



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

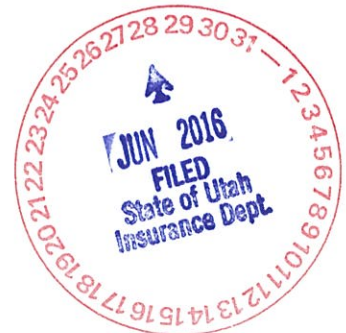
**Regence BlueCross BlueShield of Utah**

of

Salt Lake City, Utah

as of

December 31, 2014



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January 31, 2016

Honorable Todd E. Kiser, Commissioner  
Utah Insurance Department  
3110 State Office Building  
Salt Lake City, Utah 84114

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2014, has been made of the financial condition and business affairs of:

**Regence BlueCross BlueShield of Utah  
Salt Lake City, Utah**

hereinafter referred to in this report as the Organization, and the following report of examination is respectfully submitted.

## SCOPE OF EXAMINATION

We have performed a coordinated examination of the Organization conducted in conjunction with the States of Idaho, Oregon, and Washington for the multi-state examination of insurers under Cambia Health Solutions. The Oregon Insurance Division was designated as the lead state regulator. The group is comprised of eight health insurers and two life and health insurers, and a separate Report of Examination will be prepared for each domestic entity. The last examination of this nonprofit health service insurance corporation was completed as of December 31, 2011. The current examination covers the period of January 1, 2012 to December 31, 2014.

We conducted our examination using the guidelines and procedures in the *NAIC Financial Condition Examiners Handbook (Handbook)*. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks by obtaining information, including corporate governance, identifying and assessing inherent risks within the Organization, and evaluating system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risk that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Organization were considered in accordance with the risk focused examination process. This may include assessing significant estimates made by the 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 Organization's financial statements.

This examination report includes significant finding of facts and general information about the insurer and its financial condition. There may be other items identified in the examination, which due to their nature (e.g. subjective conclusions, proprietary information, etc.) are not included in the examination report but separately communicated to other regulators and the Organization.

### Status of Prior Examination Findings

The previous examination was performed by the Department as of December 31, 2011. There were no items of significance in the prior examination report requiring resolution during the current examination period.

## SUMMARY OF SIGNIFICANT FINDINGS

There were no significant or material findings identified during the current examination.

## SUBSEQUENT EVENTS

Pursuant to the Bridgespan Shareholders Agreement entered into on December 2, 2013, the following cash contributions were made to BridgeSpan Health Company by Regence BlueCross BlueShield of Utah:

Cash contributions in the amount of \$3,000,007 were paid on February 26, 2015.

Cash contributions in the amount of \$5,771,420 were paid on June 30, 2015.

The Organization's revised ownership in Bridgespan following these contributions is 21.4%

## COMPANY HISTORY

### General

In May of 1995, Blue Cross and Blue Shield of Utah (a nonprofit health service insurance corporation) announced its intention to affiliate with The Benchmark Group, an Oregon nonprofit corporation consisting of Blue Cross and Blue Shield plans located in the northwestern United States. On April 1, 1997, The Benchmark Group became known as The Regence Group (TRG). Blue Cross and Blue Shield of Utah changed its name to Regence BlueCross BlueShield of Utah during December 1997.

On November 4, 2011, The Regence Group received approval from all relevant insurance departments to use the name Cambia Health Solutions, Inc. (Cambia).

### Dividends & Capital Contributions

During the period under examination, the Organization declared and paid cash distributions to its sole member as follows:

Paid Date	Amount	Description
February 29, 2012	\$6,000,000	Ordinary

### Mergers and Acquisitions

There were no mergers or acquisitions during the period under examination.

## CORPORATE RECORDS

The previous examination report as of December 31, 2011, dated October 19, 2012, was distributed to the board of directors (Board) on December 3, 2012.

A review of the minutes from the directors as well as other committees was performed. The corporate records provide adequate support of the conclusion that the Organization's management is functioning properly.

### MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

The bylaws of the Organization indicated the number of directors may not be less than five and no more than seven.

The following persons served as directors of the Organization as of December 31, 2014:

<u>Name and Location</u>	<u>Title and Principal Occupation</u>
Mark Burns Ganz Portland, Oregon	Chief Executive Officer Cambia Health Solutions, Inc.
William Lawrence Chenevich Hillsboro, Oregon	Retired, Former Vice Chairman U.S. Bank
Stephen Frederick Beck Providence, Utah	Chief Financial Officer Icon Health and Fitness, Inc.
Jennifer Beer Danielson Centerville, Utah	President Regence BlueCross BlueShield of Utah
Jake Royce Nichol West Linn, Oregon	Chief Executive Officer Leatherman Tool Group

The Organization's bylaws provide for officers to consist of a President, a Secretary, and a Treasurer. The bylaws also instruct that the same person may hold two or more offices, except that the same person may not hold the offices of Secretary and President at the same time.

The officers of the Company as of December 31, 2014, were as follows:

<u>Name and Location</u>	<u>Title and Principal Occupation</u>
Jennifer Beer Danielson	President
Kerry Evan Barnett <sup>1</sup>	Secretary
Andreas Bernhard Ellis	Treasurer

<sup>1</sup>Mr. Barnett resigned May 5, 2015, to become President and CEO of SAIF Corporation. He was replaced by John Wilson Attey.

The biographical affidavits for officers and directors were filed with the Department in accordance with U.C.A. § 31A-5-410(1)(a)(ii).

The bylaws indicate that there shall be two committees, the nominating and audit committees. The nominating committee is tasked with considering the nomination of individuals to serve as corporate officers of the Organization and recommendations as to who may serve on the Board of Directors. The Audit Committee shall recommend external auditors, define the scope of the audits, and review internal and external audit work.

#### Conflict of Interest

The Organization's Board adopted a formal statement of policy concerning conflict of interest for all Directors, officers, and responsible employees. Board members, senior officers, and key employees are required to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the Organization's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

#### Holding Company

Regence BlueCross BlueShield of Utah is a subsidiary of Cambia Health Solutions (Cambia), a non-profit holding company.

Cambia is structured with three separate divisions; Insurance Services, Shared Services, and Direct Health Solutions. Within the Insurance Services Division, The Regence Group contains all the traditional BlueCross BlueShield insurers under the Regence brand. Shared Services provides administrative and operational services to all the subsidiaries within the holding company, including administrative, insurance, enterprise risk management, personnel and human resources, and other such services as needed. Direct Health Solutions (DHS) invests in and manages health-related entities that are not traditional health insurance companies.

In certain cases, DHS will also provide financing and resources in exchange for ownership interest in companies that provide health-related applications or services. DHS is both a division within Cambia as well as a separately incorporated company, Direct Health Solutions Corporation.

Cambia Health Solutions (Cambia) is an Oregon nonprofit public benefit corporation acting as the holding company and is the sole member of Regence Insurance Holding Corporation and DHS. Cambia established a long-term management services contract with Regence BlueShield of Idaho, Inc. (RBSI), effective May 24, 1995. Under an Agreement of Affiliation, Cambia retains the authority to approve elections to the governing Board of Directors of each subsidiary, and, thus is considered the ultimate controlling entity of the insurance holding company system.

Regence Insurance Holding Corporation (RIHC) is a holding company formed by Cambia in 2011 to control the Regence branded insurance companies and to direct and coordinate marketing campaigns. Cambia is the sole member of RIHC, which in turn manages the Organization and the following affiliated insurers:

Regence BlueShield (RBS), a Washington domiciled nonprofit health care service contractor. Originally incorporated as King County Medical Service Corporation in 1933, it adopted its current name on April 16, 1998.

Regence BlueCross BlueShield of Oregon (RBCBSO), an Oregon domiciled health service corporation. RBCBSO was originally founded in 1941 as an independent licensee of the Blue Cross and Blue Shield Association and has roots tracing back to the first BlueShield plan in the United States.

Regence BlueShield of Idaho, Inc. (RBSI), an Idaho domiciled mutual disability insurance company.

Regence HMO Oregon (RHO), an Oregon domiciled nonprofit health care service contractor. This company has been inactive since 2002.

Regence Health Maintenance of Oregon, Inc. (RHMO), an Oregon domiciled for-profit health care service contractor. This company has been inactive since 2002.

Cambia is the ultimate controlling entity of the following non-branded insurers:

LifeMap Assurance Company (LifeMap), an Oregon domiciled stock life and health insurance company formerly known as Regence Life and Health Insurance Company. It is owned by the various Regence Plans: Regence BlueShield (75%), Regence BlueCross BlueShield of Oregon (11%), the Organization (12%), and Regence BlueCross BlueShield of Idaho, Inc. (2%).



BridgeSpan Health Company, a Utah domiciled for profit health insurer licensed as a health maintenance organization (HMO). As of the examination date, it was owned by the various Regence Plans: Regence BlueShield (49%), the Plan (21%), Regence BlueCross BlueShield of Utah (15%), and Regence BlueCross BlueShield of Idaho, Inc. (15%).

Commencement Bay Life Insurance Company (CBL), a Washington domiciled stock life and health insurer incorporated in 1992. The insurer currently has no policies in-force.

Asuris Northwest Health (ANH), a Washington domiciled nonprofit health care service contractor originally incorporated in 1933 as Walla Walla Valley Medical Service. It was acquired by RBS in 1994. The current name was adopted in September 2002.

In addition to the insurance companies, there are affiliated or subsidiary non-insurance companies in the holding company structure, as follows:

OmedaRx, Inc., an Oregon for-profit corporation formed by Cambia in 2005 is a pharmacy benefits management (PBM) services company used to manage the processing of drug claims, including claims adjudication and provider payments, on behalf of its parent and affiliates.

The Cambia Health Foundation, an Oregon nonprofit corporation formed on June 11, 2007 as an Internal Revenue Service (IRS) 501(c)(3) charitable organization that manages contributions made primarily on behalf of Cambia and its subsidiaries. The name was changed to Cambia Health Foundation on April 26, 2012.

### Intercompany Agreements

The following agreements are in place between the Organization, its parent, and its subsidiaries within the insurance company holding system:

Amended Regence Administrative Services Agreement – Effective December 28, 2007, between The Regence Group (now Cambia) and all of its subsidiaries. Cambia shall provide all operational, administrative and management services reasonably necessary to transact business, including managerial, legal, financial, actuarial, underwriting, accounting, human resources, employee benefits administration, data network/telecommunications, marketing, advertising, community affairs, public relations, communications, billing, banking, membership, claims adjudication, customer service, reporting, regulatory compliance, mail, and information technology services. In addition, Cambia shall provide all equipment, materials, office space, and general supplies. The Plan shall pay Cambia its proportionate share of the cost, as well as its proportional share of general overhead expenses, according to a system-wide cost allocation methodology

and in accordance with generally accepted cost accounting principles. It is intended that Cambia shall receive complete reimbursement for its costs and derive no profit from such reimbursement. All direct and indirect expenses incurred will be reconciled monthly and balances settled within 90 days from the end of the reporting month.

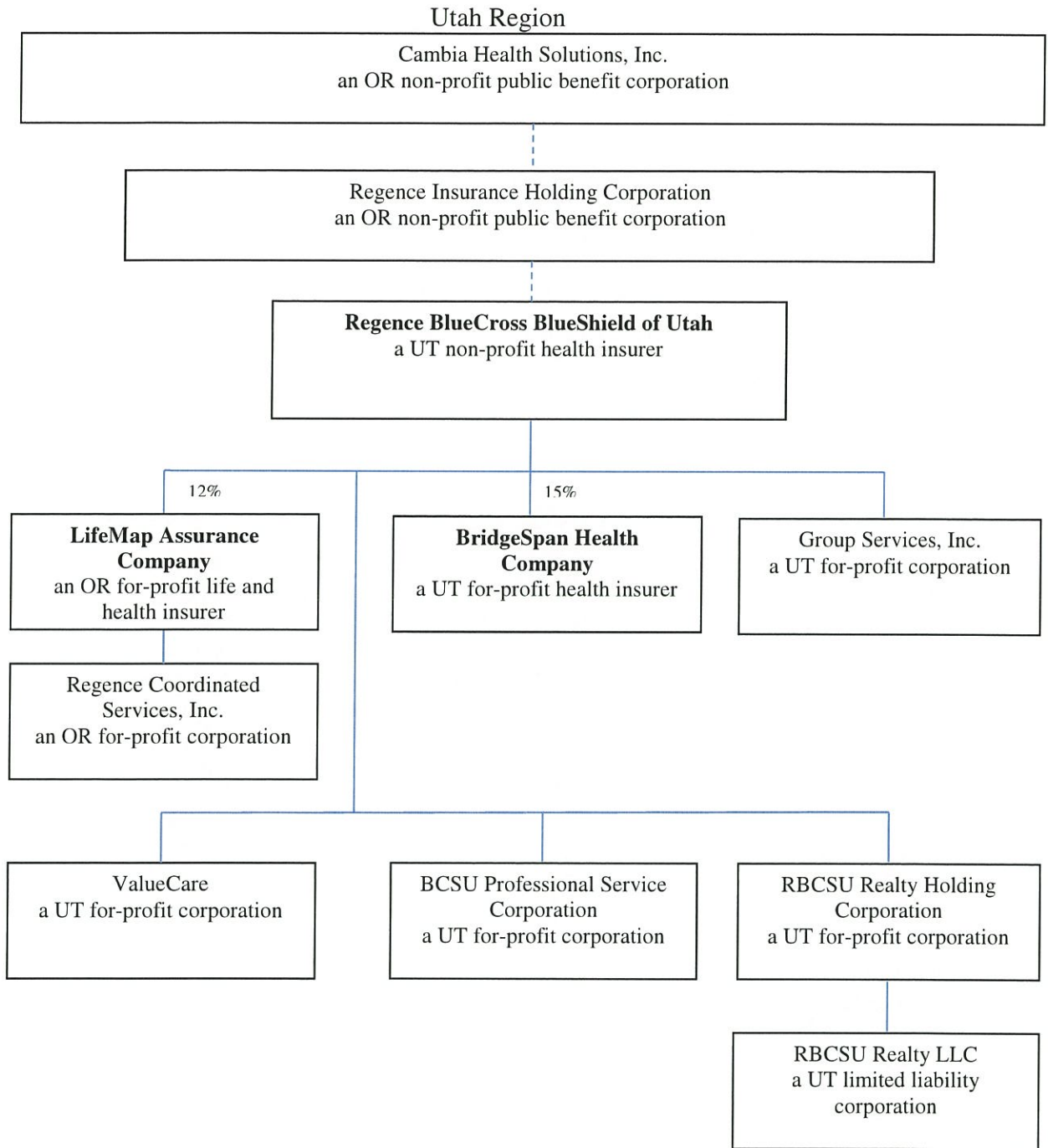
Plan and Agreement of Affiliation – Effective May, 1995 and amended in July, 1997, RBS, RBCBSO, RBCBSU, and RBSI agree to unite under the common control of Cambia for marketing, advertising, and general operations.

Federal Employee Program (FEP) Shared System Service and Cost Agreement – Effective January 1, 2012 Cambia and Group Hospitalization and Medical Services, Inc. d/b/a CareFirst BlueCross BlueShield (CareFirst) entered into a service agreement for Cambia’s affiliates to use the CareFirst FEP Bridge System for pre and post claim adjudication processing and management of FEP healthcare claims interfacing with the FEP Operations Center adjudication system. Charges incurred by Cambia for the use of the CareFirst system are allocated among Cambia affiliates based on FEP claim volume.

The Regence Group & Subsidiaries Consolidated Federal Income Tax Agreement – effective January 1, 1997 (although the agreement was not signed until September 20, 2000). Cambia agrees to file a consolidated income tax return, including any liability for alternative minimum tax. The tax liability is then allocated to each member of the affiliated group, computed as if a separate return was filed. Any credits or operating losses shall be allocated to those members with the credits or generating the losses. Payment of estimated installments due for such taxable periods shall be paid within 30 days of receiving notice. Final settlements for a tax year must be paid within 30 days after the filing of the consolidated return.

OmedaRx, Inc. Services Agreement – Effective January 1, 2012, with Regence BlueShield, Regence BlueShield of Idaho, Inc., Regence BlueCross BlueShield of Oregon, and Regence BlueCross BlueShield of Utah. OmedaRx, Inc. agrees to provide pharmacy benefit management services to the aforementioned plans.

Cambia Health Solutions, Inc. is a non-profit public benefit corporation formed in Oregon on April 17, 1995. It owns or controls a number of insurers and related health businesses. On November 21, 2011, Cambia formed Regence Insurance Holding Corporation to act as a holding company for the Regence branded health care service contractors. The following abridged organization chart shows the relationships by region (ownership is 100% unless otherwise noted) as of December 31, 2014:



## **FIDELITY BONDS AND OTHER INSURANCE**

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for the Organization's size and premium volume is not less than \$2,500,000. As of the examination date, the Organization participated in fidelity bond coverage of \$10,000,000, after a \$200,000 deductible.

Other insurance coverage in force at December 31, 2014 included property, commercial general and excess liability, automobile liability, umbrella liability, fiduciary liability, computer crime liability, and workers' compensation. All insurance limits and deductibles appeared adequate as of December 31, 2014.

## **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Organization offers a deferred income program for executives and a deferred income program for directors. The purpose of these programs is to provide an unfunded, nonqualified deferred compensation arrangement to key employees and eligible directors.

In addition, the Organization participates in a defined-benefit pension plan sponsored by Cambia that covers substantially all regular employees having one or more years of service. Benefits are based upon years of service and the employee's final average compensation. The defined benefit plan was frozen as of December 31, 2009. The Organization has an employee savings plan sponsored by Cambia in which Cambia will match employee contributions up to 100 percent of the first six percent of salary for each pay period in which the employee makes a contribution. In addition, Cambia can provide a discretionary contribution of up to five percent of eligible earnings for eligible employees, subject to annual review and board approval.

## **TERRITORY AND PLAN OF OPERATION**

At year-end December 31, 2014, the Organization served over 245,000 members, offering a full line of health insurance products for large and small employer groups, individuals, and government employee programs. The Organization also offered a range of supplemental products such as dental, vision, and prescription drug coverage.

The Organization offers Medicare Parts C (Medicare Advantage) and D (prescription drug coverage), and Medicare supplement plans. It is one of the largest writers of Medicare Supplement in Utah.

The Organization also participates in the Federal Employee Program (FEP) and the BlueCard Program. In addition, the Organization also offers a broad range of health benefit services for self-funded plans including claims processing, stop-loss insurance, actuarial and reporting services, medical cost management, and other administrative services.

## GROWTH OF ORGANIZATION

The growth of the Organization over the past five years is reflected in the following table. The amounts were derived from Organization's filed annual statements:

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income (Loss)</u>
2010	473,860,073	230,124,528	243,735,545	16,203,660
2011	503,880,653	266,961,228	236,919,425	(10,814,438)
2012	511,774,818	231,829,790	279,945,028	112,731,172
2013	534,844,897	247,359,802	287,485,095	8,596,800
2014	524,121,990	254,294,888	269,827,102	(3,309,376)

The Organization had \$3.3 million in net loss during 2014, a decrease of \$11.9 million from a net gain of \$8.6 million during 2013. Net loss as a percentage of revenue was 0.3 percent in 2014, a decrease from the 0.8 percent gain in 2013. The change is primarily due to an increase in operating expense as a result of Affordable Care Act (ACA) insurer and reinsurance fees.

## MORTALITY AND LOSS EXPERIENCE

The examination actuary reviewed the various actuarial liabilities as identified by the Organization. Identified actuarial liabilities/assets are:

- Claims Unpaid
- Accrued Medical Incentive Pool and Bonus
- Unpaid Claims Adjustment Expenses
- Aggregate Health Policy Reserves
- Accrued Retrospective Premiums (Asset)

The examination actuary was able to confirm the estimated values of the actuarial liabilities and the actuarial assets with no material changes or revaluations.

Loss Experience and Medical Loss Ratios are noted as follows:

		2011	2012	2013	2014
Premiums Earned		\$1,011,587,113	\$1,000,004,782	\$1,086,369,597	\$1,120,709,355
Claims Incurred		964,200,085	910,696,141	1,021,523,984	1,049,630,076
Loss ratio		95%	91%	94%	94%
Medical Loss Ratio per Organization	Individual	85.8%	83.7%	83.3%	85.1%
	Small Employer	80.3%	78.2%	79.0%	80.6%
	Large Employer	89.3%	96.6%	93.6%	95.5%
Medical Loss Ratio Required by ACA	Individual	80%	80%	80%	80%
	Small Employer	80%	80%	80%	80%
	Large Employer	85%	85%	85%	85%
MLR rebates paid		-	\$3,247,209	\$1,662,408	-

## REINSURANCE

### Assumed

Prior to July 3, 2013, the Organization assumed risks from BridgeSpan Health Company, a wholly owned subsidiary, under a Finance Agreement. Pursuant to the agreement, the Organization assumed benefit coverage (excluding dental) for a member's aggregate claims for incurred services exceeding \$50,000 per calendar year. This Agreement was terminated on July 3, 2013. As of December 31, 2014, the Organization did not assume any reinsurance.

### Ceded

Effective July 1, 2001, the Organization cedes 100% of the individual and group accidental benefit to LifeMap (formerly Regence Life and Health Insurance Company). The accidental death benefit is included in the medical product.

Effective May 1, 2000, the Organization cedes 100% of the long-term care benefit to a third party.

Effective January 1, 2014, under provisions of the Patient Protection and Affordable Care Act, the Organization cedes liability for eligible members' claims to the federal government according to the following schedule.

Year	Percentage	Excess of	Capped at
2014	100%	\$45,000	\$250,000
2015	50%	\$45,000	\$250,000

It is expected that for year 2016 insurers will cede 50% of claims in excess of \$90,000, capped at \$250,000.

### ACCOUNTS AND RECORDS

An independent certified public accounting firm audited the Organization's records during the period covered by this examination. Audit reports and workpapers generated by the auditors for the years 2012 through 2014 were made available for the examiners' use.

### STATUTORY DEPOSITS

The Organization's statutory deposit requirement was \$400,000 pursuant to U.C.A. § 31A-4-105. The examination confirmed the Organization maintained a statutory deposit consisting of the following for the benefit of all policyholders, claimants and creditors, which was adequate to cover the required deposit at December 31, 2014.

<u>State</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Utah	US Treasury Bond	\$475,000	\$487,290	\$486,894

### FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Organization with the Department and present the financial condition of the Organization for the period ending December 31, 2014. The accompanying comments on financial statements are an integral part of the financial statements.

Statement of Assets as of December 31, 2014

Statement of Liabilities, Capital, and Surplus as of December 31, 2014

Statement of Revenue and Expenses for Year Ended December 31, 2014

Reconciliation of Capital and Surplus – 2012 - 2014

REGENCE BLUECROSS BLUESHIELD OF UTAH  
BALANCE SHEET (ASSETS)  
as of December 31, 2014

		<u>Net Admitted Assets</u>
Bonds	\$	312,980,481
Preferred stocks		63,306
Common stocks		74,898,112
Properties occupied by the company		3,230,637
Properties held for sale		0
Cash and short-term investments		8,936,329
Receivables for securities		113,919
Investment income due and accrued		3,648,640
Uncollected premiums and agents' balances		102,335,454
Accrued retrospective premiums		354,233
Other amounts receivable under reinsurance contracts		3,282,480
Amounts receivable relating to uninsured plans		32,083,065
Net deferred tax asset		2,931,584
Receivables from parent, subsidiaries and affiliates		3,183,581
Health care and other amounts receivable		1,600,856
Aggregate write-ins for other than invested assets		(25,520,686)
Separate accounts		0
 Total Assets	 \$	 <u>524,121,990</u>



REGENCE BLUECROSS BLUESHIELD OF UTAH  
BALANCE SHEET (LIABILITIES, CAPITAL AND SURPLUS)  
as of December 31, 2014

		Current Year
Claims unpaid	\$	121,148,505
Accrued medical incentive pool and bonus amounts		1,088,045
Unpaid claims adjustment expenses		5,019,341
Aggregate health policy reserves		40,874,573
Premiums received in advance		7,778,700
General expenses due or accrued		6,054,635
Federal income tax payable		1,348,618
Ceded reinsurance premiums payable		17,512
Amounts withheld or retained for the account of others		1,093,820
Remittances and items not allocated		2,151,775
Borrowed money		32,000,000
Amounts due to parent, subsidiaries and affiliates		16,545,152
Payable for securities		422,128
Liability for amounts held under uninsured plans		18,425,150
Aggregate write-ins for other liabilities		326,934
 Total Liabilities	 \$	 <u>254,294,888</u>
 <b>SURPLUS AND OTHER FUNDS</b>		
Aggregate write-ins for special surplus funds		22,318,568
Unassigned funds (surplus)	\$	<u>247,508,534</u>
 Total Capital and Surplus	 \$	 269,827,102
 Total of Liabilities, Surplus, and Other Funds	 \$	 <u>524,121,990</u>

REGENCE BLUECROSS BLUESHIELD OF UTAH  
STATEMENT OF REVENUE AND EXPENSES  
for the Year Ended December 31, 2014

		Current Year
Member months		3,006,968
Net premium income	\$	1,109,233,636
Change in unearned premium reserves and reserve for rate credits		11,475,719
		1,120,709,355
Total Revenues	\$	1,120,709,355
Hospital/medical benefits		585,913,755
Other professional services		57,804,946
Outside referrals		40,774,055
Emergency room and out-of-area		123,987,397
Prescription drugs		172,227,927
Incentive pool, withhold adjustments and bonus amounts		1,166,138
Net reinsurance recoveries (less)		(3,699,226)
		978,174,992
Total hospital and medical (less)	\$	978,174,992
Claims adjustment expenses (less)		71,455,084
General administrative expenses (less)		94,136,229
		1,143,766,305
Total underwriting deductions		1,143,766,305
Net underwriting gain or (loss)		(23,056,950)
Net investment income earned		7,518,788
Net realized capital gains or (losses)		15,710,430
Net investment gains or (losses)		23,229,218
Net gain or (loss) from agents' or premium balances charged off		(7,327)
Aggregate write-ins for other income or expenses		(4,280,401)
Net income or (loss), after capital gains tax and before all other federal income taxes		(4,115,460)
Net transfers to or (from) separate accounts net of reinsurance		0
Net income (loss)	\$	(3,309,376)

REGENCE BLUECROSS BLUESHIELD OF UTAH  
RECONCILIATION OF CAPITAL AND SURPLUS  
2011 through 2014

	Per Exam <u>2011</u>		<u>2012</u>		<u>2013</u>		Per Exam <u>2014</u>
Capital and surplus prior reporting year	\$ 243,735,545	\$	236,919,425	\$	279,945,027	\$	287,485,095
Net income or (loss)	(10,814,438)		112,731,172		8,596,800		(3,309,376)
Change in net unrealized capital gains (losses) less capital gains tax	5,100,063		(66,652,335)		(637,374)		(12,319,025)
Change in net unrealized foreign exchange capital gain or (loss)	(406,380)		54,547		(114,005)		(616,167)
Change in net deferred income tax	(1,469,834)		(2,787,037)		(417,135)		1,152,413
Change in non-admitted assets	774,469		5,679,255		585,145		(2,565,838)
Aggregate write-ins for gains or (losses) in surplus	-		(6,000,000)		(473,363)		-
Net change in capital and surplus	<u>(6,816,120)</u>		<u>43,025,602</u>		<u>7,540,068</u>		<u>(17,657,993)</u>
Capital and surplus end of reporting year	<u>\$ 236,919,425</u>	<u>\$</u>	<u>279,945,027</u>	<u>\$</u>	<u>287,485,095</u>	<u>\$</u>	<u>269,827,102</u>

## COMMENTS ON FINANCIAL STATEMENTS

Capital and surplus

\$269,827,102

The examination did not identify any capital and surplus adjustments; therefore, the capital and surplus reported in the Organization's annual statement as of December 31, 2014 was determined to be accurate.

The Organization's minimum capital requirement was \$400,000 as defined in U.C.A. § 31A-5-211(2)(a). As defined by U.C.A. § 31A-17 Part 6, the Organization had total adjusted capital of \$269,827,102, which significantly exceeded the company action level risk-based capital (RBC) requirement of \$31,367,756.

### SUMMARY OF RECOMMENDATIONS

The examination did not identify any significant or material recommendations during the course of the examination.

### ACKNOWLEDGEMENT

Frank Edwards, ASA, MAAA, of the actuarial firm of INS Consultants, Inc. performed the actuarial phases of the examination. In addition, Cory Starley, CFE, MBA, participated in the examination representing the Utah Insurance Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Organization.

Respectfully Submitted,

Neeraj Gupta, CFE  
Utah Insurance Department



By:  
Donald Catmull, CFE  
Assistant Chief Examiner  
Utah Insurance Department