

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, 2018

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NAIC COMPANY CODE 84930

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SALUTATION

April 13, 2020

Honorable Andrew Stolfi, 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

**LIFEWISE HEALTH PLAN OF OREGON, INC.
DBA LIFEWISE HEALTH PLAN OF OREGON
7001 220TH STREET SW
MOUNTLAKE TERRACE, WASHINGTON 98043**

NAIC Company Code 84930

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

SCOPE OF EXAMINATION

We have performed a regular, multi-state, full-scope financial examination of LifeWise Health Plan of Oregon, Inc. dba LifeWise Health Plan of Oregon as of December 31, 2018, covering the four year period then ended. 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 health care service contractor was completed as of December 31, 2014. This examination covers the period of January 1, 2015, through December 31, 2018.

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 the Company.

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 Division of Financial Regulation issued a Certificate of Authority under ORS Chapter 732 to transact life and health lines of business.

On January 6, 1994, the Oregon Division of Financial Regulation 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, Alaska, and Medical Service Corporation formally merged under the name Premera Blue Cross.

Effective June 2002, the Company received approval to 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., representing 100% of the shares outstanding. In 2015, Connexion contributed \$17,000,000 in capital to the Company, which was recorded as paid in surplus on the annual statement.

Dividends to Stockholders and Other Distributions

During the period under examination, the Company did not declare or pay any dividends or made any distributions to its direct parent.

CORPORATE RECORDS

Board 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 Company'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 Division of Financial Regulation 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 originally adopted in 1986 and subsequently amended a number of times, however, they 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 are 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. As of December 31, 2018, the Company was governed by a five member Board of Directors as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Representative</u>	<u>Member Since</u>
David John Braza Bellevue, Washington	Executive VP of Healthcare Informatics & Chief Actuary Premera Blue Cross	Ultimate parent of the Company	2017
James Michael Messina * Mill Creek, Washington	Executive VP & Chief Operating Officer Premera Blue Cross	Ultimate parent of the Company	2014

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Representative</u>	<u>Member Since</u>
John Mercier Espinola, MD Edmonds, Washington	Executive VP Healthcare Services Premera Blue Cross	Ultimate parent of the Company	2016
Ronald Stuart Sklar, MD Portland, Oregon	Assistant Medical Director Premera Blue Cross	Ultimate parent of the Company	2017
Mackenzie Marie Stewart Beaverton, Oregon	Senior Manager Premera/LifeWise Provider Network Management & Solutions Team	Ultimate parent of the Company	2017

*Chairman

Under Oregon law, ORS 732.305, at least five (5) or one-quarter of the Directors, whichever is fewer, must be residents of Oregon and a majority of Directors must be non-salaried officers of the Company. The Company was in compliance with this statute.

Officers

Principal officers serving at December 31, 2018, were as follows:

<u>Name</u>	<u>Title</u>
James Michael Messina	President & CEO
Juli Clayton Bowen	Treasurer
Sarah Ellen Mackey	Secretary
David John Braza	Executive Vice President
John Phillip Colmenares	Senior Vice President
James Dwayne Havens	Senior Vice President
Kirsten Connell Kemp	Executive Vice President

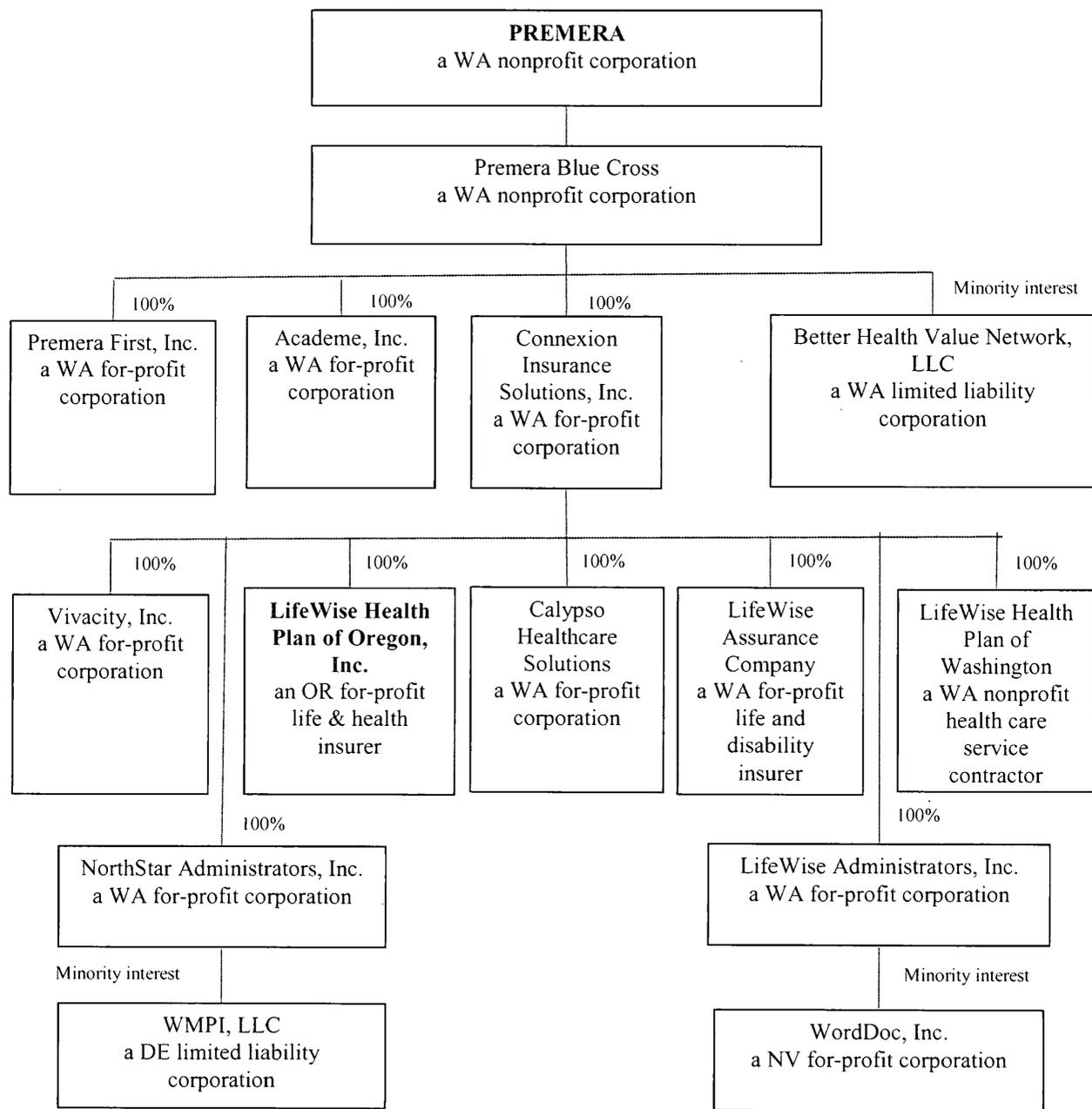
Conflict of Interest

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



A description of the entities within the holding company is as follows:

PREMERA is a Washington nonprofit corporation. PREMERA is the sole member of Premera Blue Cross by virtue of its 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 a sole member, PREMERA. PBC is an independent licensee of the Blue Cross Blue Shield Association licensed as a health care service contractor based in Mountlake Terrace, Washington. PBC sells health insurance plans under the Blue Cross license in all of Washington state (except Clark County) and under the Blue Shield license in eastern Washington. It also sells under both the Blue Cross and Blue Shield licenses in Alaska. It directly or indirectly owns smaller health insurance operations in Washington and Oregon under the LifeWise brand.

Connexion Insurance Solutions Inc. (Connexion) is a Washington based for-profit corporation owned 100% by PBC. Connexion is an insurance agency/producer 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.

Academe, Inc. is a Washington for-profit corporation licensed to provide Life and Disability Insurance.

PremeraFirst, Inc. is Washington for-profit corporation providing agent contracting services with health care providers.

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

LifeWise Health Plan of Washington (LWW) is a Washington domiciled nonprofit 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 disability insurer formerly known as States West Life Insurance Company. LAC 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.

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.

Better Health Value Network, LLC is a Washington Limited Liability Company providing care management services.

WPMI, LLC is a Delaware Limited Liability Company providing third party administrative services in the People's Republic of China.

WorldDoc, Inc. is a Nevada for Profit Corporation providing a web-based portal with health and wellness applications.

Intercompany Agreements

The Company was party to the following agreements with its parent and affiliates as of December 31, 2018:

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 any affiliate incurs such costs.

Subsidiary Tax Sharing Agreement

Effective November 21, 1994, and amended effective October 31, 2005, the Company became a party of 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 all costs, charges, and expenses incurred under the Intercompany Agreement (Allocation of Costs) described above. The agreement took effect for a three year starting July 1, 2005, and automatically renewed for three additional years. The agreement expired on July 1, 2011. A second amendment to the agreement was executed as of June 30, 2011, to correct the automatic renewal of the terms. The agreement was amended effective December 31, 2014 to include administrative and health care services for the Company's Qualified Health Plans that are issued or recognized by each governmental exchange pursuant to contracts with the Centers for Medicare and Medicaid Services (CMS).

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 the overpayment of claims. The Company paid a monthly fee equal to 13% of the amounts recovered. The agreement took effect for three years started on February 1, 2005, and automatically renewed each year thereafter. The agreement was amended effective March 31, 2014 to require the Company to reimburse Calypso for any and all costs, charges and expenses incurred under the agreement in accordance with the Intercompany Agreement (Allocation of Costs) dated January 10, 1994. The agreement was amended effective September 22, 2014 to include a Business Associate Addendum related to the Health Insurance Portability and Accountability Act (HIPAA) and protected personal information (PPI), and a Qualified Health Plan Addendum was added effective December 31, 2014.

General Agency Agreement

Effective January 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 General Agency Agreement, as amended, was terminated on October 31, 2018.

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 developed a web-based, fully functional member and consumer engagement system hosted on EveryMove's server. The agreement allowed parties to the agreement to use the system. The agreement was terminated on July 15, 2018.

FIDELITY BOND AND OTHER INSURANCE

Premera Group's 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 cybersecurity and breach.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to write individual and group health insurance policies in Oregon. It is also licensed in Idaho, but does not write any business there. Prior to a voluntary runoff, it issued accident and health, dental, and vision to both groups and individuals and Medicare supplement insurance policies to individuals. These coverages provided 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 was written through a combination of licensed, independent agents, and salaried representatives. Direct premium written in 2018 was \$49,861.

During the last five years, the Company reported total enrolled members as follows:

<u>Line of Business</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Individual hospital & medical	15,276	37,577	13,325	-	-
Group hospital & medical	23,942	20,080	11,393	-	-
Medicare Supplement	1,012	888	689	-	-
Dental Only	<u>6,298</u>	<u>7,462</u>	<u>2,138</u>	-	-
Total Enrollment	<u>46,528</u>	<u>66,007</u>	<u>27,545</u>	=	=

Since 2004, group premiums and group memberships have been experiencing a declining trend due to increased competition and unfavorable economic conditions, which have resulted in net underwriting losses. The Company took steps to improve their financial position, including significant premium rate hikes effective January 1, 2016, and capital contributions from the parent (Premera Blue Cross). However, these actions were not sufficient to correct the Company's financial condition.

On April 21, 2016, the Company announced it was discontinuing the offer and renewal of all individual and group policies, including Medicare supplement policies, and withdrawing from the Oregon market. The Company discontinued Medicare supplement policies effective July 1, 2016. The Company remained on the individual market exchange through the end of 2016, and discontinued plans effective December 31, 2016. Groups with effective dates of October 1, 2016 and prior were allowed to choose to renew for one more plan year. All existing policies renewing November 1, 2016 or after were discontinued at the end of their applicable plan year. As of December 31, 2017, the Company had no active policies. The Company completed its voluntary run-off plan on November 1, 2018.

GROWTH OF THE COMPANY

Growth of the Company over the past five years is reflected in the following schedule. Amounts were derived from Company’s annual statements, except in those years where a report of examination was published 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>
2014 *	\$ 93,693,961	\$ 52,938,010	\$ 40,755,951	\$ (24,278,577)
2015	107,265,198	85,847,255	21,417,943	(35,739,721)
2016	51,322,690	35,991,646	15,331,044	(6,707,262)
2017	15,993,433	6,638,803	9,354,630	(5,665,592)
2018 *	12,275,263	1,959,280	10,315,983	958,262

*Per examination

LOSS EXPERIENCE

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

<u>Year</u>	<u>(1) Total Revenues</u>	<u>(2) Total Hospital and Medical</u>	<u>(2)/(1) Medical Loss Ratio</u>	<u>(3) Claim Adjustment and General Expenses</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2014 *	\$ 150,324,280	\$ 133,440,946	88.8%	\$ 41,540,112	116.4%
2015	198,318,819	206,264,891	104.0%	50,393,818	129.4%
2016	135,886,945	125,618,668	92.4%	34,634,798	117.9%
2017	5,712,641	1,128,414	19.8%	12,970,044	246.8%
2018 *	49,861	(188,562)	n/m	(296,329)	n/m

*Per examination

A combined claims and expense to premium ratio in excess of 100% typically indicates an underwriting loss. The Company reported net underwriting losses in 2014 through 2017. The Company discontinued selling new business at the end of 2016 and began a voluntary run-off, which was completed by the end of 2018.

REINSURANCE

The Company had no assumed or ceded reinsurance at year-end 2018 due to its voluntary runoff status and exit from the Oregon healthcare market.

ACCOUNTS AND RECORDS

In general, the Company's records and source documentation supported the amounts presented in the Company's December 31, 2018, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. The Company has a system in place to account for unclaimed funds and the Company has filed the reports on abandoned property pursuant to the provisions of ORS 98.352.

The Company no longer maintains an office in the State of Oregon, in violation of ORS 732.245. As a result, the Plan has communicated with the Division of Financial Regulation its plan to wind down its operations and eventually surrender its Certificate of Authority.

On February 5, 2018, the Director of DCBS issued an Order to Cease and Desist regarding the Plan's failure to timely process Changes in Circumstance (CIC) documentation that were received from the Federal Healthcare Exchange. In all, the Division identified 7,280 instances of members of the Exchange whose CIC documentation was not processed within 30 days from the date of receipt, as required by ORS 746.240. Additionally, the Division identified six instances where documents were filed with the Division that contained omissions in membership, incorrect claims amounts, and incorrect amounts of premiums owed, in violation of ORS 731.296. The Department of Consumer and Business Services assessed a \$788,000.00 civil penalty. The Plan consented to the order on January 24, 2018.

STATUTORY DEPOSIT

As of the date of the examination, the Company maintained a deposit with the Oregon Division of Financial Regulation, Department of Consumer & Business Services, totaling \$1,000,000 in accordance with the Idaho Insurance Code Section 41-316(2)(a)(i). The deposit was verified from the records of the Division of Financial Regulation and was properly listed in the 2018 annual statement, Schedule E – Part 3.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The prior examination report 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 Division of Financial Regulation in accordance with ORS 732.574. It also recommended any charges and payments made between entities are reviewed in more depth.

The significant agreements still in effect for the Company include the intercompany cost allocation agreement and the subsidiary tax sharing agreement. All of the other agreements have since been terminated, with the exception of the Administrative Services Agreements with Calypso Healthcare Solutions and with LifeWise Administrators. The Company provided the 2018 Annual Registration Statement to the Division of Financial Regulation on April 29, 2019, pursuant to the provisions of ORS 732.552. Included in the filing were a summary of transactions and the intercompany agreements. The 2018 amount allocated to the Company per Cost Allocation Agreement as well as the amount received from all affiliates for the 2018 consolidated tax return per the Subsidiary Tax Allocation Agreement were also included.

SUBSEQUENT EVENTS

No significant subsequent events were noted other than the Company successfully exiting the Oregon Healthcare market and running off remaining claim payments.

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, 2018. 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

LIFEWISE HEALTH PLAN OF OREGON, INC.
ASSETS
As of December 31, 2018

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 6,654,877	\$ -	\$ 6,654,877	1
Cash, cash equivalents and short-term investments	4,525,931		4,525,931	1
Other invested assets	578,703		578,703	
Receivable for securities	10,000		10,000	
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>11,769,511</u>	<u>\$ -</u>	<u>11,769,511</u>	
Investment income due and accrued	80,107	-	80,107	
Amounts recoverable from reinsurers	21,204	-	21,204	
Amounts receivable related to uninsured plans	4,558	-	4,558	
Current FIT recoverable	247,902	-	247,902	
Net deferred tax asset	61,167	-	61,167	
Receivable from parent, subsidiaries and affiliates	72,835		72,835	
Healthcare and other amounts receivable	16,373		16,373	
Aggregate write-ins for other than invested assets	<u>1,606</u>	<u>-</u>	<u>1,606</u>	
Total Assets	<u>\$ 12,275,263</u>	<u>\$ -</u>	<u>\$ 12,275,263</u>	

**LIFEWISE HEALTH PLAN OF OREGON, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2018**

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ -	\$ -	\$ -	
Accrued medical incentive pool and bonus amounts	-	-	-	
Unpaid claims adjustment expense	-	-	-	
Aggregate health policy reserves	-	-	-	
Premiums received in advance	-	-	-	
General expenses due or accrued	1,140,135	-	1,140,135	
Liability for amounts held under uninsured plans	114,056	-	114,056	
Aggregate write-ins for liabilities	<u>705,089</u>	<u>-</u>	<u>705,089</u>	
Total Liabilities	<u>\$ 1,959,280</u>	<u>\$ -</u>	<u>\$ 1,959,280</u>	
Common capital stock	\$ 2,002,050	\$ -	\$ 2,002,050	
Gross paid-in and contributed capital	29,408,579	-	29,408,579	
Unassigned funds (surplus)	<u>(21,094,646)</u>	<u>-</u>	<u>(21,094,646)</u>	
Surplus as regards policyholders	<u>\$ 10,315,983</u>	<u>-</u>	<u>\$ 10,315,983</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 12,275,263</u>	<u>\$ -</u>	<u>\$ 12,275,263</u>	

LIFEWISE HEALTH PLAN OF OREGON, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2018

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Revenue				
Net premium income	\$ 49,861	\$ -	\$ 49,861	
Change in unearned premium reserves and reserves for rate credits	-	-	-	
Aggregate write-ins for health care related revenues	-	-	-	
Total revenue	<u>49,861</u>	-	<u>49,861</u>	
Hospital and Medical:				
Hospital/medical benefits	(105,343)	-	(105,343)	
Other professional services	-	-	-	
Outside referrals	-	-	-	
Emergency room and out-of-area	-	-	-	
Prescription drugs	(83,221)	-	(83,221)	
Aggregate write-ins for other hospital and medical	-	-	-	
Incentive pool, withhold adjustments and bonus amounts	-	-	-	
Subtotal	<u>(188,564)</u>	-	<u>(188,564)</u>	
Less:				
Net reinsurance recoveries	<u>(2)</u>	-	<u>(2)</u>	
Total medical and hospital	(188,562)	-	(188,562)	
Non-health claims	-	-	-	
Claim adjustment expenses	(483,629)	-	(483,629)	
General administrative expenses	187,300	-	187,300	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	<u>(484,891)</u>	-	<u>(484,891)</u>	
Net underwriting gain or (loss)	<u>534,752</u>	-	<u>534,752</u>	
Net investment income earned	587,741	-	587,741	
Net realized capital gains (losses)	<u>27,620</u>	-	<u>27,620</u>	
Net investment gains (losses)	615,361	-	615,361	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	<u>191,851</u>	-	<u>191,851</u>	
Net income	<u>\$ 958,262</u>	<u>\$ -</u>	<u>\$ 958,262</u>	

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

	2018	2017	2016	2015
Surplus as regards policyholders, December 31, previous year	<u>\$ 9,354,630</u>	<u>\$ 15,331,044</u>	<u>\$ 21,417,943</u>	<u>\$ 40,755,951</u>
Net income (loss)	958,262	(5,665,592)	(6,707,262)	(35,739,721)
Change in net unrealized capital gains or (losses)	(13,817)	13,243	20,886	(34,124)
Change in net deferred income tax	(34,854)	(256,987)	518,431	(402,970)
Change in non-admitted assets	51,762	(67,078)	81,046	(161,193)
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	-	-	-	17,000,000
Transferred to capital (Stock Dividend)	-	-	-	
Transferred from capital	-	-	-	
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>961,353</u>	<u>(5,976,414)</u>	<u>(6,086,899)</u>	<u>(19,338,008)</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 10,315,983</u>	<u>\$ 9,354,630</u>	<u>\$ 15,331,044</u>	<u>\$ 21,417,943</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At December 31, 2018, the Company's long-term bond investments were mainly in a diversified portfolio of US obligations and corporate issues. The Company did have a moderate exposure to mortgaged-backed and asset-backed securities. All MBS/ABS issues were investment rated, with a carrying book value of \$2.9 million, which comprised 44.2% of the total long-term bond portfolio and 25.0% of all invested assets.

Cash and short-term investments consisted of a checking account and an exempt money market mutual fund held in the custodial account.

A comparison of the investments classes over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Cash and Short-term</u>	<u>Ratio</u> <u>A/</u> <u>Total Assets</u>	<u>Ratio</u> <u>B/</u> <u>Total Assets</u>
2014 *	68,645,085	5,334,124	73.3%	5.7%
2015	74,911,275	7,213,248	69.8%	6.7%
2016	32,185,978	4,968,561	62.7%	9.7%
2017	9,183,865	3,748,479	57.4%	23.4%
2018 *	6,654,877	4,525,931	54.2%	36.9%

* Balance per examination

The minutes of the board of directors contained evidence that the Company's investment transactions were approved, pursuant to ORS 733.730. As of December 31, 2018, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits. As a result, the Company was in compliance with ORS 733.580.

Effective January 26, 2005, the Company entered into a custodial agreement with Bank of New York Trust Company, NA. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination, nor did they make any recommendations.

CONCLUSION

During the three-year period covered by this examination, the surplus of the Company has decreased from \$40,755,951, as presented in the December 31, 2014, report of examination, to \$10,315,983, as shown in this report. The comparative assets and liabilities are:

	December 31,		
	<u>2018</u>	<u>2016</u>	<u>Change</u>
Assets	\$ 12,275,263	\$ 93,693,961	\$ (81,418,698)
Liabilities	<u>1,959,280</u>	<u>52,938,010</u>	<u>50,978,730</u>
Surplus	<u>\$ 10,315,983</u>	<u>\$ 40,755,951</u>	<u>\$ (30,439,968)</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 Nguyen, CFE, insurance examiner for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in the examination. We would also like to thank the following for their participation in this coordinated examination:

Washington Office of the Insurance Commissioner

John Jacobson, OIC Assistant Chief Examiner
Susan Campbell, Supervising Examiner
Randy Fong, Examiner in Charge
Zairina Othman, Financial Examiner
Edsel Dino, Financial Examiner
Amy Peach, Actuary

Respectfully submitted,

/s/ Mark Giffin

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 Giffin, CFE, 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.

/s/ Mark Giffin

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 29 day of June, 2020.

/s/ Lauren Bodine

Notary Public in and for the State of Oregon

My Commission Expires: 2022

