STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

MODA HEALTH PLAN, INC.
PORTLAND, OREGON

AS OF

FILED 6/27/2017 LA
DEPT. CONSUMER & BUSINESS SERVICES
INSURANCE DIVISION

DECEMBER 31, 2015

STATE OF OREGON

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OF

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NAIC COMPANY CODE 47098

AS OF

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SALUTATION

April 4, 2017

Honorable Laura Cali Robison, Commissioner
Department of Consumer and Business Services
Division of Financial Regulation
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) Financial Condition Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

MODA HEALTH PLAN, INC.
601 SW Second Avenue
Portland, Oregon 97204

NAIC Company Code 47098

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

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Moda Health Plan, Inc. The last examination was completed as of December 31, 2012. This examination covers the period of January 1, 2013, to December 31, 2015.

Concurrent with this examination, two Oregon domestic insurance affiliates of the Company, Oregon Dental Service and Dentist Benefits Insurance Company, together with one Washington State domestic insurance affiliate, Northwest Dentists Insurance Company, were also examined as of December 31, 2015. There was a separate report of financial examination made for each company.

We completed 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. Exam coordination among insurers of a group or holding company system is critical for effective solvency regulation with the goal to gain efficiencies and prevent duplication of testing wherever possible.

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

The Company was incorporated in 1988 under the laws of the Oregon Insurance Code as a for-profit life and health insurer under ORS Chapter 732, and received its Certificate of Authority on December 28, 1988. In 1992, the Company sought to amend its Certificate of Authority to become a property and casualty insurer. An amended Certificate of Authority was granted on January 5, 1993. Effective January 1, 1992, the Oregon Dental Association, (ODA) contributed 100% of the capital stock of the Company to Moda, Inc. (MI).

On June 22, 1999, MI formed and incorporated a new subsidiary named ODSHP Acquisition Sub, Inc., under the laws of the State of Oregon. The Oregon Secretary of State Corporations Division registered this company as a domestic business corporation. The Company was merged with and into this corporation, and a new Certificate of Authority was granted on October 8, 1999, as a health care service contractor under ORS Chapter 750. On October 19, 1999, ODSHP Acquisition Sub changed its name to ODS Health Plan, Inc. On November 16, 2012, the Plan amended its Articles of Incorporation, changed its name to Moda Health Plan, Inc. and received its amended Certificate of Authority effective January 24, 2013.

On November 27, 2000, the Division of Financial Regulation approved a corporate reorganization in which ODA, the ultimate controlling entity of the Company and sole shareholder of Moda, Inc. donated all of its outstanding MI stock to Oregon Dental Service. As a result, MI and all of its subsidiaries became a direct or indirect subsidiary of Oregon Dental Service.

Capital Stock

Under Article III of the Restated Article of Incorporation, the Company is authorized to issue 2,000,000 shares of common stock of $1.25 par value per share. The outstanding common stock certificates are owned 100% by Moda, Inc.

During the period under examination, there were no changes in the Company's paid in and contributed surplus account.

Dividends, Distributions and Contributions

On December 31, 2013, the Company paid an extraordinary dividend of $10,000,000 to its parent. The Company made the proper disclosure of the distributions to the Director in accordance with the reporting requirements established by ORS 732.554 and 732.576. The dividend was approved by the Division of Financial Regulation December 19, 2013.

Surplus Notes

The Plan has issued the following subordinated surplus debentures:

1. In December 2009, the Plan issued a surplus note to OEA Choice Welfare Benefit Trust (OEA) for $18,000,000 at an interest rate of 6% maturing June 30, 2012. On July 1, 2012, principal of $8,000,000 and $2,700,000 in interest was paid and the remaining $10,000,000 was extended at an interest rate of 4.5% maturing June 30, 2017.

2. On December 15, 2014, the Plan issued a surplus note to Oregon Health & Science University (OHSU) for $50,000,000 at an interest rate of 4% maturing December 15, 2024.

3. On November 15, 2015, the Plan issued a surplus note to Moda, Inc. for $50,000,000 at an interest rate of 4% maturing November 15, 2025. Subsequent to the examination date this note was converted to gross paid in and contributed surplus.

4. On December 31, 2015, the Plan issued a surplus note to Moda, Inc. for $30,000,000 for full and complete settlement of intercompany debt. No interest will be paid on this note and there is no specific maturity date. Subsequent to the examination date this note was converted to gross paid in and contributed surplus.

5. On December 31, 2015, the Plan issued a surplus note to Oregon Dental Service for $13,000,000 at an interest rate of 4% with no specific maturity date.

The notes were approved by the Oregon Division of Financial Regulation and each payment of principal and interest of the surplus notes may be made only with the prior approval of the Oregon Director, in compliance with SSAP No. 41.

CORPORATE RECORDS

Board Minutes

In general, the review of 2013 to 2015 Board meeting minutes of the Company, as well as the various committees authorized by the Board, indicated that 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. The Board maintained a quarterly meeting schedule.

The Board's Compensation and Governance Committee approved officer salaries. The Company's Board then approved the Committee's actions pursuant to ORS 732.320(3).

Articles of Incorporation

The Restated Articles of Incorporation, effective November 24, 2012, was filed with the Secretary of State, changing the name from ODS Health Plan, Inc. to its current name of Moda Health Plan, Inc. The Articles of Incorporation conformed to the Oregon Insurance code.

Bylaws

New Bylaws were adopted by the Company June 3, 2013. The Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws vest management and control of the Company in a Board of Directors. The number of Directors of the Corporation shall be determined by a resolution of the Board. The Board of Directors shall include the chief executive officer of the Corporation and the Chairman of the Board of Moda, Inc. Directors serve terms of two years without limitation to the number of terms. Not less than one-third of the directors shall be representatives of the public who are not practicing doctors or employees or trustees of a participating provider of the corporation. A majority of the number of directors constitutes a quorum. The Board of Directors met all requirements of ORS 750.015.

Members of the Board of Directors, duly appointed and serving as of December 31, 2015, were:

Name and Address	Principal Affiliation	Appointed
Molly H. Bordonaro Portland, Oregon	Senior Vice President Gerding Edlen	2012
George J. Darke, DMD Vancouver, Washington	Retired Dentist	1998
Carlton J. McLeod Portland, Oregon	Retired	2015
Robert G. Gootee Portland, Oregon	CEO Moda Health Plan, Inc.	1998
David W. Howerton, DMD* Salem, Oregon	Oral Surgeon Oral & Maxillofacial Surgery	2004

* Chairman of the Board

Officers

Operating management of the Company as of December 31, 2015, was under the direction of the following principal officers:

Name	Office
Robert G. Gootee	Chief Executive Officer
Williams E. Johnson	President
Thomas J. Bikales	Vice President, General Counsel and Secretary
David W. Evans	Senior Vice President, CFO and Treasurer

All other management functions are provided through a management agreement with Moda, Inc., as described below.

Conflict of Interest

The Plan provided its conflict of interest policy. 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, it appeared that the affected personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Corporate Governance Reporting and Internal Audit Function

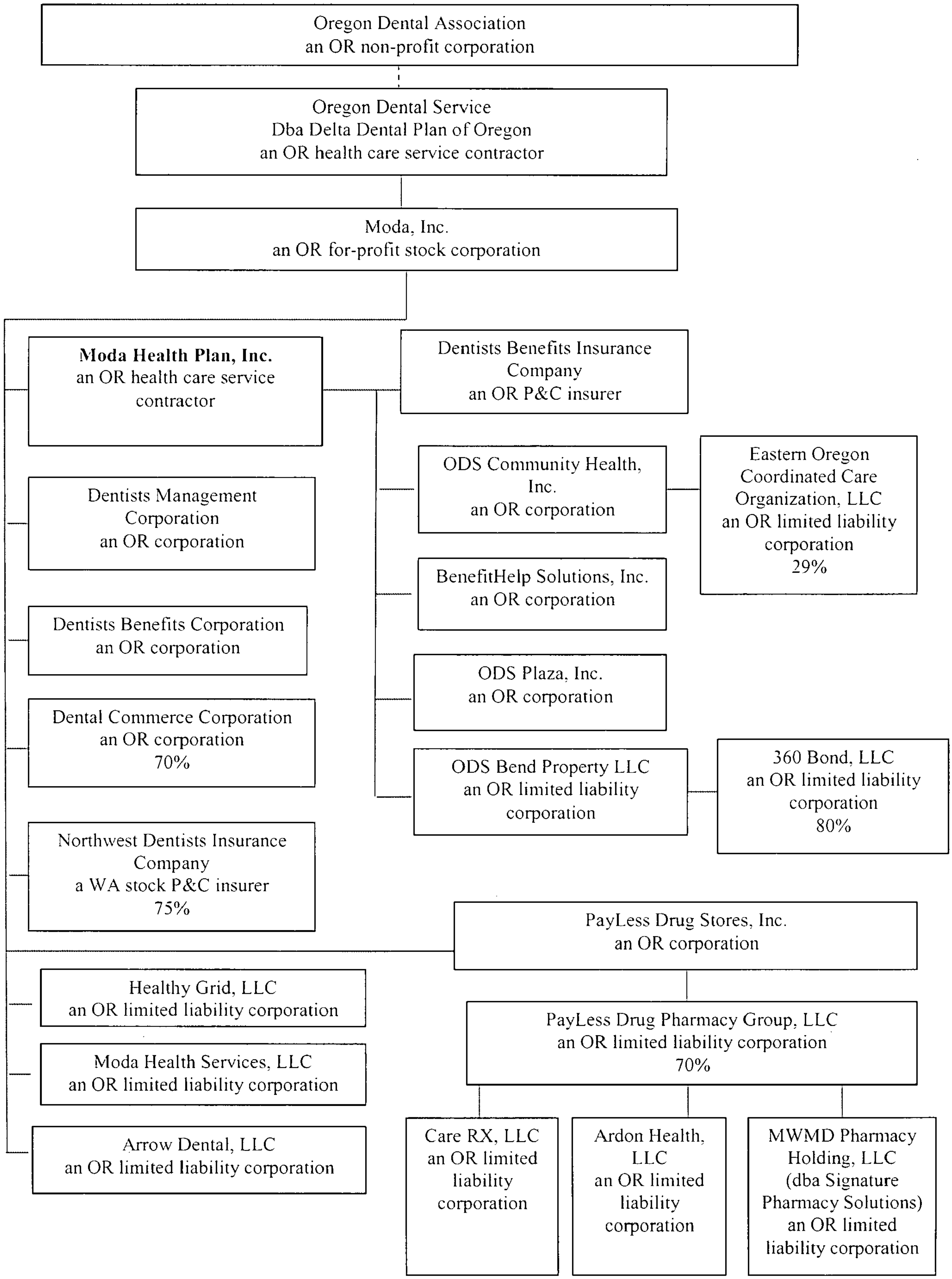
The ODS Group is currently developing and implementing a functioning Enterprise Risk Management (ERM) program. This includes implementing the Group's Model Audit Rule (MAR), modeling and documenting its capital adequacy presentation and requirements, performing stress and scenario tests and models (including for pandemic risks) and documenting the results, identifying and ranking the prospective risks for the Group and its affiliates, and addressing and documenting various strategies and controls to mitigate their identified prospective risks that the Group and its affiliates has decided to undertake.

The organization is developing an independently functioning internal audit department that reports to the Board or to one of its committees. The ODS Group has an Internal Audit Director as of the examination date and it is currently working toward the completion of the developing and testing of internal control procedures (MAR) and ERM program.

I recommend that the ODS Group formulate a written Enterprise Risk Management process that includes modeling risk scenarios and Model Audit Rule compliant organization that includes an independent internal audit department that reports to the Board or committee thereof. The Examiners noted that this structure has been subsequently developed but not reviewed during the examination process.

Insurance Company Holding System

The Company filed an Insurance Holding Company Registration Statement on its behalf and on behalf of its insurance subsidiaries in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020. The insurance holding company structure is comprised of the following entities:



Additional information relating to a number of key entities is address below:

Oregon Dental Association (ODA) is an Oregon nonprofit professional association formed in 1949. It is one of the five constituent dental societies that comprise the American Dental Association's Eleventh Trustee District. ODA members are dentists licensed in Oregon. The Board of Trustees of the ODA appoints all but one of the directors of the Moda, Inc.'s (MI) Board, and would be considered the ultimate controlling entity.

Oregon Dental Service (ODS) is an Oregon nonprofit mutual benefit corporation formed in 1961 by the ODA. ODS writes dental insurance as a health care service contractor in Oregon and Alaska.

Moda, Inc. (MI) (fka: Health Services Group) is an Oregon for-profit stock corporation formed in 1991 as a management company. It maintains all employees, facilities and operations used by the Company under a management agreement described below. MI owns 100% of the outstanding common stock of the Plan, and would be considered the direct parent.

MI owns the following subsidiaries:

Dentists Management Corporation (DMC) is an Oregon corporation incorporated on August 4, 1981. Its primary function is to market a dental practice management system known as DAISY.

Dentists Benefits Corporation (DBC) is an Oregon insurance agency formed on April 14, 1981. Its primary purpose is to market professional liability and other property and casualty coverages to dentists. DBC provides marketing services for DBIC and NORDIC.

Dental Commerce Corporation (DCC) is an Oregon corporation incorporated on May 2, 2011. Its purpose is to finance dentist offices and equipment purchases.

Northwest Dentists Insurance Company (NORDIC) is a Washington domiciled property and casualty insurer owned 75% by MI and 25% by the Washington State Dental Association. NORDIC writes property/general liability and professional liability coverages primarily in Washington and Idaho.

PayLess Drug Stores, Inc. (PayLess) owns 70% of PayLess Drug Pharmacy Group, LLC, which owns two Oregon based pharmacies; Care Rx, LLC which specializes in supplying pre-packaged drugs to long term care facilities and Ardon Health, LLC which sells specialty drugs to customers.

Healthy Grid, LLC is an Oregon corporation formed to serve the online consumer dental market and provide dentists with the resources they need to grow their practice.

Arrow Dental, LLC is an Oregon corporation formed to serve the Medicaid consumer dental market.

The following are wholly owned subsidiaries of the Plan:

ODS Community Health, Inc. (OCH) was incorporated in December 2003 for the purpose of handling business of the Oregon Health Plan, through the Division of Medical Assistance Programs (DMAP). It formed Eastern Oregon Coordinated Care Organization, LLC (EOCCO), an Oregon limited liability company which is owned 29% by ODS Community Health Inc. and the remainder by Greater Oregon Behavioral Health Inc. and other parties. EOCCO coordinates member care between providers and hospitals across eastern Oregon.

BenefitHelp Solutions (fka: BestChoice Adminstrators) is an Oregon corporation operating as a third party administrator and was incorporated on January 26, 1994.

ODS Plaza, Inc. is an Oregon business corporation, formed in 2005 to own and operate an office building located in Milwaukie, Oregon.

ODS Bend Property LLC is an Oregon limited liability corporation. This company was formed in 2007 to be a management company for an office building located in Bend, Oregon. ODS Bend Property owns an 80% interest in 360 Bond LLC, and is a managing member.

Dentists Benefits Insurance Company (DBIC) is a property and casualty insurer and was issued a Certificate of Authority from the Division of Financial Regulation on December 28, 1985. DBIC markets professional liability and commercial multi-peril coverages through DBC to dentists in nine states.

INTERCOMPANY AGREEMENTS

As of December 31, 2015, the Company was party to the following agreements with affiliates:

Management Agreement

The Company operates under a management agreement with MI, dated January 1, 1995, and amended September 1, 2002. The management agreement states that MI will provide all marketing, underwriting, claims, investment, financial and accounting, information systems and administrative functions to the Company. MI will provide all equipment, computer software, furniture, fixtures and all tangible personal property used to transact business, as well as all employees and staff. Terms of the agreement include:

- The Company is to pay all costs and expenses that are directly attributable to its operations;
- Indirect expenses are to be pooled and allocated using a fair and reasonable method; and
- Those costs or expenses that inure to the sole benefit of MI and do not benefit the Company shall be borne by MI and shall not be subject to reimbursement.

The examiners noted the agreement did not specify a due date for payment. Sections 5.2 of the agreement, title "Intercompany Transactions" state that all intercompany activities as well as intercompany loans shall be permitted only if separate, accurate and verifiable accounting is maintained. All such transactions are reconciled monthly, and balances held more than 90 days are paid interest equal to the 90-day US T-Bill rate as of the last business day of the month.

Funds are required to be available to pay claims and obligations in accordance with SSAP 4. In addition, ORS 733.780, states an insurer shall not make investments (a) which at the time of purchase or acquisition are not interest-bearing or dividend or income-paying, or are in default in any respect or (b) from which the insurer is not entitled to receive for its exclusive account and benefit the interest, dividends or income.

I recommend the Company modify its use of the Zero Balance Account (ZBA) structure with Moda, Inc.'s sweep/concentration account and maintain ownership and existence of its cash in the name of ODS in accordance with SSAP No. 4 and ORS 733.780.

As part of the above transactions and part of the funding arrangement, an amended and restated $30,000,000 credit agreement (LOC), dated September 28, 2011, was entered into with US Bank, NA, of which the Plan and MI are guarantors of the loan. The Examiners noted certain assets were pledged as collateral and restricted as part of the LOC and were not identified as such in the Annual Statement. These assets would have been encumbered pursuant to ORS 733.560 and should have been reviewed to determine admitted or non-admitted status per SSAP No. 4, paragraph 6 and 7.

I recommend that the Company enhance its processes to ensure proper disclosure of restricted assets and its financial statements are completed in accordance with NAIC Annual and Quarterly Statement instructions as required by ORS 731.574.

Consolidated Tax Allocation Agreement

Effective December 31, 2015, an amended and restated consolidated tax allocation agreement was executed in which Moda, Inc. files consolidated federal and state income tax returns for itself and the following subsidiaries beginning with the period ending December 31, 2015: Moda Health Plan Inc., Dentists Benefits Insurance Company, BenefitHelp Solutions, Inc., Dental Benefits Corporation, ODS Community Health Inc., ODS Plaza Inc., Dentists Management Corporation, Dental Commerce Corporation and Payless Drug Stores Inc. Under this agreement income tax liability for each entity is calculated as if each entity is filing separate returns with certain exceptions. Final settlements are based on filed tax return. MI may require estimated tax payments as necessary to meet its tax obligations. The agreement provides that any deferred tax asset or liabilities as determined by GAAP or SSAP shall be recorded on the parent's books as determined on a consolidated basis. The agreement further states that the Plan's deferred tax assets (DTA) or deferred tax liabilities (DTL) shall be used based on GAAP or STAT basis that is used by the subsidiary in computing its federal income tax. According to the agreement, the settlements period for balances owed between parties will be settled 90 days subsequent to year end and as such are treated as current assets or liabilities.

I recommend that tax sharing agreement be amended to present its 2017 and future Deferred Tax Assets and Deferred Tax Liabilities separate from the current tax payable or receivable balances and include the applicable references to SSAP No 101.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Alaska, California, Idaho, Oregon and Washington. As of December 31, 2015, the Company wrote business in Alaska, California, Oregon and Washington. The Company writes its business through licensed, independent agents and salaried representatives.

The Plan writes both individual medical and group medical health insurance as well as Medicare. The Plan's individual business has traditional, preferred, beneficial, and plus plans. The Group, both small and large commercial medical insurance, comprised of indemnity, point of service (POS) and preferred provider organization (PPO).

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

Line of Business	2015	2014	2013	2012	2011
Indv. hospital & medical	123,189	128,438	35,655	31,401	29,131
Group hospital & medical	88,473	77,348	48,998	42,414	33,739
Medicare supplement	0	0	0	0	0
Vision only	0	0	0	0	0
Dental only	0	0	0	0	0
FEHPB	0	0	0	0	0
Medicare	4,605	2,063	1,636	1,104	864
Medicaid	0	0	0	0	0
Other	0	0	0	0	0
Total enrollment	216,267	207,849	86,289	74,919	63,734

A portion of the commercial business is written on a retention basis whereby the Company agrees to refund the excess, if any, of premium received over claims and administrative costs paid. The experience refund is generally used as an offset against increases in a group's premiums and in 2015, approximately $12.5 million was included in the liability account; aggregate health policy reserves.

In addition to its insured business, the Plan acts as a third party administrator for many self insured groups through Administrative Service Only (ASO) or Administrative Services

Contract (ASC) arrangements. Premium and claims associated with ASO business and uninsured portion of partially insured business are excluded from statutory financial statements.

Under an ASO arrangement, the claims are paid from a bank account and funded directly by the uninsured sponsor. Under an ASC arrangement, the reporting entity pays claims from its own bank account and subsequently receives reimbursement for the sponsor.

A Minimum Premium Plan (MMP) is part of the ASC business that is identified as partially insured business. This is a product where the Company charges a group a minimum premium per person per month to cover the administrative fees servicing the uninsured plans, where the contract can be bifurcated for amounts above the groups claims limit that the Company is required to insure and is identified as its exposure above a stop-loss threshold. At year end that stop-loss component is included in the IBNR. The other element is treated as self insured business. The insured is responsible for the claim payments up to a maximum limit established by the contract. The Company covers claims incurred in excess of the maximum limit.

Approximately 68% and 69% of amounts receivable relating to uninsured plans for the years ended December 31, 2015 and 2014, respectively, were provided under separate contracts. Business written on ASO/ASC and the uninsured portion of partially insured plans for 2015 is shown below:

	ASO Uninsured Plans
Net reimbursement for administrative expenses	$ 52,699
Total net other income or expenses	0
Net gain from operations	$ 52,699
Total claim payment volume	$ 20,143,023

	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plan	Total ASC
Gross reimbursement for medical costs incurred	$ 560,234,790	$ 713,496,777	$ 1,273,731,567
Gross administrative fees accrued	0	0	0
Other income or expenses (including interest)	0	0	0
Gross expenses incurred (claim and administrative) *	558,195,352	715,781,338	1,273,976,690
Total net gain or loss from operations	$ 2,039,438	$ (2,284,561)	$ (245,123)

* The liability for ASC unpaid claims, estimated to be $89,034,155 and $72,766,001 at December 31, 2015 and 2014, respectively, remains with the group (sponsor) not with the Plan and is therefore not included in unpaid claims. Service revenue earned for processing claims under ASC arrangements were $75,211,684 and $71,057,213 for the years ended December 31, 2015 and 2014, respectively, and are netted against claims adjustment expenses and general administrative expense. Receivables for claims processed under ASC arrangements were $27,915,374 and $29,687,119 as of December 31, 2015, and 2014, respectively, and are recorded as amounts receivable relating to uninsured plans.

GROWTH OF THE COMPANY

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

Year	Assets	Liabilities	Total Capital and Surplus	Net Income/ (Loss)
2011	$257,662,531	$176,836,508	$80,826,023	$5,861,685
2012*	284,109,432	208,230,829	75,878,603	5,260,256
2013	208,792,162	133,903,703	74,888,459	7,495,948
2014	353,676,426	232,614,763	121,061,663	(5,172,595)
2015*	548,774,732	499,030,570	49,744,162	(49,529,430)

* Per examination

The increase in admitted assets and liabilities during 2014 was primarily the result of the Plan's increase enrollment in the commercial business and the various provisions associated with the Affordable Care Act. In addition, in 2015, the Plan executed a 25% quota share agreement with Swiss Re Life and Health America, Inc. (see Reinsurance section below) that resulted in unsettled amounts of premiums and claims recoverable throughout the year. The amount of reinsurance recoverable outstanding and net premium payable subject to this agreement was $253 million. Under SSAP No. 35R, the recording of Section 9010 of the ACA annual fee is to be recorded in the year it is paid, which allowed an aggregate write-in line item in the surplus section of the financials reflecting the accrual of that fee. In 2014, SSAP No. 106 and SSAP No. 107 were updated finalizing the accounting for the risk adjustment, reinsurance and risk corridors programs of the ACA. On October 1, 2015, United States Department of Health & Human Services (HHS) acknowledged a shortfall in the available funds for program year 2014, and stated it would be making payments to insurers of approximately 12.6% of their requested amounts. This resulted in the Plan non-admitting $175 million of 2014 and 2015 risk corridor receivables due to uncertainties associated with those receivables. The non-admitted amounts, coupled with 2014 and 2015 underwriting losses, significantly reduced the Plan's surplus. (See subsequent events section below).

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 NAIC Annual Statements and, where indicated, from the examination reports.

Year	(1) Total Revenues	(2) Total Hospital and Medical	(2)/(1) Medical Loss Ratio	(3) Claim Adjustment and General Expenses	(2)+(3)/(1) Combined Loss Ratio
2011	$ 217,441,207	$ 196,217,406	90.2%	$ 19,093,750	99.0%
2012*	249,432,584	218,001,777	87.4%	26,238,285	97.9%
2013	292,972,506	260,539,087	88.9%	26,042,300	97.8%
2014	749,517,784	695,956,469	92.9%	64,601,871	101.2%
2015*	777,092,615	778,817,127	101.7%	61,780,406	109.1%

* Per Examination

A combined loss incurred and expense to premium ratio of more than 100% indicates an underwriting loss, which the Company reported in 2014 and 2015. In addition, approximately 62% of the Company's premiums are in non-insurance ASC and uninsured portion of partially insured group business. The premiums and claims from this business are not included above, but the Company does collect a service fee which may offset a portion of the total expenses incurred on the insured business. Service revenues earned for processing claims under the ASC business were $75,211,684 and $71,057,213 for the years 2015 and 2014, respectively.

REINSURANCE

Assumed Business

The Company did not assume business during the period under examination.

Ceded Business

Effective January 1, 2015, the Company entered into an excess of loss agreement with PartnerRe America Insurance Company (NAIC #11835, authorized in Oregon since December 22, 1981). For commercial members, the retention by the Plan is $850,000 per member with unlimited reimbursement by the reinsurer. For Medicare enrollees, the retention by the Plan is $500,000 per member with unlimited reimbursement by the reinsurer. For Exchange enrollees, the retention by the Plan is $750,000 with unlimited reimbursement by the reinsurer. It was determined the Company's reinsurance agreement clearly specified the risk taken by the reinsurer, with no unusual provisions reducing the reinsurer's risk.

Effective January 1, 2015, the Company entered into a 25% quota share reinsurance agreement with Swiss Re Life and Health America, Inc. (NAIC #82627, authorized in Oregon since December 1, 1979) for its insured group and individual health business. Business identified as Medicare Advantage, Medicaid and dental business is excluded. With respect to any medical expense cost, the reinsurer shall be entitled to collect Premium and Government Subsidy payments including risk corridor calculations and all other amounts due to the reinsurer regardless of whether such amounts are received by the Company. The agreement was terminated as of December 31, 2015.

The reinsurance agreements contained proper insolvency clauses in accordance with ORS 731.508(3) that allows the Plan to take reserve credits for reinsurance ceded.

In view of the Company's surplus at December 31, 2015, the Company does not retain risk on any one subject of insurance in excess of 10% of its surplus to policyholders, 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, 2015, annual statement. They were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. However, the Examiners do make the following recommendation:

I recommend that the Plan refine its reconciliation of the lag tables to the general ledger/financial statements to better facilitate the examination in accordance with ORS 731.308(3) and ORS 733.170.

The Company has a system in place to account for unclaimed funds and has filed the reports on abandoned property pursuant to the provisions of ORS 98.352.

STATUTORY DEPOSITS

At year-end 2015, the Company had on deposit with the Division of Financial Regulation two FNMA bonds and one FHLMC bond totaling $1,007,000 (par value), for the benefit of all policyholders. In addition, the Company maintained a FHLMC bond in the amount of $268,000 (par value) on deposit with the Division of Financial Regulation for the benefit of Oregon policyholders pursuant to the provisions of ORS 750.045(2). The deposits were verified from Division of Financial Regulation records. In addition, the Company had bonds with a par value of $1,064,000 on deposit with the state of Washington. All deposits were listed in the 2015 Annual Statement on Schedule E – Part 3.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

No comments or recommendations were made as a result of the prior examination.

SUBSEQUENT EVENTS

On January 27, 2016, the Oregon Department of Consumer and Business Services issued an Order of Supervision and ordered the Plan to cure its hazardous operating condition. On February 6, 2016, the Oregon Department of Consumer and Business Services issued a Consent Order requiring certain conditions be met. Simultaneously, the Order of Supervision was lifted.

Effective June 20, 2016, after the Company had reflected increased capital conditions and reduced its risk profile, the consent order was withdrawn by the Oregon Director of DCBS.

On October 31, 2016, the Form A filing for the sale of DBIC to The Dentist Insurance Company was approved by the Oregon DCBS.

On May 16, 2016, the Plan executed a Third Party Pledge and Security (TPPS) agreement in favor of Delta Dental of California (DDC) securing a lending agreement between Moda, Inc. and DDC where Moda, Inc. received a loan for $30,000,000, of which the proceeds are to be contributed to the Plan. The TPPS agreement provides for the payment of any 2014 Risk Corridor received by the Plan to be paid to DDC after receipt of the 12.6% that CMS approved in October 28, 2015. On May 17, 2016, Moda, Inc. contributed the $30,000,000 to the Plan.

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, 2015. 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 statement.

Statement of Assets
Statement of Liabilities, Capital and Surplus
Statement of Revenue and Expenses
Reconciliation of Surplus since the Last Examination

MODA HEALTH PLAN, INC.
ASSETS
As of December 31, 2015

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 39,925,027	$(9,958,958)	$ 29,966,069	1
Common stocks	51,699,976	-	51,699,976	1
Cash and short-term investments	(32,916,937)	-	(32,916,937)	1
Other invested assets	7,455,502	-	7,455,502	2
Subtotal, cash and invested assets	$66,163,568	$ (9,958,958)	$56,204,610	
Investment income due and accrued	233,240	-	233,240	
Premiums and considerations:				
Uncollected premiums and agent's balances in the course of collection	11,539,094	-	11,539,094	
Accrued retrospective premiums	8,134,306	-	8,134,306	3
Amounts recoverable from reinsurers	348,571,490	-	348,571,490	4
Amounts receivable relating to uninsured plans	27,915,374	-	27,915,374	
Current federal and foreign income tax recoverable	69,117,940	-	69,117,940	5
EDP Equipment	154,217	-	154,217	
Receivables from parent, subsidiaries, and affiliates	19,556,819	-	19,556,819	
Health care receivable	6,714,106	-	6,714,106	
Aggregate write-ins for other than invested assets	633,536	-	376,830	
Total Assets	$558,733,690	$ (9,958,958)	$548,774,732	

MODA HEALTH PLAN, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2015

Liabilities, Surplus and Other Funds	Balance per Company	Examination Adjustment	Balance per Examination	Notes
Claims unpaid	$ 88,335,503	$ 6,360,461	$ 94,695,964	6
Accrued medical incentive pool and bonuses	-	-	-	
Unpaid claims adjustment expense	7,381,000	-	7,381,000	6
Aggregate health policy reserves	37,244,171	-	37,244,171	6
Premiums received in advance	14,103,432	-	14,103,432	
General expenses due or accrued	21,237,871	-	21,237,871	
Ceded reinsurance premiums payable	260,699,653	-	260,699,653	
Amounts withheld or retained for account of others	516,668	-	516,668	
Amounts due to parent, subsidiaries, and affiliates	242,343	-	242,343	
Payable for securities	2,052,968	-	2,052,968	
Liability for amount held under uninsured plans	59,661,194	-	59,661,194	
Aggregate write-ins for other liabilities	240,597	-	240,597	
Total Liabilities	$ 491,715,400	$ 6,360,461	$ 498,075,861	
Aggregate write-ins for special surplus funds	29,678,901	-	29,678,901	7
Common capital stock	2,500,000	-	2,500,000	
Gross paid in and contributed surplus	45,578,582	-	45,578,582	
Surplus notes	153,000,000	-	153,000,000	
Unassigned funds (surplus)	(163,739,193)	(16,319,419)	(147,419,774)	
Surplus as regards policyholders	67,018,290	(16,319,419)	50,698,871	
Total liabilities, surplus and other funds	$ 558,733,690	$ (9,958,958)	$ 548,774,732	

MODA HEALTH PLAN, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2015

	Balance per Company	Examination Adjustment	Balance per Examination	Notes
Revenues	$ 777,092,615	$ -	$ 777,092,615	
Change in unearned premium reserves and reserve for rate credits	-	-	-	
Total Revenues	777,092,615	-	777,092,615	
Hospital and Medical:				
Hospital/medical benefits	792,203,468	-	792,203,468	
Other professional services	92,911,630	-	92,911,630	
Outside referrals	39,535,219	-	39,535,219	
Emergency room and out-of-area	100,283,062	-	100,283,062	
Prescription drugs	149,858,113	-	149,858,113	
Incentive pool, withhold adjustments and bonus amounts	-	-	-	
Subtotal:	1,174,791,492	-	1,174,791,492	6
Less:				
Net reinsurance recoveries	395,974,365	-	395,974,365	
Total medical and hospital	778,817,127	-	778,817,127	
Non-health claims	-	-	-	
Claim adjustment expenses	27,047,760	-	27,047,760	
General administrative expenses	34,732,646	-	34,732,646	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	840,597,533	-	840,597,533	
Net underwriting gain or loss	(63,504,918)	-	(63,504,918)	
Net investment income earned	(85,450)	-	(85,450)	
Net realized capital gains or (losses)	1,508,062	-	1,508,062	
Net investment gains or (losses)	1,422,612	-	1,422,612	
Aggregate write-ins for other income or expense	(142,814)	-	(142,814)	
Net income or (loss) before federal income taxes	(62,225,120)	-	(62,225,120)	
Federal and foreign income taxes incurred	(12,695,690)	-	(12,695,690)	
Net Income (loss)	$ (49,529,430)	$ -	$ (49,529,430)	

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

	2015	2014	2013
Surplus as regards policyholders, December 31, previous year	$121,061,663	$ 74,888,459	$75,878,603
Net income	(49,529,430)	(5,172,595)	7,495,948
Change in net unrealized capital gains (losses)	11,573,225	790,142	1,734,845
Change in net deferred income tax	56,125,204	(12,113)	1,467,740
Change in nonadmitted assets	(165,212,372)	567,770	(1,688,677)
Change in unauthorized reinsurance	-	-	-
Change in surplus notes	93,000,000	50,000,000	-
Cumulative effects of changes in accounting principles	-	-	-
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	-	-	-
Transferred to capital (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Dividends to stockholders (cash)	-	-	(10,000,000)
Examination adjustments	(16,319,419)	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Net change in surplus as regards policyholders for the year	(70,362,792)	46,173,204	(990,144)
Surplus as regards policyholders, December 31, current year	$ 50,698,871	$121,061,663	$74,888,459

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Investments

The long-term bond portfolio has decreased considerably given the current liquidity position of the Plan. Most of the Company's long-term bond investments were in US government obligations, federal agency bonds, special revenue bonds, and corporate issues.

During the period under examination, the Plan entered into a sales/lease agreement in which the Plan received $9,958,958 for the sale of electronic computer equipment with a 5 year leaseback and fee payable. The Plan was required to securitize the loan with specific bonds. The admitted value of these bonds was $10,161,296. In accordance with ORS 733.560, these bonds were encumbered and should have been non-admitted.

I recommend that the Plan continue to improve its disclosure within the financial statements to reflect its agreements executed between related and un-related parties. In addition, I recommend the Plan properly document and disclose the bonds in Schedule D – Part 1 to identify those securities/investments that are encumbered or otherwise restricted under agreements, to comply with SSAP No. 4, paragraphs 6 and 7.

Common stocks were comprised of investments in four wholly owned subsidiaries, five separate mutual funds primarily invested in small cap stocks and stock index portfolios and three unaffiliated stock issues. The Company's largest stock holdings was its subsidiaries, ODS Community Health Inc. with a reported book adjusted carrying value of $22,424,184 and DBIC, with a reported book adjusted carrying value of $12,313,986. The fair value of all common stocks, including subsidiaries, was $51,699,976.

Cash and short-term deposits consisted of cash on deposit and one money market mutual fund. Under the Company's cash management system, Moda, Inc. holds all of the Company's cash, as described earlier in this report.

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

	A	B	C	Ratio	Ratio	Ratio
Year	Bonds	Common and Preferred Stocks	Cash and Short-term	A/ Total Assets	B/ Total Assets	C/ Total Assets
2011	140,768,838	49,831,524	22,349,780	54.63%	19.34%	8.67%
2012	146,148,628	59,599,578	19,317,909	51.44%	20.98%	6.80%
2013	117,045,848	62,210,391	(21,329,449)	56.06%	29.80%	(10.22)%
2014	64,039,157	51,781,044	(30,746,702)	18.11%	14.64%	(8.69)%
2015	39,925,027	51,699,976	(32,916,937)	7.15%	9.25%	(5.89)%

Approval of investment transactions was performed by the finance committee of the Board of Directors, pursuant to ORS 733.740. As of December 31, 2015, 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 April 1, 2006, the Company entered into a custodial agreement with the US Bank, NA. The agreement contains all of the relevant protections described in OAR 836-027-0200(4) (a) through (l).

Note 2 – Other Invested Assets (Schedule BA)

Other long-term investments consisted of two limited liability corporations. On December 31, 2009, Moda, Inc. contributed to the Plan 100% of its ownership in a real estate limited liability corporation, ODS Bend Property, LLC, with a book value of $6,656,787.

The other, Propel Health, LLC, is an entity founded by the Plan and seven unaffiliated medical provider groups/systems with a book value of $868,715. The Plan's cost of $2,000,000 as of December 31, 2015 represents a 14% ownership interest.

Because limited liability corporations are not addressed in the Oregon Insurance Code, and likewise are not expressly prohibited, the Plan was limited in its investment to no more than 7.5% of total admitted assets pursuant to the "prudent investor" standards per ORS 733.670(2). At December 31, 2015, the Plan reported fair market value investment of $7,455,502 representing 1.3% of total admitted assets which complies with ORS 733.670.

Note 3 – Accrued Retrospective premiums

The ACA established three programs to provide protection against adverse selection in the insurance market while stabilizing premiums in the individual and small group markets. These programs are commonly referred to as the 3Rs; Risk Adjustment, Risk Corridor and Reinsurance.

The Risk Adjustment program is a permanent program beginning in 2014 benefit year and covers health plans both on and off the exchange. Risk Adjustment assessments and distributions is computed based on the reporting entity's risk score versus the overall market risk score after applying adjustments. As of December 31, 2015, the Plan reported $24,771,727 of Risk Adjustment payables included in the aggregate health policy reserves with a reduction to net premium income. Risk Adjustment receivables of $6,538,105 were included in accrued retrospective premiums with a corresponding increase to net premium income.

The Plan's 2014 and 2015 estimated Risk Corridor receivables amount of $176,707,141 is included in accrued retrospective premiums balances as of December 31, 2015. A payable portion of the Risk Corridor program, one of the temporary programs of the 3Rs, was $1,207,723 and included in general expenses with a reduction to net premium income.

The Plan reported, as a non-admitted asset, $175,110,939 of the Risk Corridor receivable as of December 31, 2015. This balance included the 2014 balance which the Plan held as an admitted amount as of December 31, 2014. On October 1, 2015, HHS acknowledged a shortfall in the payments for the program year 2014, and stated that it would be making prorated payments of 12.6% of the amount due for 2014 balance. After adjustment, the Plan received $9,685,934 in 2015 for its 2014 Risk Corridor, with a $1,596,201 receivable balance recorded for the 2014 Risk Corridor amounts included in the December 31, 2015 balance of $8,134,306. The remaining Risk Corridor balance for 2014 and the entire 2015 Risk

Corridor receivable were non-admitted in the amount of $175,110,939 due to the uncertainty of its collection.

Note 4 – Amounts Recoverable from Reinsurers

A transitional reinsurance program is in effect for plan years 2014 through 2016. In general, the program provides funding to carriers in the individual market that incur high claims cost for enrollees. Anticipated recoveries under the program are included in amounts recoverable from reinsurers with a corresponding reduction to hospital and medical benefits. As noted under ceded reinsurance for the year ended December 31, 2015, the Plan recorded $107,780,029 as amount recoverable and a reduction to unpaid claims liability of $24,405,520.

The Reinsurance program was to reimburse the Plan for losses between $45,000 and $250,000 at a rate equal to or higher than 50%. The Plan estimated a 60% payout rate and HHS paid out at 55.1%. The Plan was advised by Wakely Consulting that it predicted that the coinsurance percentage could increase to as much as 55% to 60% for 2015. This resulted in the Plan over-accruing its recoverable by approximately $19,000,000.

The assumptions and methodology by the Plan was reviewed by Mr. David Reimer, FSA, MAAA, Consulting Actuary, Risk and Regulatory Consulting, LLC. See note 6 below.

Included in the balance is the recoverable from the Plan's excess of loss reinsurance and its 25% quota share recoverable from Swiss Re.

The following table reflects the make-up of the asset line item "Reinsurance Recoverable":

Description:	Amount
Reinsurance Receivable (XOL)	$ 6,120,215
Federal Reinsurance Receivable	107,780,029
Reinsurance – Swiss Re	234,671,245
Total	$348,571,490

The Plan recorded a number of transactions relating to its Swiss Re agreement. This included reinsurance premiums payable liability in the amount of $253,258,907 and an expense allowance to its receivable portion. The subsequent net amount received was approximately $3 million less than originally reported by the Plan.

Between the Federal Reinsurance and the Swiss Re reinsurance recoverable, the Plan overstated its receivable by approximately $22 million.

The examiner did not adjust the financial statement for these adjustments, as the assumptions, were considered estimates and the methods and assumptions were reasonable. The Plan has since recorded the difference in the 2016 financial statements.

__Note 5 – Current federal tax recoverable__

The Plan's current federal tax recoverable was reported as $69,117,940. It was comprised of the following items:

Description	Amount
Current Year Federal Income Tax Rec.	$ 11,918,809
Reverse Prior Year DTA	(1,202,256)
Current Year DTA converted to receivable	58,401,386
Total	$ 69,117,940

The Plan's tax sharing agreement allows for deferred assets to be recorded as a current federal tax recoverable based on the fact that the balance is settled, as described below.

Subsequently, the Oregon Division of Financial Regulation approved the redemption of the $80,000,000 surplus note with its parent, Moda, Inc., as part of the settlement of the December 31, 2015 Federal Income Tax balance of $69,117,940 above. In conjunction with that transaction, Moda, Inc. made a contribution of $80 million to Moda Health Plan, Inc. as additional paid in capital. The Plan then reflected a related party receivable of $69,117,940 as of March 31, 2016.

I recommend that tax sharing agreement be amended to present its 2017 and future Deferred Tax Assets and Deferred Tax Liabilities separate from the current tax payable or receivable balances and include the applicable references to SSAP No 101.

__Note 6 – Actuarial Reserves__

A review of the Unpaid Claims and Claim Adjudication Expense reserves for the Company was performed by David Reimer, FSA, MAAA, Consulting Actuary, Risk and Regulatory Consulting, LLC. As part of his review, he examined the Statement of Actuarial Opinion prepared by the Plan's appointed actuary, David O. Thoen, FSA, MAAA, of Deloitte Consulting LLP in Minneapolis, as of December 31, 2015.

The following recommendations with respect to adjustment to the content of the 2015 Annual Statement or of the methodology used to develop that statement:

- The loss reserves held as of December 31, 2015 should be adjusted to at least equal the minimum amounts calculated by RRC to properly represent the emergence of earnings in 2015 and 2016.
- The annual statement as of December 31, 2015 should be adjusted to properly reflect the accruals associated with the Affordable Care Act to properly reflect the reserve that should have been held as of that date.
- The Company should adjust the methodology used to determine unpaid claims adjudication expenses to reflect an appropriate level of expenses, rather than using a ballpark estimate.

The actuarial examination was limited to providing reviews of the substantive actuarial items on pages 2 and 3 of the 2015 Annual Statement. The following items were covered by the review:

	Amount
Claims Unpaid(less reinsurance ceded	$ 88,335,503
Accrued Medical Incentive Pool and Bonus Amounts	0
Unpaid Claims Adjustment Expenses	7,381,000
Aggregate health Policy Reserves	37,244,171
Accrued Retrospective Premium (Part)	183,245,246
Amounts Recoverable from Reinsurers (Part)	107,780,028

The aggregate net amounts above, which were reported by the Company, met or exceeded the statutory minimums of the state of Oregon except as noted in the recommendations section above. The reserves reported by the Company were deemed to be short of those that should reasonably have been held in light of the emerging liabilities they support. The actuarial portion of the examination did result in some recommended changes to amounts reported by the Company in the 2015 Annual Statement and these were enumerated in the Recommendation Section above.

Mr. Reimer 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. He relied on work performed by the examiners who reviewed the underlying data used to create the Annual Statement filing, as well as prepared his own independent calculations.

The September 30, 2016 quarterly statement run-out of 2015 and prior years' claims, as reported net of reinsurance, totaled $6,360,431. This amount was reflected in the "Underwriting an Investment Exhibit, Analysis of Claims Unpaid". The Examiners used this amount to reflect the adjustment to the financial statement noted in the "Analysis of Change to Surplus" above. The examiner used this number to reflect the adjustment to claims unpaid at December 31, 2015.

The actual Claim Adjustment Expense in the 2015 Annual Statement as shown in the Statement of Revenue and Expenses for claims adjudicated during the year as a percentage of claims was calculated to be 2.3%. Generally, this would provide a reasonable basis for estimating the percentage of Unpaid Claims that should be held for Unpaid Claims Adjudication Expenses (UCAE) on line 3 of Page 3 of Liabilities. In addition, included in the percentage of 2.3% is approximately .6% for cost containment expenses, which usually occur before the procedure is performed and could be excluded from the 2.3 percentage. The Company held 5% of the unpaid claims reserve as UCAE. In most studies on this issue, the medical range is approximately 1 – 5% of claims, with the actual number mostly dependent on the automation of the claim processing function.

Other items noted as part of the actuarial review were considered reasonably stated with the exception of the ACA "Transitional Reinsurance". See Note 4 above.

I recommend the Company perform periodic reviews of its methodology used to determine Unpaid Claim Adjudication Expenses.

Note 7 – Aggregate Write-Ins for Special Surplus Funds

The Plan will be subject to an annual fee under Section 9010 of the ACA. This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance issuer's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2016. As of December 31, 2015, the Plan has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2016, and estimated its portion of the annual health insurance industry fee payable on September 30, 2016, to be $29,678,901. The Plan recorded the assessment accurately in its aggregate write-ins for special surplus funds.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner adjusted total capital and surplus $16,319,389 from $67,018,290 to $50,698,907 as a result of this examination. The following comments or recommendations were made as a result of this examination:

Page:

10 I recommend that the ODS Group formulate a written Enterprise Risk Management process that includes modeling risk scenarios and Model Audit Rule compliant organization that includes an independent internal audit department that reports to the Board or committee thereof. It was noted that this structure has been subsequently developed but not reviewed during the examination process.

15 I recommend the Company modify its use of the Zero Balance Account (ZBA) structure with Moda, Inc.'s sweep/concentration account and maintain ownership and existence of its cash in the name of ODS in accordance with SSAP No. 4 and ORS 733.780.

16 I recommend that the Company enhance its processes to ensure proper disclosure of restricted assets and its financial statements are completed in accordance with NAIC Annual and Quarterly Statement instructions as required by ORS 731.574.

16 I recommend that tax sharing agreement be amended to present its 2017 and future Deferred Tax Assets and Deferred Tax Liabilities separate from the current tax payable or receivable balances and include the applicable references to SSAP No 101.

22 I recommend that the Plan refine its reconciliation of the lag tables to the general ledger/financial statements to better facilitate the examination in accordance with ORS 731.308(3) and ORS 733.170.

29 I recommend that the Plan continue to improve its disclosure within the financial

statements to reflect its agreements executed between related and un-related parties. In addition, I recommend the Plan properly document and disclose the bonds in Schedule D – Part 1 to identify those securities/investments that are encumbered or otherwise restricted under agreements, to comply with SSAP No. 4, paragraphs 6 and 7.

32 I recommend that tax sharing agreement be amended to present its 2017 and future Deferred Tax Assets and Deferred Tax Liabilities separate from the current tax payable or receivable balances and include the applicable references to SSAP No 101.

34 I recommend the Company perform periodic reviews of its methodology used to determine Unpaid Claim Adjudication Expenses.

CONCLUSION

During the three-year period covered by this examination, the surplus of the Company as adjusted for examination purposes has decreased from $75,878,603, as presented in the December 31, 2012, report of examination, to $50,698,901 as shown in this report of examination. The comparative assets and liabilities are shown below:

	December 31, 2015	2012	Change
Assets	$ 548,774,732	$ 284,109,432	$ 264,665,300
Liabilities	498,075,831	208,230,829	289,845,002
Surplus	$ 50,698,901	$ 75,878,603	$ (25,179,702)

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, the Washington Office of Insurance Commissioner's IT Specialist, Mr. John Jacobson, and examiners Tarik Subbagh, MSBA, CPA, CFE, Property and Casualty Field Supervising Examiner, Randy Fong, CFE, Jim Gill, CPA, and Zairina Othman, participated in the examination. Mr. David W. Reimer, FSA, MAAA, Consulting Actuary, Risk and Regulatory Consultants, LLC also participated in the examination.

Respectfully submitted,

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

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

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

1. I have authority to represent the state of Oregon in the examination of Moda Health Plan, Inc., 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, and the examination of Moda Health Plan, Inc. 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
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 27 day of June, 2017.

Kassia Riggs
Notary Public for the State of Oregon

My Commission Expires: 12.15.2018

OFFICIAL STAMP
KASSIA RIGGS
NOTARY PUBLIC-OREGON
COMMISSION NO. 934204
MY COMMISSION EXPIRES DECEMBER 15, 2018