



Janet T. Mills
Governor

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Eric A. Cioppa
Superintendent

August 9, 2019

Eric A. Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S. §221 and in conformity with your instructions, a financial examination has been made of

ANTHEM HEALTH PLANS OF MAINE, INC.

at its statutory home office in South Portland, Maine. The following report is respectfully submitted.



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REPORT OF EXAMINATION
ANTHEM HEALTH PLANS OF MAINE, INC.
AS OF
DECEMBER 31, 2017

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS, a verified Report of Examination of Anthem Health Plans of Maine, Inc. dated August 9, 2019 was delivered to that insurer on October 4, 2019 and;

WHEREAS Anthem Health Plans of Maine, Inc. and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination, and

WHEREAS I find such modifications proper, and

WHEREAS no hearing with respect to the Report of Examination has been requested by Anthem Health Plans of Maine, Inc.;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: 10-23-2019

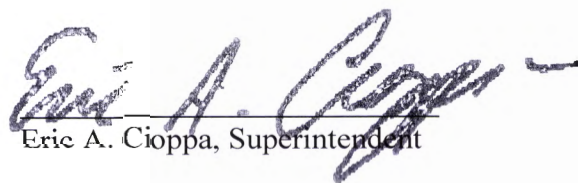

Eric A. Cioppa, Superintendent

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SCOPE OF EXAMINATION

Anthem Health Plans of Maine, Inc. (the “Company” or AHP-ME) was last examined as of December 31, 2013, by the State of Maine Bureau of Insurance (MBOI) in coordination with the State of Indiana Department of Insurance (INDOI). This examination covered the period from January 1, 2014, to December 31, 2017.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2018 Financial Condition Examiners Handbook (FCEH) and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, and corporate governance, valuation of assets, and determination of liabilities at December 31, 2017. The examination also included the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

This examination was coordinated with the INDOI, which concurrently examined the Indiana domestic insurance companies of Anthem, Inc., the Company's ultimate parent. The INDOI served as the lead state on the examination. Maine, along with 22 other states and Washington, D.C., accepted the invitation to participate on the coordinated examination of the Anthem Group, serving in the capacity of a participating state. Ernst & Young (EY) performed the 2017 external audit of AHP-ME and all insurance affiliates. EY work papers were utilized for this examination to the extent deemed appropriate. The MBOI utilized the work of the INDOI when appropriate in order to enhance the effectiveness and efficiency of this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

None noted.

CURRENT EXAMINATION

Claim forms used by the Company did not comply with 24-A M.R.S. §2186 (3)(A), which states that all applications and claim forms for insurance used by insurers in this State, regardless of the form of transmission, must contain the required fraud warning. The Company subsequently revised their member medical claim form in March 2019 to include the required fraud warning.

THE COMPANY

HISTORY

The Company was incorporated on March 10, 2000, in anticipation of the acquisition of Associated Hospital Service of Maine d/b/a Blue Cross and Blue Shield of Maine (BCBSME), by Anthem Insurance Companies, Inc. (AICI). By decision and order dated May 25, 2000, the Superintendent of Insurance (Superintendent) granted the application of BCBSME to convert to a for-profit stock insurer and to voluntarily dissolve. The decision and order also approved the application of AICI, through AHP-ME, to acquire substantially all of the assets and assume substantially all of the liabilities of the converted BCBSME. The assets acquired included the stock and ownership interests in affiliates and subsidiaries of BCBSME. The decision and order additionally granted AHP-ME a certificate of authority to operate as a health insurer with a health maintenance organization (HMO) line of business.

At the time AHP-ME was incorporated, AICI was the ultimate controlling person in the insurance holding company system. AICI converted from a mutual insurance company to a stock insurance company on November 2, 2001, and, as part of the conversion, it became a wholly-owned subsidiary of Anthem, Inc., a new Indiana stock corporation created for the purpose of being the public holding company for the Anthem family of companies.

On December 21, 2000, the Superintendent approved the merger of Central Maine Partners Health Plan, Inc. with its parent, AHP-ME. Central Maine Partners Health Plan, Inc. ceased operations on December 31, 2000, and merged into AHP-ME on January 1, 2001.

On November 23, 2004, the Superintendent approved the merger of Maine Partners Health Plan, Inc. with its parent, AHP-ME. Maine Partners Health Plan, Inc. merged with its parent AHP-ME on January 1, 2005.

On November 30, 2004, Anthem, Inc. completed its acquisition of California-based WellPoint Health Networks Inc. and changed its name to WellPoint, Inc. (WLP).

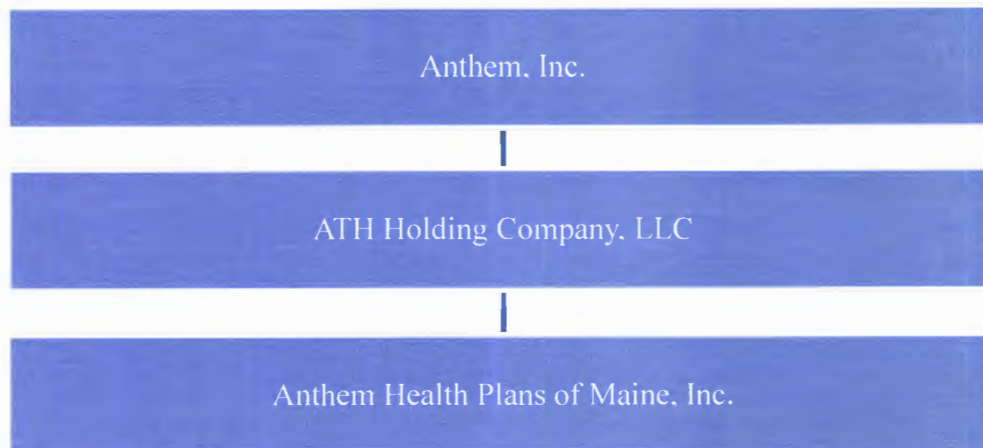
Effective December 28, 2006, Anthem East, LLC, the sole shareholder of AHP-ME, merged with and into ATH Holding Company, LLC (ATH), making that company the new shareholder of AHP-ME.

Effective December 2, 2014, WLP changed its name to Anthem, Inc.

CORPORATE OWNERSHIP

The Company is a wholly-owned subsidiary of ATH whose ultimate parent is Anthem, Inc.

An abbreviated organizational chart as of December 31, 2017 is presented below:



CORPORATE RECORDS

The Company’s articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by its board of directors and the management team of the Company as well as the board of directors of Anthem, Inc. and committees thereof.

As of December 31, 2017, the board of directors of the Company consisted of the following members:

<u>Name</u>	<u>Title</u>
Daniel Patrick Corcoran*	Chairperson
Carter Allen Beck*	Director
John Edward Gallina	Director
Catherine Irene Kelaghan	Director
Kathleen Susan Kiefer	Director
Robert David Kretschmer*	Director
Ronald William Penczek	Director

As of December 31, 2017, the officers of the Company consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Daniel Patrick Corcoran*	President
Kathleen Susan Kiefer	Secretary
Robert David Kretschmer*	Treasurer
Eric (Rick) Kenneth Noble	Assistant Treasurer
Mark Daniel Justus*	Valuation Actuary

* On February 8, 2018, Vincent Edward Scher replaced Robert David Kretschmer as Treasurer, and on May 31, 2018, Vincent Edward Scher was elected to replace Robert David Kretschmer as Director; effective September 8, 2018, Lisa M. Guertin replaced Daniel Patrick Corcoran as Chairperson and President of the Corporation; on September 17, 2018, Claudia Ellis was appointed as Valuation Actuary; on December 15, 2018, Laurie H. Benintendi replaced Carter Allen Beck as Director; and effective January 10, 2019, Denise Finn McDonough replaced Lisa Guertin as Chairperson and President.

At December 31, 2017, Anthem Inc.'s board of directors consisted of 11 individuals. Other than Joseph R. Swedish, Executive Chairman of the Board, and Gail K. Boudreaux, President and Chief Executive Officer, all directors were outside directors. The Anthem, Inc. board has responsibility for establishing broad corporate policies and for overall performance.

The Anthem, Inc. board of directors has three standing committees: audit, compensation, and governance. All standing committees of the Anthem, Inc. board are comprised entirely of independent directors. The duties and responsibilities of the committees are set forth in Anthem Inc.'s and each entity's by-laws and committee charters as applicable.

TRANSACTIONS WITH AFFILIATES

Amounts due to or receivable from the parent, subsidiaries, and affiliates represent the amounts payable or receivable under the inter-company administrative, service, and tax sharing agreements. The Company had the following agreements with affiliates at December 31, 2017:

<u>Company Providing Service</u>	<u>Service Provided</u>
Anthem, Inc.	Master Administrative Services Agreement
Anthem, Inc.	Cash Concentration Agreement
Anthem, Inc.	Financial Guaranty
Anthem, Inc., & Subsidiaries	Consolidated Federal Income Tax Agreement
Meridian Resource Company, LLC	Claim Recovery Service Agreement
Anthem Insurance Companies, Inc.	Quota Share Reinsurance Agreement
Anthem Insurance Companies, Inc.	Insolvency Reinsurance Agreement

On December 5, 2014, the Company declared an ordinary dividend of \$43,000,000 which was paid on December 20, 2014; on December 9, 2015, the Company declared an ordinary dividend of \$19,100,000 which was paid on December 23, 2015; on December 8, 2016, the Company declared an ordinary dividend of \$22,100,000 which was paid on December 23, 2016; and on December 13, 2017, the Company declared an ordinary dividend of \$19,000,000 which was paid on December 26, 2017. All dividends were paid to the Company's parent, ATH.

TERRITORY & PLAN OF OPERATION

The Company is licensed to write accident and health insurance, including HMO products, in the State of Maine. Presently, the Company offers a wide variety of managed care and indemnity health insurance options to individuals and groups within the State of Maine. These products are offered to both fully insured and "administrative services only" plans. In addition to providing managed care, the Company participates in the Medicare program regulated by the Centers for Medicare & Medicaid Services.

REINSURANCE

During the time period under examination, AHP-ME and AICI were parties to a Quota Share Reinsurance Agreement under which AHP-ME ceded to AICI a percentage quota share interest of claims submitted under all group health insurance and HMO contracts and policies issued by AHP-ME.

In accordance with Condition 11 of the Decision and Order of the Maine Superintendent of Insurance, Docket Number INS-99-14 dated May 25, 2000, AHP-ME and AICI entered into an Insolvency Reinsurance Agreement. Under the Agreement, reinsurance was provided for eligible inpatient hospital services for members who are confined in an inpatient facility, and who were covered by AHP-ME under its HMO contracts for a specified period of time should AHP-ME become insolvent.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Operations, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the Maine Bureau of Insurance and thus the Maine Bureau of Insurance does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2017**

<u>Assets</u>	
Bonds	\$ 217,739,541
Real estate - Occupied by the company	72,500
Cash and cash equivalents	14,456,693
Other invested assets	137,479
Securities lending reinvested collateral assets	5,636,270
Investment income due and accrued	1,916,816
Uncollected premiums and agents balances	38,266,803
Deferred premiums, agents' balances and installments	19,601,623
Accrued retrospective premiums & contracts subject to redetermination	2,327,761
Amounts recoverable from reinsurers	582,818
Amounts receivable relating to uninsured plans	32,487,159
Current federal and foreign income tax recoverable and interest thereon	829,517
Net deferred tax asset	7,487,433
Guaranty funds receivable or on deposit	220,481
Receivables from parent, subsidiaries, and affiliates	16,013,029
Healthcare amounts receivable	74,697,389
Aggregate write-ins for other than invested assets	<u>65,489,646</u>
Total assets	<u>\$ 497,962,958</u>
<u>Liabilities</u>	
Claims unpaid	\$ 142,546,150
Accrued medical incentive pool and bonus amounts	3,916,151
Unpaid claims adjustment expenses	2,627,729
Aggregate health policy reserves	115,228,149
Aggregate health claim reserves	71,391
Premiums received in advance	8,083,578
General expenses due or accrued	3,957,937
Amounts withheld or retained for the account of others	223,825
Remittances and items not allocated	15,194,771
Payable for securities lending	5,636,270
Liability for amounts held under uninsured plans	25,231,097
Aggregate write-ins for other liabilities	<u>9,860,650</u>
Total liabilities	<u>332,577,698</u>
<u>Capital and Surplus</u>	
Aggregate write-ins for special surplus funds	33,382,497
Common capital stock	2,500,000
Gross paid in & contributed surplus	120,652,900
Unassigned funds	<u>8,849,863</u>
Total Capital and Surplus	<u>165,385,260</u>
Total Liabilities, Capital and Surplus	<u>\$ 497,962,958</u>

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017

Member months	4,670,930
Net premium income	\$ 1,166,212,759
Change in unearned premium reserves and reserve for rate credits	<u>(26,670,469)</u>
Total revenues	<u>1,139,542,290</u>
Hospital/medical benefits	759,789,341
Other professional services	9,849,648
Emergency room and out-of-area	25,470,207
Prescription drugs	195,252,337
Incentive pool, withhold adjustments, and bonus amounts	<u>8,789,422</u>
Subtotal	999,150,955
Less: Net reinsurance recoveries	<u>281,683</u>
Total hospital and medical	998,869,272
Claims adjustment expenses, including cost containment expenses	31,989,954
General administrative expenses	<u>61,119,570</u>
Total underwriting deductions	<u>1,091,978,796</u>
Net underwriting gain	<u>47,563,494</u>
Net investment income earned	6,339,836
Net realized capital gains net of capital gains tax	<u>2,114,593</u>
Net investment gains	<u>8,454,429</u>
Net loss from agents' or premium balances charged off	(89,957)
Aggregate write-ins for other income or expenses	<u>315,530</u>
Net income after capital gains tax and before federal income taxes	56,243,497
Federal income taxes incurred	<u>18,502,460</u>
Net income	<u>\$ 37,741,037</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2017**

Capital and surplus, December 31, 2016	\$ 150,447,929
Net income	37,741,037
Change in unrealized capital gains (losses) net of capital gains tax	(209,547)
Change in net deferred income tax	(8,616,087)
Change in nonadmitted assets	6,310,763
Dividends to stockholders	(19,000,000)
Aggregate write-ins for gains or (losses) in surplus	<u>(1,288,835)</u>
Net change in capital and surplus	<u>14,937,331</u>
Capital and surplus, December 31, 2017	<u>\$ 165,385,260</u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 - RESERVES

Merlinos & Associates, Inc. ("consulting actuary") was engaged to provide actuarial assistance with the financial examination of AHP-ME as of December 31, 2017. Their review included participation in interviews and discussions with key personnel, as well as the Appointed Actuary, to gain an understanding of the corporate structure, products, services, and reserving and pricing processes, and to determine where the majority of risks lie; determination of the frequency and process of reporting actuarial indications to management and/or the Board of Directors, management's process of recording reserves in the financial statements, and controls to mitigate reserving risk; reviewing the 2017 Statement of Actuarial Opinion and Actuarial Memorandum prepared by the Appointed Actuary for reasonability of assumptions, methods, reliances, and selections as well as for technical accuracy and continuity, and for compliance with Annual Statement Instructions; and, reviewing the external auditor's conclusions regarding the carried reserves.

Based on the work they performed, it is the consulting actuary's opinion that the reserve amounts carried by Anthem Health Plans of Maine in their 2017 Statutory Annual Statements, Page 3 (Items 1 through 4 and 7):

- A. meet the requirements of the insurance laws of the State of Maine;
- B. are consistent with reserves that are computed in accordance with accepted loss reserving standards and principles; and,
- C. make a reasonable provision for all unpaid claims, claim adjustment expense, and other obligations under the terms of its policies and agreements.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the four-year period since the MBOI's last examination of the Company, dated December 31, 2013:

Capital and surplus, December 31, 2013	\$ 163,128,767
Net income	98,161,373
Change in net unrealized capital gains or (losses), net of capital gains tax	(253,563)
Change in net deferred income tax	(8,033,834)
Change in nonadmitted assets	3,234,643
Dividends to stockholders	(103,200,000)
Aggregate write-ins for gains or (losses) in surplus	<u>12,347,874</u>
Capital and surplus, December 31, 2017	<u>\$ 165,385,260</u>

SUBSEQUENT EVENTS

On January 1, 2018, the Company is subject to an annual fee under section 9010 of the ACA. This annual fee is allocated to individual health insurers based on the ratio of the entity's net premiums written during the preceding year to the amount of health insurance for any U.S. health risk that is written in the preceding year. A health insurance entity'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 of the year the fee is due. As of December 31, 2017, the Company had written health insurance subject to the ACA assessment, expected to conduct health insurance business in 2018, and estimated their portion of the annual health insurance industry fee to be payable September 30, 2018 in the amount of \$21,034,623. The Company disclosed in its Annual Statement for the year ended December 31, 2018, that the amount paid for the health insurer fee in 2018 was \$18,403,944. In January 2018, a moratorium was imposed on the health insurer fee for calendar year 2019, and therefore, there is no health insurer fee due in September 2019.

On October 31, 2018, the MBOI amended the Decision and Order in INS-99-14 to permit the Company to terminate their Insolvency Reinsurance Agreement with AICI. On November 30, 2018, both the Insolvency Reinsurance Agreement and Quota Share Reinsurance Agreement with AICI were terminated.

In 2018, the State of Maine received approval from CMS for its Application for State Innovation Waiver under Section 1332 of the ACA. Pursuant to that approval, the Maine Guaranteed Access Reinsurance Association (MGARA) Board has approved the re-initiation of MGARA operations as of January 1, 2019. MGARA operates as a reinsurance program for the higher risk segment of Maine's individual health insurance market.

On May 16, 2019, a Form D – Prior Notice of a Transaction Involving an Affiliate, dated May 15, 2019, was filed with the MBOI. This Form D relates to a Receivables Sale Agreement between the Sellers (including Anthem Health Plans of Maine) and Blue Cross of California (BCC). Under the proposed Receivables Sale Agreement, effective December 20, 2017, BCC will purchase the Company's pharmacy rebate receivables. On June 12, 2019, the MBOI issued a letter noting no objections to the Form D filing, but noted that pursuant to Title 24-A, M.R.S. § 222(9)(E), a "domestic insurer shall notify the superintendent in writing at least 30 days in advance... before entering into or materially amending or modifying [certain] transactions."

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

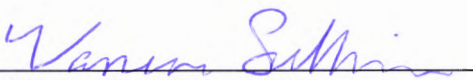
**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

ANTHEM HEALTH PLANS OF MAINE, INC.

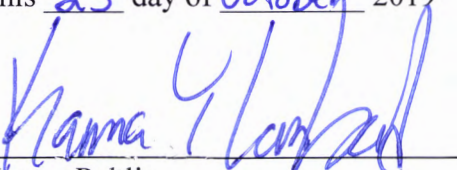
located in South Portland, Maine as of December 31, 2017, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. Noble Consulting Services, Inc., under contract with the Maine Bureau of Insurance, performed the examination. The following examiners from the Maine Bureau of Insurance assisted:

Audrey L. Wade, CFE, CISA



Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 23 day of October 2019



Notary Public
My Commission Expires:

**KARMA LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2023**