropriate. The techniques applied to establish the Claims Unpaid amount on page 1, line 3 for 2014 have resulted in an adequate level of provision based on the claim runoff outcomes observed through August 2015 together with the estimated 2014 amounts remaining unpaid at that date.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination. The following is a summary of the recommendations made in this report of examination:

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- 12 It is recommended the Company ensure provisions of its related party arrangement are reviewed annually to verify that the agreements are operating as intended and for the period intended. Also ensure any changes are reported to the Oregon DOI in accordance with ORS 732.574.

It is also recommended any charges and payments made between entities are reviewed in more depth.

CONCLUSION

During the four year period covered by this examination, the surplus of the Company has decreased from \$54,758,998, as presented in the December 31, 2010, report of examination, to \$40,755,951, as shown in this report of examination. The comparative assets and liabilities are shown below:

	<u>2014</u>	<u>December 31,</u>	<u>2010</u>	<u>Change</u>
Assets	\$93,693,961		\$97,021,033	\$ (3,327,072)
Liabilities	<u>52,938,010</u>		<u>42,262,035</u>	<u>(10,675,975)</u>
Surplus	<u>\$40,755,951</u>		<u>\$54,758,998</u>	<u>\$(14,003,047)</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, Mark A. Giffin, CFE, and Keilei Yambaw, AFE, insurance examiners for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in the examination.

Respectfully submitted,



Joseph A. Rome, CFE, CIE
Lead Examiner
Department of Consumer and Business Services
State of Oregon

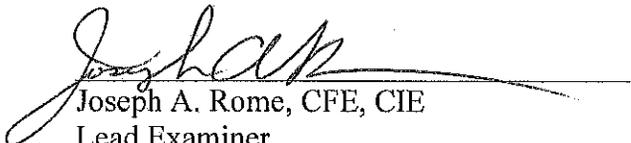
AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Joseph A. Rome, CFE, CIE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of LifeWise Health Plan of Oregon, Inc., dba LifeWise Health Plan 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 work papers and examination report. The examination of LifeWise Health Plan of Oregon, Inc., dba LifeWise Health Plan of Oregon, was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.


Joseph A. Rome, CFE, CIE
Lead Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 21 day of April, 2016.


Notary Public for the State of Oregon

My Commission Expires: 3/22/2017

