STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

SAMARITAN HEALTH PLANS, INC.
CORVALLIS, OREGON

AS OF

DECEMBER 31, 2018

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CORVALLIS, OREGON

NAIC COMPANY CODE 12257

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SALUTATION

April 15, 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

SAMARITAN HEALTH PLANS, INC.
3600 NW SAMARITAN DRIVE
CORVALLIS, OR 97330

NAIC Company Code 12257

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

SCOPE OF EXAMINATION

We have performed a regular, single-state, full-scope financial examination of Samaritan Health Plans, Inc. The last examination of this health care service contractor was completed for the period ending December 31, 2015. This examination covers the period of January 1, 2016, 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 Plan and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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

This examination report includes significant findings of fact, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary

information, etc.), are not included within the examination report, but separately communicated to other regulators and the Plan.

COMPANY HISTORY

The Plan is an Oregon private non-profit mutual benefit corporation formed pursuant to Chapter 65 of the Oregon Revised Statutes with Samaritan Health Services, Inc. (SHS) as its sole member. The Plan was formed on May 16, 2004, and received a Certificate of Authority as a health care service contractor on January 31, 2005.

Capitalization

The Plan was formed by SHS with paid-in and contributed surplus from SHS. These contributions totaled $3,950,000 and there were no changes during the period under examination. In addition, the Plan issued two surplus notes, as follows:

Purchaser	Issued	Principal	Rate	Maturity
Samaritan Health Services, Inc.	03/31/2008	$ 1,500,000	3.00%	12/31/2022
Samaritan Health Services, Inc.	12/22/2014	600,000	3.00%	12/31/2023
Total		$ 2,100,000		

Both notes were amended during the period under examination to extend the maturity date. Both notes have annual payments due on December 31. During the period under examination, all interest payments were made with the approval of the Director.

Dividends to Stockholders and Other Distributions

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

CORPORATE RECORDS

Board Minutes

In general, the review of the Board meeting minutes of the Plan indicated the minutes support the transactions of the Plan and clearly described the actions taken by its directors. A quorum, as defined by the Plan's Bylaws, met at all of the meetings held during the period under review.

The Plan's Bylaws authorize the Board to create one or more committees. The Committees authorized by the Board are an Audit Committee and a ERM Committee. The committee's actions are summarized and reported to the board of directors during their regular meetings. The minutes for the Audit committees were reviewed. The Audit Committee consists of all members of the Board and is responsible for reviewing and approving all audit services performed by the external auditors. The Audit Committee did not operate under a formal Charter, however, the Plan did formally appoint an external auditor.

The ERM Committee has a Charter to develop an ERM framework which will identify, evaluate, report, and monitor all types of risks facing the Plan. The committee appears to be following its charter.

The Plan's Board does not directly approve the compensation of all its senior officers. Instead, the parent's Board sets compensation the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). The CEO sets the compensation for the other officers of the Plan. The Plan's Board approves an annual budget, which includes salaries and compensation reimbursed under an intercompany agreement. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Plan last amended its Articles of Incorporation on December 19, 2016. The amendment remove the number of directors, as this information was stated in the Plan's bylaws. The Articles of Incorporation conformed to the Oregon Insurance Code.

Bylaws

The Plan's Bylaws were last amended and restated as of August 25, 2014. The Plan's Bylaws conformed to the Oregon Insurance Code.

MANAGEMENT AND CONTROL

Board of Directors

The Restated Articles of Incorporation states the affairs of the corporation shall be managed by a board of directors. In Article IV, Section 1, the number of directors shall be no less than seven (7) and no more than fifteen (15). As of December 31, 2018, the Plan was governed by a seven member Board of Directors as follows:

Name and Address	Principal Affiliation	Representative	Member Since
Douglas Ross Boysen * Corvallis, Oregon	Executive VP & Chief Officer Samaritan Health Services, Inc.	Parent company	2015
Bruce William Madsen, MD Albany, Oregon	Ophthalmologist EyeCare Associates	Practicing Physician	2011
William Robert McCarthy Corvallis, Oregon	Retired Minister	Public	1993
James Samuel Merryman Corvallis, Oregon	President Oregon Freeze Dry, Inc.	Public	2014

Name and Address	Principal Affiliation	Representative	Member Since
Doris Maye Mimnaugh Corvallis, Oregon	Retired	Public	2004
William Allen Rauch Lebanon, Oregon	Certified Public Accountant Sundberg Rauch Benneth Horner & McFetridge, CPAs	Public	2004
David Glenn Triebes Corvallis, Oregon	Executive Vice President Samaritan Health Services, Inc.	Parent company	2004

*Chairman

The Directors as a group had experience in law, insurance, accounting and management, in accordance with the provisions of ORS 731.386. The Insurance Code requires at least one third of the Board of Directors be representatives of the public who are not practicing doctors, employees, or trustees of a participant hospital. The Plan was in compliance with ORS 750.015.

Officers

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

Name	Title
Kelley C. Kaiser	Chief Executive Officer
Daniel B. Smith	Chief Financial Officer

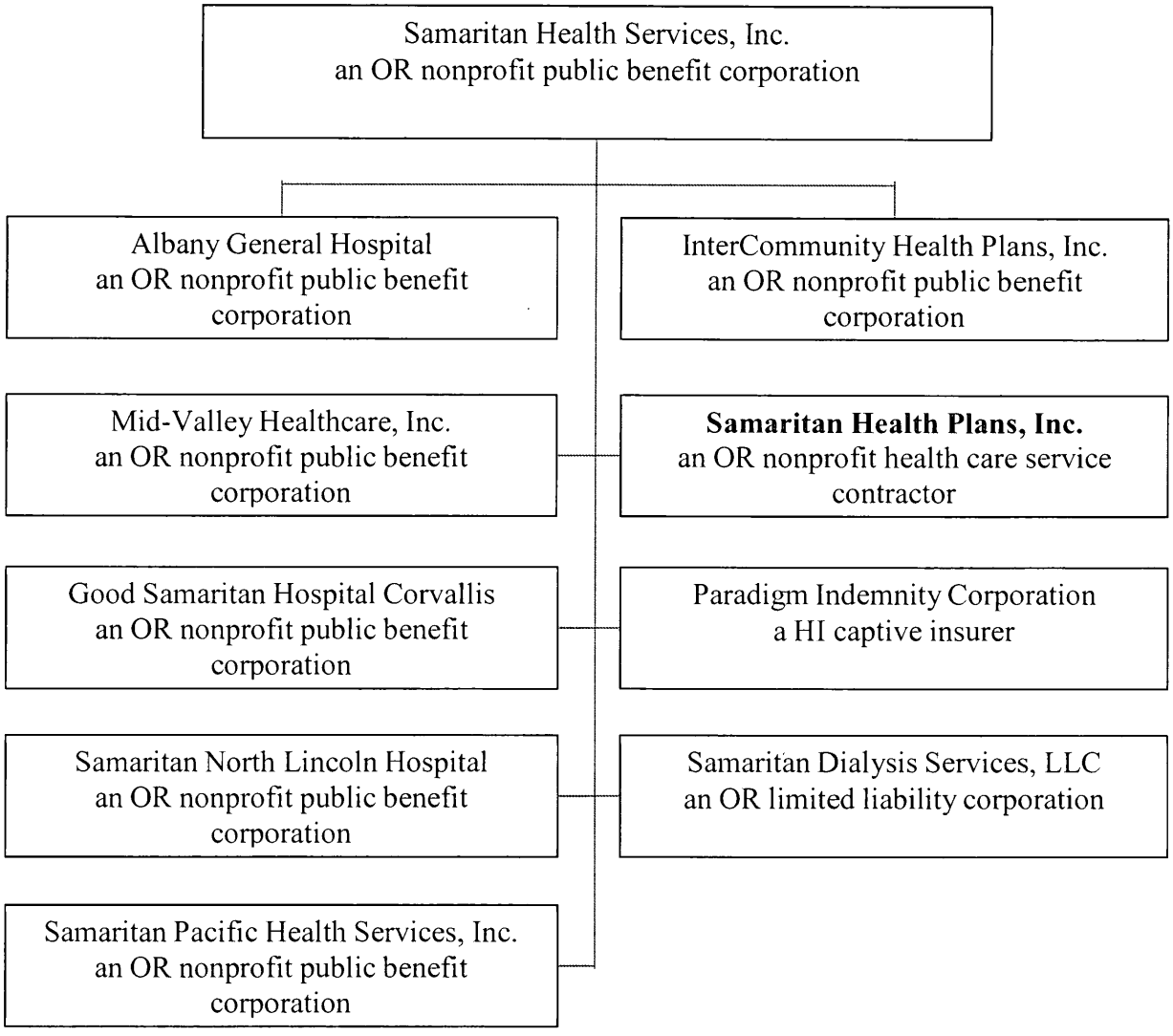
Conflict of Interest

SHS's Board adopted a Code of Conduct Policy to guide ethical behavior and help reduce criminal conduct. The policy requires all Board members, senior officers and key employees to sign a conflict of interest statement annually. Further, employees are required to have annual ethics training and a whistleblower program was established for employees to report any suspicious activity or concerns anonymously. From a review of the completed conflict of

interest questionnaires, the Plan's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

An insurance holding company registration statement was filed by the Plan in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1). Samaritan Health Services, Inc. (SHS) is the ultimate controlling entity that is the sole member of five Oregon hospitals and a number of health related entities, including the Plan. The following abbreviated organizational chart shows the relationship within the insurance holding company system.



A description of the entities within the holding company includes five affiliated hospitals, as follows:

Albany General Hospital dba Samaritan Albany General Hospital was formed on April 22, 1924. It serves the greater Albany area as an acute care facility and health center.

Mid-Valley Healthcare, Inc. dba Samaritan Lebanon Community Hospital was formed on June 5, 1950. It is a critical access hospital serving the east Linn County communities of Lebanon, Sweet Home, Brownsville and smaller neighboring towns.

Good Samaritan Hospital Corvallis dba Good Samaritan Regional Medical Center was formed on April 7, 1948. It is the largest hospital in Linn, Benton and Lincoln counties.

Samaritan North Lincoln Hospital was founded in 1967 and incorporated on October 31, 2000. It is based in Lincoln City, Oregon.

Samaritan Pacific Health Services, Inc. dba Samaritan Pacific Communities Hospital was founded in 1952 and incorporated on November 7, 2001. It serves the communities of Newport, Waldport, Toledo, Depoe Bay and Yachats in Lincoln County.

Other affiliates of the Plan include:

InterCommunity Health Plans, Inc. dba InterCommunity Health Network was formed on April 30, 1993, by Albany General Hospital, Good Samaritan Hospital Corvallis and Lebanon Community Hospital to write Oregon Health Plan business through the Division of Medical Assistance Program. It recently obtained authority to write business as a Coordinated Care Organization through the Oregon Health Authority.

Paradigm Indemnity Corporation is a Hawaii domiciled non-profit captive insurance company formed by SHS on May 1, 2003, to directly insure its subsidiary hospitals and employed or contracted physicians for professional liability and general liability coverage.

Samaritan Dialysis Services, LLC was formed on July 7, 1998 and is currently a shell company. It had been providing a dialysis program for SHS, but sold all its operating assets, including its license and personal property, to Fresenius Medical Care effective October 23, 2011.

Intercompany Agreements

Management services are provided by SHS to staff operations and to efficiently manage the Plan. The Plan reimburses SHS for the actual salary costs plus benefits for its allocated portion of the staff utilized. Cost efficiencies are realized in creating a flexible workforce with cross training and shared management.

Annually, as part of the budget process, the management of the Plan's operations evaluates the shared expenses in relation to the past experience, effort, complexity, implementation issues and membership estimates of each of its subsidiary health plans to determine the percentage allocation for the next budget year. These corporate expenses are recorded on the books of SHS Corporate department on a monthly basis, and then allocations are transferred to the individual entities entity via journal entries.

In 2014, a separate allocation was added related to claims payment-processing services that are used primarily based on the volume of claims processed. This allocates salaries, benefits, and specific expenses subject to claims volume for each plan. Allocation percentage will be adjusted quarterly based on claims processed. The corporate expenses will be recorded in the Samaritan Health Plan Operations (SHPO) Corporate claims department. During the period under examination, the allocations were:

Entity	2018	2017	2016
Samaritan Health Plans, Inc. (Advantage Plan)	13%	12%	14%
Samaritan Health Plans, Inc. (Healthy Kids Connect)	0%	0%	0%
InterCommunity Health Plans, Inc.	72%	73%	72%
Samaritan Health Services, Inc. (Samaritan Choice Plans)	12%	12%	13%
Commercial – Small Group	0%	0%	0%
Commercial – Large Group	4%	3%	1%
Total	100%	100%	100%

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

Professional Building Lease Agreement

Starting in 2011 and amended annually, SHS agrees to operate as landlord and its operational division as tenant. The current lease sets the square footage rental rate on the headquarters building for each year of the period 2014 to 2018, and an option that extends to the end of 2021. An annual Professional Building Allocation Agreement is entered into each year between SHS and its subsidiaries, including the Plan, to allocate rent expense on the Avery Square building. During 2018, the Plan paid its allocation of the total monthly rent under the shared expenses method described above. Payments under the agreement are due on or before the 1st day of each calendar month.

Administrative & Staff Reimbursement Agreement

Effective January 1, 2008 and amended annually, the Plan and SHS entered into an agreement whereby SHS agrees to provide administrative services and staff services to the Plan in exchange for a set monthly fee. Administrative services include human resources, payroll, accounting, risk management, investments, materials management, and stores. Staff services include Medical Director services and related support staff.

Services Agreement for Credentialing Services

SHS and its subsidiaries, including the Plan, annually enters into an agreement to provide credentialing services as an independent contractor to maintain the Plan's provider network. SHS agrees to participate in the quality assurance and performance improvement program and

external quality review, credentialing, and utilization review system and beneficiary grievance procedures established by the Plan. Compensation is a fixed amount per year, allocated based on the shared expenses method described above.

Guaranty Agreement

Effective November 19, 2008, the Plan and SHS entered into an agreement whereby SHS agrees to guarantee the financial obligations of the Plan. SHS also agrees to guarantee to provide healthcare services to the Plan's subscribers, enrollees, and dependents in the event that the Plan is discontinued prior to the expiration of its contracts.

Agreement with Intercommunity Health Plans

Effective August 1, 2018 the Plan entered an agreement with IHP dba Intercommunity Health Network CCO. Under the agreement, IHP agrees to reimburse the Plan 23% of the dual premium received throughout the year for the Plan's management of the dually enrolled Special Needs members as long as costs incurred on IHN for these members do not exceed this amount. The reimbursement is due to the Plan by June 1 of the following year.

2015 SHP & IHP Dual Eligible Agreement

The Plan is required through its annual contract with CMS to provide extensive, regulated and labor intensive care management approaches through the "Model of Care" required for all Special Needs Plan members.

Fee Agreement with Intercommunity Health Plans

Effective calendar year 2014, the Plan entered an agreement with IHP dba Intercommunity Health Network CCO. Under the agreement the Plan holds the relationship with vendors and providers

necessary to perform the work needed of IHP, and is required through its contract with CMS to provide extensive, regulated and labor intensive management approaches through compliance requirements, a compliance plan, regulatory affairs, members rights and advocacy, provider education, HEDIS reporting and risk stratification. IHP agrees to pay the Plan $5 per member per month on an annual basis.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The insurance coverages are provided through insurance policies issued by an unaffiliated carrier covering SHS and all majority-owned subsidiary companies as a named insured. The group as a whole is insured up to $5,000,000 per individual loss, with a $150,000 retention against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage was found to meet the coverage limits recommended by the NAIC.

Other insurance coverages in force at December 31, 2018, were found to be adequate, and included:

Workers Compensation
Kidnapping and Extortion Coverage
Accidental Death Policy
Automobile Coverage
Employed Lawyers Professional Liability
Property Coverage

TERRITORY AND PLAN OF OPERATION

The Plan is authorized to conduct business as a health care service contractor in Oregon. The Plan is a locally managed Medicare plan for eligible residents of Linn, Benton and Lincoln counties under a contract with the Centers for Medicare and Medicaid Studies (CMS). It offers enrolled members hospitalization coverage, doctor office visits, emergency care, urgent

care, routine physical exams, skilled nursing facility care, chiropractic and acupuncture services, vision services, and preventative and diagnostic services. In addition to the conventional Medicare Advantage coverage, the Plan offers a Premier Plan, Premier Plus Plan and Special Needs Plan for an extra monthly premium. These offer additional benefits such as outpatient prescription drugs, dental benefit, hearing aid benefit and durable medical equipment.

Beginning in January 2015, the Company began selling commercial plans to small (50 employees or less) and large groups mainly residing in the Mid-Willamette Valley area.

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

Line of Business	2018	2017	2016	2015	2014
Indiv. hospital & medical	-	-	-	-	-
Group hospital & medical	5,816	5,251	3,670	951	-
Medicare supplement	-	-	-	-	-
Dental	-	-	-	-	-
Medicare	5,042	5,027	5,052	4,936	4,929
Total enrollment	10,858	10,278	8,722	5,887	4,929

GROWTH OF THE COMPANY

Growth of the Plan over the past five years is reflected in the following schedule. Amounts were derived from Plan's annual statements, except in those years where a report of examination was published by the Oregon Division of Financial Regulation.

Year	Assets	Liabilities	Surplus and Other Funds	Net Income (Loss)
2014	$ 19,050,075	$ 9,903,641	$ 9,146,434	$ 809,565
2015 *	17,417,572	9,321.287	8,096,284	(939,872)
2016	20,672,470	11,123,652	9,548,819	2,846,923
2017	30,764,164	15,448,026	15,316,137	5,084,041
2018 *	25,328,951	13,943,317	11,385,633	(3,062,532)

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Plan over the past five years. The amounts were obtained from copies of the Plan's filed annual statements and, where indicated, from the previous 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
2014	$ 57,816,108	$ 49,841,948	86.2%	$ 7,102,616	98.5%
2015 *	61,051,759	54,038,823	88.5%	8,460,183	102.4%
2016	73,380,883	59,866,945	81.6%	9,433,691	94.4%
2017	92,195,782	72,613,441	78.8%	12,091,718	91.9%
2018 *	89,061,540	80,543,927	90.4%	13,445,912	105.5%

*Per examination

A combined claims and expense to premium ratio in excess of 100% typically indicates an underwriting loss. The Plan reported underwriting gains in three of the past five years.

REINSURANCE

During the period under examination, the Plan had an Excess of Loss Reinsurance policy with American Fidelity Assurance Company (NAIC #60410), a Oklahoma domiciled life insurer authorized in Oregon on December 15, 1971. Under the policy, the reinsurer reimbursed the

Plan for losses per member up to a maximum of $2,000,000 for each covered member after retention of $300,000 for Medicare business and retention of $350,000 for small and large group business. The agreement contains a continuation of coverage provision providing limited coverage for Medicare members, subject to limitations and exclusions in the event the Plan goes insolvent. The liability of American Fidelity Assurance Company under the provision is limited to $5,000,000.

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

It was determined that the reinsurance agreement provided for risk transfer in accordance with the requirements of SSAP No. 61R. The Plan's reinsurance agreement requires the Plan to retain a maximum of $350,000 per risk. In view of the Plan's surplus, as adjusted for this examination, of $11,385,633 at December 31, 2018, the Plan did not retain risk on any one subject of insurance in excess of 10% of its surplus to policyholders, and complied with the maximum risk retention set by 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, 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.

STATUTORY DEPOSIT

To satisfy the statutory deposit requirements in Oregon for health care service contractors, the Plan has on deposit a $275,000 Certificate of Deposit with the Oregon Division of Financial Regulation, Department of Consumer and Business Services, to maintain compliance with ORS 750.045. This asset was confirmed directly by US Bank and properly disclosed on Schedule E – Part 3 in the 2018 Annual Statement.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were four recommendations made in the 2015 report of examination, however, no adjustments were made to surplus as a result of the examination findings.

The Current examination noted that the company was in compliance with three of the recommendations. The Plan remained out of compliance with the recommendation to amend its custodial agreement during the period under examination. However, during current fieldwork, the Plan amended the custodial agreement to be in compliance.

SUBSEQUENT EVENTS

Effective, October 2018, Kelley Kaiser, Samaritan Health Plans' Chief Executive Officer, was promoted to Chief Administrative Officer for Samaritan Health Services, vacating her position as the Chief Executive Officer of Samaritan Health Plans. Effective, July 2019, the Plan hired Bruce Butler as the Chief Executive Officer.

Effective February 2019, Kimberly Whitely, resigned as Chief Operating Officer.

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, 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

SAMARITAN HEALTH PLANS, INC.
ASSETS
As of December 31, 2018

Assets	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 9,353,416	$ -	$ 9,353,416	1
Common stocks	1,279,490	-	1,279,490	1
Cash, cash equivalents and short-term investments	11,958,373	-	11,958,373	1
Other invested assets	145,048	(145,048)	-	2
Receivable for securities	1,775	-	1,775	
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	22,738,103	$ (145,048)	22,592,955	
Investment income due and accrued	80,679	-	80,679	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	201,850	-	201,850	
Amounts recoverable from reinsurers	431,088	-	431,088	
Amounts receivable related to uninsured plans	-	-	-	
Current FIT recoverable	1,614,901	-	1,614,901	
Net deferred tax asset	407,379	-	407,379	
Aggregate write-ins for other than invested assets	-	-	-	
Total Assets	$ 25,473,999	$ (145,048)	$ 25,328,951	

SAMARITAN HEALTH PLANS, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2018

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	$ 11,128,876	$ -	$ 11,128,876	3
Accrued medical incentive pool and bonus amounts	-	-	-	3
Unpaid claims adjustment expense	249,185	-	249,185	
Aggregate health policy reserves	168,167	-	168,167	
Premiums received in advance	210,312	-	210,312	
General expenses due or accrued	542,227	-	542,227	
Current FIT payable	24,921		24,921	
Amounts due to parent, subsidiaries and affiliates	1,251,163		1,251,163	
Liability for amounts held under uninsured plans	368,466	-	368,466	
Aggregate write-ins for liabilities	-	-	-	
Total Liabilities	$ 13,943,317	$ -	$ 13,943,317	
Common capital stock	$ -	$ -	$ -	
Gross paid-in and contributed capital	3,950,000	-	3,950,000	
Surplus notes	2,100,000	-	2,100,000	
Unassigned funds (surplus)	5,480,681	(145,048)	5,335,633	
Surplus as regards policyholders	$ 11,530,681	(145,048)	$ 11,385,633	
Total Liabilities, Surplus and other Funds	$ 25,473,999	$ (145,048)	$ 25,328,951	

SAMARITAN HEALTH PLANS, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2018

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Revenue				
Net premium income	$ 83,741,396	$ -	$ 83,741,396	
Change in unearned premium reserves and reserves for rate credits	-	-	-	
Aggregate write-ins for health care related revenues	5,320,144	-	5,320,144	
Total revenue	89,061,540	-	89,061,540	
Hospital and Medical:				
Hospital/medical benefits	45,016,332	-	45,016,332	
Other professional services	25,113,626	-	25,113,626	
Outside referrals	140,058	-	140,058	
Emergency room and out-of-area	2,642,880	-	2,642,880	
Prescription drugs	8,017,543	-	8,017,543	
Aggregate write-ins for other hospital and medical	-		-	
Incentive pool, withhold adjustments and bonus amounts	623,209	-	623,209	
Subtotal	81,583,648	-	81,583,648	
Less:				
Net reinsurance recoveries	1,039,720	-	1,039,720	
Total medical and hospital	80,543,927	-	80,543,927	
Non-health claims	-	-	-	
Claim adjustment expenses	4,122,830	-	4,122,830	
General administrative expenses	9,323,082	-	9,323,082	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	93 989,839	-	93,989,839	
Net underwriting gain or (loss)	(4,928,299)	-	(4,928,299)	
Net investment income earned	277,131	-	277,131	
Net realized capital gains (losses)	(3,376)	-	(3,376)	
Net investment gains (losses)	273,755	-	273,755	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	(1,592,012)	-	(1,592,012)	
Net income	$ (3,062,532)	$ -	$ (3,062,532)	

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

	2018	2017	2016
Surplus as regards policyholders, December 31, previous year	$ 15,316,137	$ 9,548,819	$ 8,096,284
Net income (loss)	(3,062,532)	5,084,041	2,846,923
Change in net unrealized capital gains or (losses)	26,635	126,610	113,613
Change in net deferred income tax	18,138	(565,166)	757,020
Change in non-admitted assets	(767,697)	1,121,834	(2,265,022)
Change in provision for reinsurance	-	-	-
Change in surplus notes	-	-	-
Cumulative effects of changes in accounting principles	-	-	-
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	-	-	-
Transferred to capital (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Distributions to parent (cash)	-	-	-
Change in treasury stock	-	-	-
Examination adjustment	(145,048)	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	(3,785,456)	5,767,319	1,452,534
Surplus as regards policyholders, December 31, current year	$ 11,385,633	$ 15,316,137	$ 9,548,819

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At December 31, 2018, the Plan'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. Most of MBS/ABS issues were investment rated, with a carrying book value of $134.8 million, which comprised 27.2% of the total long-term bond portfolio and 25.5% of all invested assets.

Common stocks consisted of two mutual funds.

Cash and short-term investments consisted of two money market funds held in the custodial account at US Bank.

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

Year	A Bonds	B Common Stocks	C Cash and Short-term	Ratio A/ Total Assets	Ratio B/ Total Assets	Ratio C/ Total Assets
2014	7,375,194	1,071,791	3,051,306	58.5%	8.5%	24.2%
2015 *	8,608,337	1,260,150	5,233,731	54.7%	8.0%	33.2%
2016	9,841,916	1,194,439	8,529,938	47.6%	5.8%	41.3%
2017	9,208,155	1,388,666	19,462,189	29.9%	4.5%	63.3%
2018 *	9,353,416	1,279,490	11,958,373	36.7%	5.0%	46.9%

* Balance per examination

The Board approved the investment transactions in each of the years under review, in accordance with 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 Plan was in compliance with ORS 733.580. However, during the period under examination the Plan held investments in a cash account which exceeded the 10% limit pursuant to ORS 733.770, meaning the Plan was not diversifying its investment portfolio. The Plan submitted a request to the Division of Financial Regulation to exceed the limitation due to its current operating requirement pursuant to ORS 731.520, which was approved on June 20, 2019.

Effective January 26, 2005, the Plan entered into a custodial agreement with US Bank, NA. The agreement contained all but two of the relevant protections described in OAR 836-027-0200(4)(a) through (l). Subsequent to the examination date, the Plan amended its custodial agreement with US Bank to include all of the relevant protections.

Note 2 – Other Invested Assets

The other invested assets consist of the an ownership interest in a limited partnership that brings provider-sponsored and independently-owned health plans together with their health system and group leaders for unparalleled peer-to-peer collaboration. The Plan was unable to provide documentation to independently confirm the reported balance.

I recommend that the Plan maintain independent records to confirm its other invested assets in accordance with ORS 733.170 and ORS 731.308(2) and comply with SSAP No. 4, paragraph 2.

Note 3 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense reserves for the Plan was performed by Michael Sink, ASA, MAAA, life and health actuary for the Oregon Division of Financial Regulation. As part of his review, he examined the Actuarial Report and supporting statements as of December 31, 2015, prepared by Christopher S. Carlson, FSA, MAAA, of Oliver Wyman Actuarial Consulting.

Mr. Sink 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 and also had access to lag triangles for all twelve months in 2018, allowing him to check Mr. Carlson's estimates with more recent data in terms of claims runout. Based on his review, the following was concluded:

	My Estimate	Annual Statement
Claims Unpaid	$ 10,928,876	$ 11,128,876
Unpaid Claim Adjustment Expenses (CAE)	249,185	249,185
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	$ 11,178,061	$ 11,378,061

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Company as of December 31, 2018, were reasonable. Mr. Sink concluded that his review arrived at an IBNR $200,000 less than the Company's estimate. Further, the company's margin was on the low end of reasonable. Finally, usage of January paid data would have produced reserve estimates closer to the ultimate runout. However, his overall conclusion was that the reserves of the Plan were reasonably stated.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examination resulted in a reduction of surplus by $145,048. The following is a summary of the recommendation made in this report of examination:

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25 I recommend that the Plan maintain independent records to confirm its other invested assets in accordance with ORS 733.170 and ORS 731.308(2) and comply with SSAP No. 4, paragraph 2.

CONCLUSION

During the three-year period covered by this examination, the surplus of the Plan has increased from $7,543,038, as presented in the December 31, 2015, report of examination, to $11,385,633, as shown in this report. The comparative assets and liabilities are:

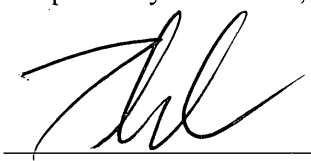
	December 31, 2018	February 12, 2016	Change
Assets	$ 25,328,951	$ 17,417,571	$ 7,911,380
Liabilities	13,943,317	9,874,533	4,068,784
Surplus	$ 11,385,633	$ 7,543,038	$ 3,842,595

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Plan during the examination process are gratefully acknowledged.

Mark Giffin, CFE, senior insurance examiner, Maanik Gupta and Jordan Mills, insurance examiners, Keilei Yambaw, AFE, APIR, financial analyst, for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation and Michael Sink, ASA, MAAA, Life & Health Actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination.

Respectfully submitted,



Tho Le, CFE
Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)

County of Marion)

Tho Le, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Samaritan Health Plans, Inc., Corvallis, 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 Samaritan Health Plans, Inc. was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

Tho Le, CFE
Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 29th day of June, 2020.

Lauren Bodine
Notary Public in and for the State of Oregon

My Commission Expires: 2022

OFFICIAL STAMP
LAUREN NICOLE BODINE
NOTARY PUBLIC - OREGON
COMMISSION NO. 970483
MY COMMISSION EXPIRES JANUARY 22, 2022