

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Anthem Insurance Companies, Inc.)
220 Virginia Avenue)
Indianapolis, Indiana 46204)

Examination of: **Anthem Insurance Companies, Inc.**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Anthem Insurance Companies, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 31, 2019, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Anthem Insurance Companies, Inc. shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 19, 2019 _____
Date Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0564

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Anthem Insurance Companies, Inc.)
220 Virginia Avenue)
Indianapolis, Indiana 46204)

Examination of: **Anthem Insurance Companies, Inc.**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Anthem Insurance Companies, Inc. (hereinafter "Company") for the time period January 1, 2014 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 9, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 31, 2019 and was received by the Company on June 3, 2019.

The Company did not file any objections.


NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Anthem Insurance Companies, Inc. as of December 31, 2017.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Anthem Insurance Companies, Inc. to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 19 day of June, 2019.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

[Handwritten signature]

[Handwritten initials]

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

ANTHEM INSURANCE COMPANIES, INC.

NAIC Co. CODE 28207
NAIC GROUP CODE 0671

As of

December 31, 2017

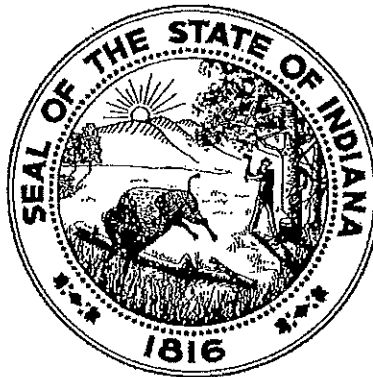


TABLE OF CONTENTS

SALUTATION.....1

SCOPE OF EXAMINATION.....2

HISTORY.....2

CAPITAL AND SURPLUS.....3

DIVIDENDS TO STOCKHOLDERS.....3

TERRITORY AND PLAN OF OPERATION.....4

GROWTH OF THE COMPANY.....4

MANAGEMENT AND CONTROL.....5

 Directors.....5

 Officers.....5

CONFLICT OF INTEREST.....6

OATH OF OFFICE.....6

CORPORATE RECORDS.....6

 Articles of Incorporation.....6

 Bylaws.....6

 Minutes.....6

AFFILIATED COMPANIES.....7

 Organizational Structure.....7

 Affiliated Agreements.....7

FIDELITY BOND AND OTHER INSURANCE.....8

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....8

SPECIAL AND STATUTORY DEPOSITS.....9

REINSURANCE.....9

 Ceded Reinsurance – Affiliates.....9

 Ceded Reinsurance – Non-Affiliates.....10

 Assumed Reinsurance – Affiliates.....10

 Assumed Reinsurance – Non-Affiliates.....11

ACCOUNTS AND RECORDS.....11

FINANCIAL STATEMENTS.....12

 Assets.....12

 Liabilities, Surplus and Other Funds.....13

 Statement of Revenue and Expenses.....14

 Capital and Surplus Account Reconciliation.....15

COMMENTS ON THE FINANCIAL STATEMENTS.....16

OTHER SIGNIFICANT ISSUES.....16

SUBSEQUENT EVENTS.....16

AFFIDAVIT.....18



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

May 9, 2019

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3958, an examination has been made of the affairs and financial condition of:

Anthem Insurance Companies, Inc.
220 Virginia Avenue
Indianapolis, Indiana 46204

hereinafter referred to as the "Company", or "AICP", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
317-232-2413

COMPANY COMPLIANCE
317-232-3495

CONSUMER SERVICES
317-232-2395/1-800-622-4461

FINANCIAL SERVICES
317-232-2390

MEDICAL MALPRACTICE
317-232-2402

COMPANY RECORDS
317-232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2009 through December 31, 2013. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (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.

The examinations of the Indiana domestic insurance companies of Anthem, Inc. were called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The INDOI served as the lead state on the examination. The AZ, CA, CO, CT, DC, GA, IA, KY, LA, MD, ME, MO, MS, NJ, NM, NV, NY, OH, OK, TX, VA, WA, WI, and WV Departments of Insurance accepted the invitation to participate on the coordinated examination of the Anthem Group, serving in the capacity of participating states. There were several other insurers within the holding company system that did not participate in this coordinated examination due to various reasons including having been recently examined, having been recently acquired, and the desire to stay on their current exam cycles, and similar other reasons.

Kirk Braunius, ASA, MAAA, of Merlino & Associates, Inc., provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2017.

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 in the Indiana Code (IC) 27-1-3.1-10 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/or the Company.

HISTORY

AICI was incorporated on May 22, 1944, under the name Mutual Hospital Insurance, Inc. (MHII). On June 20, 1985, Mutual Medical Insurance, Inc. merged into MHII with MHII being the surviving entity and taking the name Associated Insurance Companies, Inc. On March 28, 1996, Associated Insurance Companies, Inc. changed its name to its present title.

On November 2, 2001, the Company converted from a mutual insurance company to a stock insurance company in accordance with IC 27-15-1-1 et seq., the Indiana Demutualization Law, under a plan of conversion approved by its Board of Directors (Board) on June 18, 2001, by the Commissioner of the INDOI on October 25, 2001, and by the Company's statutory members on October 29, 2001. As part of the conversion, the Company became a wholly-owned subsidiary of Anthem, Inc. (Anthem), a new Indiana stock corporation created for the purpose of being the public holding company for the Anthem family of companies.

On October 27, 2003, Anthem and WellPoint Health Networks, Inc. (WHN) announced they had entered into a definitive agreement and plan of merger. On November 30, 2004, Anthem and WHN completed their merger. As a result of the merger, the Company became a subsidiary of WellPoint, Inc. (WLP), the largest publicly traded commercial health benefits company in terms of membership in the United States.

On December 3, 2014, WLP changed its name back to Anthem, Inc. and began trading under the new ticker symbol ANTM on the New York Stock Exchange.

As of December 31, 2017, the Company is wholly-owned by Anthem and has one wholly-owned subsidiary, Associated Group, Inc., which has one wholly-owned subsidiary, Anthem Financial, Inc.

CAPITAL AND SURPLUS

Anthem owned 100% of the Company's issued and outstanding stock throughout the examination period. There were 100,000,000 authorized, issued, and outstanding shares of common stock, with a par value of \$1 per share, throughout the examination period.

As of December 31, 2017, the Company has an issued surplus note outstanding. The note has a total par value of \$25.1 million and interest rate of 9.00%. Any payment of interest and repayment of principal may be paid only out of the Company's earnings, subject to approval by the INDOI. During the examination period, \$9.0 million was paid in interest.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s), to Anthem during the examination period:

Year	Total	Ordinary Dividends	Extraordinary Dividends	Stock Dividends
2017	\$ 204,358	\$ 100,000	\$ -	\$ 104,358
2016	325,000	-	325,000	-
2015	389,000	389,000	-	-
2014	570,000	45,000	525,000	-
Total	<u>\$ 1,488,358</u>	<u>\$ 534,000</u>	<u>\$ 850,000</u>	<u>\$ 104,358</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. The Company paid two (2) extraordinary dividends during the examination period with the prior approval of the INDOI. Other dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

In addition, in December 2017, AICI provided notice to the INDOI of its intent to dividend 100% of the outstanding stock held in its subsidiary, National Government Services, Inc. (NGS), to Anthem. The transaction was considered an ordinary dividend and was part of an effort by Anthem's Federal Government Solutions business unit to centralize Anthem's government contracting business for optimal corporate governance. Anthem dividended the stock of NGS to Federal Government Solutions, LLC, the parent company of Anthem's other government contracting subsidiaries. A realized gain of \$69.4 million was recognized in 2017 for this distribution.

TERRITORY AND PLAN OF OPERATION

AICI writes comprehensive medical, dental, vision, Medicare Supplement, Medicare Advantage, Federal Employee Health Benefit Plan, Stop Loss, Medicare Part D, and Medicaid products. The Company is a licensee of the Blue Cross and Blue Shield Association and markets its products under the Blue Cross Blue Shield trade name. AICI is licensed in thirty-five (35) states and writes business in twelve (12) states, with the majority of business written in Indiana. AICI began participating on the Federal Health Exchange in Indiana (the Exchange) with policies taking effect January 1, 2014. However, AICI exited the Exchange effective January 1, 2018 and is not participating in the Exchange in 2019. AICI also provides administrative services to certain customers under self-insured agreements.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income</u>
2017	\$ 3,337,567	\$ 2,151,145	\$ 1,186,422	\$ 6,933,808	\$ 419,978
2016	2,947,486	1,978,883	968,603	6,126,103	430,978
2015	2,852,983	2,036,483	816,500	5,319,974	405,548
2014	3,231,716	2,398,774	832,942	4,869,753	389,099

The increase in net admitted assets for 2017 was associated with the increase in bonds and cash, cash equivalents and short-term investments, resulting from an increase in premiums due to growth in the Large Group and Medicaid businesses. These increases were offset by a decrease in common stocks related to the dividend of 100% of NGS's common stock to Anthem.

Increases in liabilities and revenues during 2017 were also due to premiums growth in the Medicaid and Large Group businesses. Net income decreased due to increases in hospital/medical benefits and prescription drugs, resulting from higher claims experience in the Indiana Medicaid programs. The increases were partially offset by a decrease in federal and foreign income taxes.

The increase in capital and surplus during 2017 was due primarily to a decrease in dividends paid to stockholders during the year, which was partially offset by changes in net unrealized capital gains and net deferred income tax, as well as a stock dividend.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the number of directors shall fall within the range prescribed by the Amended Restated Articles of Incorporation. The majority of the directors shall at all times be Public Members. A Public Member is one who is neither an employee of nor has an ownership interest in a health care provider and is not engaged in the active practice of a profession that provides health care services. The directors are elected on an annual basis with one-third terminating after each annual meeting. The Articles of Incorporation provide that the business affairs of the Company are to be managed by a Board consisting of no less than five (5) and no more than nineteen (19) directors. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors at December 31, 2017, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Carter Allen Beck Manchester, New Hampshire	Senior Vice President and Counsel Anthem, Inc.
Robert Wade Hillman Fishers, Indiana	President and Chief Executive Officer Anthem Insurance Companies, Inc.
Catherine Irene Kelaghan Carmel, Indiana	Vice President and Counsel Anthem, Inc.
Kristen Louise Metzger Westfield, IN	Vice President and Medicaid Plan President Anthem, Inc.
Ronald William Penczek Zionsville, Indiana	Senior Vice President and Chief Accounting Officer Anthem, Inc.

Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, and a Treasurer, each of whom shall be elected by the Board. Any two (2) or more offices may be held by the same person, except that the person holding the office of Secretary shall not hold the office of Chairman, Chief Executive Officer, or President. The Chief Executive Officer shall have the authority to appoint administrative officers such as Vice Presidents, Assistant Secretaries, and Assistant Treasurers to perform such functions and duties as prescribed and approved by the Chief Executive Officer. Each of these officers is elected by the Board and shall hold office for one (1) year or until their respective successors are duly chosen and have qualified.

The following is a list of key officers and their respective titles as of December 31, 2017:

<u>Name</u>	<u>Office</u>
Robert Wade Hillman	President, Chairperson and Chief Executive Officer
Robert David Kretschmer	Treasurer
Kathleen Susan Kiefer	Secretary
Eric Kenneth Noble	Assistant Treasurer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2017.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

The Anthem committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following: Audit Committee, Compensation Committee, and Governance Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and select affiliates as of December 31, 2017:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Anthem, Inc.		IN
Anthem Insurance Companies, Inc.	28207	IN
Associated Group, Inc.		IN
Anthem Financial, Inc.		DE
ATH Holding Company, LLC		IN
Rocky Mountain Hospital and Medical Services, Inc.	11011	CO
Anthem Life Insurance Company	61069	IN
Anthem Holding Corp.		IN
UNICARE National Services, Inc.		DE
UNICARE Life & Health Insurance Company	80314	IN

Affiliated Agreements (in 000s)

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Consolidated Cash Management System

The Company has an agreement with its affiliate, NGS, providing for NGS's funds to be managed by the Company. As of December 31, 2017, the Company included \$58,118 in its amounts due to affiliates related to this agreement.

Master Administrative Services Agreement

Effective January 1, 2005, the Company entered into an Amended and Restated Master Administrative Services Agreement (MASA) with Anthem and other affiliates. Under the MASA, each company provides certain administrative, consulting, and other support services for the benefit/use of the other affiliated companies. Administrative expenses for services performed under the agreement are captured in cost centers and allocated to legal entities supported by the specific cost centers using reasonable and appropriate allocation methodologies such as weighted membership, headcount, and others.

Effective January 1, 2014, the MASA was amended to incorporate certain changes to holding company laws and regulations resulting from the National Association of Insurance Commissioner's 2010 amendment of its Model Law and Regulation.

The amount attributable to AICI pursuant to this agreement in 2017 was \$1,038,994.

Cash Concentration Agreement

Effective November 20, 2007, the Company entered into a Cash Concentration Agreement with Anthem and its affiliates. Under this agreement, any one of the parties may be designated as a "Cash Manager" to handle the collection and/or payment of funds on behalf of one or more affiliates. An affiliate acting as a Cash Manager may collect premium payments and other revenue, collect benefit and administrative expense reimbursements, make benefit payments, make payroll payments, and/or make general administrative expense and accounts payable payments on behalf of one or more of its affiliates. As of December 31, 2017, the Company had an estimated net receivable of \$34,227 pursuant to this agreement.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, the Company entered into a Consolidated Federal Income Tax Agreement with Anthem whereby the allocation of federal income taxes is based upon separate return calculations with credit for net losses that can be used on a consolidated basis, and is recorded as part of the federal income tax receivable or payable. Federal income tax balances are settled based on the Internal Revenue Service due dates. As of December 31, 2017, the amount attributable to the Company pursuant to this agreement was \$220,193.

Lease Agreement

Effective January 1, 2001, the Company entered into a Lease Agreement with Community Insurance Company (CIC), under which AICI would lease furniture and equipment used in Indiana from CIC. There was no activity pursuant to the agreement in 2017.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The bond has a single loss coverage limit of \$10,000,000, with a \$1,500,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2017, including but not limited to automobile liability, commercial property, computer crime, cyber liability, directors and officers liability, fiduciary liability, financial institution bond, general liability, managed care professional liability, umbrella liability, and workers' compensation and employer's liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS (in 000s)

The Company participates in the Anthem Cash Balance Plan (the Plan), a frozen non-contributory defined benefit pension plan sponsored by ATH Holding Company, LLC (ATH Holding), covering most employees of Anthem and its subsidiaries. ATH Holding allocates a share of the total accumulated costs of the Plan to the Company based on the number of allocated employees. During 2017, the Company was allocated credits totaling \$3,851. The Company has no legal obligation for benefits under this plan.

The Company participates in a postretirement medical benefit plan, sponsored by ATH Holding, providing certain health, life, vision, and dental benefits to eligible retirees. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. During 2017, the Company was allocated costs totaling \$282. The Company has no legal obligation for benefits under this plan.

The Company participates in a deferred compensation plan sponsored by Anthem, which covers certain employees once the participant reaches the maximum contribution amount for the Anthem 401(k) Plan. The deferred amounts are payable according to the terms and subject to the conditions of the deferred compensation plan. Anthem allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation plan. During 2017, the Company was allocated costs totaling \$370. The Company has no legal obligation for benefits under this plan.

The Company participates in the Anthem 401(k) Plan, sponsored by ATH Holding and covering substantially all employees. ATH Holding matches voluntary employee contributions, subject to certain limitations. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. During 2017, the Company was allocated costs totaling \$12,866. The Company has no legal obligation for benefits under this plan.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, (in 000s), as of December 31, 2017:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 6,054	\$ 6,026
All Other Special Deposits:		
Georgia	37	36
Indiana	2,330	2,363
Nevada	476	481
New Hampshire	569	590
New Jersey	253	259
North Carolina	631	640
Virginia	238	238
Total Deposits	<u>\$ 10,588</u>	<u>\$ 10,633</u>

REINSURANCE (in 000s)

Ceded Reinsurance – Affiliates

Specific Excess Liability Reinsurance Agreement

The Company and UniCare Life & Health Insurance Company (ULH) are parties to a Specific Excess Liability Reinsurance Agreement originally effective January 1, 2010 and amended January 2, 2015, in connection with AICI's Medicaid contract with the state of Indiana. Pursuant to the Medicaid contract, AICI is required to provide solvency protection to Indiana's Office of Medicaid Policy and Planning. Endorsement A, effective September 1, 2016, changed the deductible attachment point per member agreement year from \$250,000 to \$200,000. In addition, an amendment effective January 1, 2017, replaced the 2015 Exhibit A to the agreement by removing the Healthy Indiana and Hoosier Otherwise programs, and adding the Hoosier Care Connect program. Pursuant to this agreement, AICI ceded reinsurance premiums of \$446 to ULH in 2017.

Ceded Reinsurance – Non-Affiliates

Indemnity Reinsurance Agreement

AICI is party to an Indemnity Reinsurance Agreement with Swiss Re Life & Health America Inc., effective January 1, 2017. The agreement applies to covered Membership Service Agreements between AICI and its members in the Indiana Hoosier Healthwise Program (HHP) and Healthy Indiana Plan 2.0 (HIP). The agreement specifies \$200,000 retention, 80% ceded, \$3 million maximum per member/per year (HHP), and \$5 million maximum per member/per year (HIP). Under this agreement, AICI ceded \$7,958 in premiums to Swiss Re during 2017.

Assumed Reinsurance – Affiliates

Reinsurance Agreement for Health Insurance

The Company is party to a Reinsurance Agreement for Health Insurance, originally effective January 1, 1993, with Anthem Life Insurance Company (ALIC). Under this agreement, AICI reinsures 100 percent of a portion of ALIC's individual and group health insurance business. Effective July 1, 1999, the agreement was amended whereby AICI and ALIC mutually agreed to reinsure the health business of Rocky Mountain Hospital and Medical Service, Inc. (RMHMS) and HMO Colorado, Inc. In 2000, the Reinsurance Agreement was amended to exclude policies transferred by ALIC to World Insurance Company through a Coinsurance Agreement and an Assumption Reinsurance Agreement. The agreement was amended again, effective January 1, 2002, to add Anthem, Inc. House Account, Long-Term Disability business covering 100% of all claims incurred after January 1, 2002. Pursuant to this agreement, AICI assumed premiums of \$350 from ALIC in 2017.

Quota Share Reinsurance Agreement

Effective July 1, 2000, and amended December 27, 2006, AICI entered into a Quota Share Reinsurance Agreement with Anthem Health Plans of Maine, Inc. (AHP-ME). Under this agreement, AHP-ME cedes to AICI a percentage quota share interest of claims submitted under all group health insurance and health maintenance organization contracts and policies issued by AHP-ME. Under this agreement, AICI assumed reinsurance premiums of \$58 in 2017 from AHP-ME.

Insolvency Reinsurance Agreement Between AICI, Anthem Health Plans of New Hampshire, Inc., and Matthew Thornton Health Plan, Inc.

Effective July 1, 2000, AICI, Anthem Health Plans of New Hampshire, Inc. (Anthem-NH) and Matthew Thornton Health Plans, Inc. (MTHP) entered into an Insolvency Reinsurance Agreement under which AICI will continue benefits for a certain period of time if Anthem-NH or MTHP are liquidated. AICI's responsibility to continue such benefits for Anthem-NH or MTHP members is limited to out-of-network claims related to point of service or health maintenance organization policies. The INDOI did not disapprove the agreement. No amounts were ceded or assumed pursuant to this agreement in 2017.

Insolvency Reinsurance Agreement Between AICI and Anthem Health Plans of Maine, Inc.

Effective July 1, 2000, AICI and AHP-ME entered into an Insolvency Reinsurance Agreement to provide certain continued benefits to AHP-ME members should AHP-ME become insolvent. Pursuant to this agreement, reinsurance will be provided for eligible inpatient hospital services for members who are confined in an inpatient facility and who are covered by AHP-ME under its health maintenance organization contracts for a specified period of time. In addition, if AHP-ME is liquidated AICI will continue the benefits for all health plans, including health maintenance organization and point of service contracts for a specified period of time.

Effective January 1, 2002, the agreement was amended to include Maine Partners Health Plans, Inc., a subsidiary of AHP-ME. The INDOI did not disapprove the original agreement or amendment. No amounts were ceded or assumed pursuant to this agreement in 2017.

Assumed Reinsurance – Non-Affiliates

Effective August 15, 2005, AICI entered into an agreement with Blue Cross Blue Shield of Kansas (BCBSKS) for the BCBSKS Medicare Part D line of business in Region 24. The Medicare Part D business is under the Medicare contract S5726 with the Centers for Medicare and Medicaid services for region 24. Region 24 is in the Kansas region, and BCBSKS transfers 100% of the Kansas Medicare Part D risk to AICI. Blue Cross Blue Shield Kansas City (BCBSKC) straddles the Kansas and Missouri (region 18) regions, and has signed a Consent and Participation agreement for inclusion of its Kansas Region 24 Part D business under contract S5726 to AICI under this agreement. BCBSKS and BCBSKC are paid for sales and renewals. Pursuant to this agreement, AICI assumed \$29.5 million in premiums during 2017.

Reinsurance assumed pursuant to other non-affiliate agreements was not material in 2017.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2016 and December 31, 2017 were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2014 through December 31, 2017, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

ANTHEM INSURANCE COMPANIES, INC.

Assets
As of December 31, 2017
(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 1,364,728
Stocks:	
Preferred stocks	3,949
Common stocks	6,750
Real estate:	
Properties occupied by the company	323
Cash, cash equivalents and short-term investments	76,871
Other invested assets	231,934
Securities lending reinvested collateral assets	51,396
Subtotals, cash and invested assets	<u>1,735,951</u>
Investment income due and accrued	14,832
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	324,883
Deferred premiums and agents' balances and installments booked but deferred and not yet due	74,957
Accrued retrospective premiums	60,752
Reinsurance:	
Amounts recoverable from reinsurers	16,729
Amounts receivable relating to uninsured plans	542,628
Current federal and foreign income tax recoverable and interest thereon	10,052
Net deferred tax asset	42,968
Health care and other amounts receivable	42,621
Aggregate write-ins for other than invested assets	471,195
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>3,337,567</u>
Totals	<u>\$ 3,337,567</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts, including immaterial rounding differences.

ANTHEM INSURANCE COMPANIES, INC.
 Liabilities, Surplus and Other Funds
 As of December 31, 2017
 (in 000s)

	Per Examination*
Claims unpaid	\$ 639,348
Accrued medical incentive pool and bonus amounts	23,879
Unpaid claims adjustment expenses	19,583
Aggregate health policy reserves	430,366
Aggregate health claim reserves	2,005
Premiums received in advance	36,475
General expenses due or accrued	143,083
Amounts withheld or retained for the account of others	26,347
Remittances and items not allocated	244,654
Borrowed money and interest thereon	150,067
Amounts due to parent, subsidiaries and affiliates	109,708
Payable for securities lending	51,396
Liability for amounts held under uninsured plans	215,923
Aggregate write-ins for other liabilities	58,312
Total liabilities	2,151,145
Aggregate write-ins for special surplus funds	140,904
Common capital stock	100,000
Gross paid in and contributed surplus	305,045
Surplus notes	25,095
Unassigned funds (surplus)	615,378
Total capital and surplus	1,186,422
Total liabilities, capital and surplus	\$ 3,337,567

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts, including immaterial rounding differences.

ANTHEM INSURANCE COMPANIES, INC.
Statement of Revenue and Expenses
For the Year Ended December 31, 2017
(\$ in 000s)

	Per Examination*
Member months	31,621,376
Premium income	\$ 6,978,497
Change in unearned premium reserves and reserve for rate credits	(44,689)
Total revenues	6,933,808
Hospital and Medical:	
Hospital/medical benefits	4,510,671
Other professional services	176,921
Emergency room and out-of-area	37,199
Prescription drugs	1,240,596
Incentive pool, withhold adjustments and bonus amounts	25,163
Subtotal	5,990,550
Less:	
Net reinsurance recoveries	8,423
Total hospital and medical	5,982,127
Claims adjustment expenses, including cost containment expenses	142,830
General administrative expenses	305,988
Increase in reserves for life and accident and health contracts	312
Total underwriting deductions	6,431,257
Net underwriting gain or (loss)	502,551
Net investment income earned	45,243
Net realized capital gains (losses)	73,665
Net investment gains (losses)	118,908
Net gain or (loss) from agents' or premium balances charged off	(3,408)
Aggregate write-ins for other income or expenses	1,435
Net income or (loss) after capital gains tax and before all other federal income taxes	619,485
Federal and foreign income taxes incurred	199,507
Net income	\$ 419,978

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts, including immaterial rounding differences.

ANTHEM INSURANCE COMPANIES, INC.
 Capital and Surplus Account Reconciliation
 (in 000s)

	2017	2016	2015	2014
Capital and surplus prior reporting year	\$ 968,603	\$ 816,500	\$ 832,942	\$ 1,004,779
Net income or (loss)	419,978	430,978	405,548	389,099
Change in net unrealized capital gains (losses) less capital gains tax	(17,525)	50,256	(6,640)	14,342
Change in net deferred income tax	(63,637)	1,241	13,271	5,640
Change in nonadmitted assets	83,361	(5,372)	(39,621)	(10,918)
Capital changes:				
Transferred from surplus (Stock Dividend)	(104,358)	-	-	-
Dividends to stockholders	(100,000)	(325,000)	(389,000)	(570,000)
Net change in capital and surplus	217,819	152,103	(16,442)	(171,837)
Capital and surplus end of reporting period*	<u>\$ 1,186,422</u>	<u>\$ 968,603</u>	<u>\$ 816,500</u>	<u>\$ 832,942</u>

* Exhibit includes immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues identified that required disclosure in this Report of Examination.

SUBSEQUENT EVENTS

The Company's ultimate parent, Anthem, and Cigna Corporation (Cigna) entered into an "Agreement and Plan of Merger" dated July 23, 2015. On July 21, 2016, the U.S. Department of Justice (DOJ) filed a civil antitrust lawsuit in U.S. District Court seeking to block the acquisition. The court ruled in favor of the DOJ and Anthem promptly filed notice that they would appeal the ruling. On February 14, 2017, Cigna purported to terminate the Agreement and commenced litigation against Anthem seeking damages and declaratory judgment. Anthem promptly initiated litigation and received a temporary restraining order enjoining Cigna from terminating the Agreement. The motion was ultimately denied, and on May 12, 2017, Anthem delivered a notice to Cigna terminating the Agreement. The litigation in Delaware is ongoing. Trial commenced in late February 2019 and concluded in March 2019. The Delaware Court has set closing arguments for September 11, 2019 with post trial briefing due before then.

In March 2016, Anthem filed a lawsuit against Express Scripts, Inc. (ESI), their vendor for pharmacy benefit management (PBM) services, in the U.S. District Court for the Southern District of New York. The lawsuit seeks to recover damages for pharmacy pricing that is higher than competitive benchmark pricing under the agreement between the parties, and damages related to operational breaches, as well as various declarations. ESI has disputed the contractual claims and is seeking declaratory judgments, including, among others, that it has no obligation to ensure that Anthem receive any specific level of pricing, that Anthem has no contractual right to any change in pricing under the ESI PBM Agreement and that its sole obligation is to negotiate proposed pricing terms in good faith; and that Anthem does not have the right to terminate the ESI PBM Agreement. In the alternative, Express Scripts claims that Anthem has been unjustly enriched by its payment of \$4.7 billion at the time of the ESI PBM Agreement. In March 2017, the court granted Anthem's motion to dismiss Express Scripts' counterclaims for (i) breach of the implied covenant of good faith and fair dealing, and (ii) unjust enrichment with prejudice. The only remaining claims are for breach of contract and declaratory relief.

In October 2017, Anthem announced the establishment of IngenioRx, their new PBM. In addition, at that same time, Anthem announced that it entered into a five-year agreement with CVS Health Corporation to begin offering a full suite of PBM solutions starting on January 1, 2020, which coincides with the conclusion of Anthem's current PBM agreement with ESI. In January 2019, Anthem announced the acceleration of the launch of IngenioRx. The ESI PBM Agreement terminated on March 1, 2019, and the twelve-month transition period provided for in the ESI PBM Agreement to migrate the services began on March 2, 2019.

Effective January 1, 2018, AICI is party to a series of reinsurance agreements with respect to Anthem's Federal Employee Program (FEP) business. Under this agreement, AICI reinsures 20% of the FEP business of its affiliates, Anthem Health Plans of Kentucky, Inc., Anthem Health Plans of Virginia, Inc., Blue Cross Blue Shield of Wisconsin, Community Insurance Company, and RMHMS. In addition, AICI cedes 20% of its FEP business to its affiliate, WellPoint Insurance Services, Inc., as well as retroceding 100% of the assumed FEP business.

Effective July 18, 2018, the Insolvency Reinsurance Agreement between Anthem-NH, MTHP, and AICI under which AICI will continue benefits for a certain period of time if Anthem-NH or MTHP are liquidated was

terminated.

Effective November 30, 2018, the Insolvency Reinsurance Agreement between AICI and AHP-ME to provide certain continued benefits to AHP-ME members should AHP-ME become insolvent was terminated.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Merlino & Associates, Inc., performed an examination of Anthem Insurance Companies, Inc. as of December 31, 2017.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

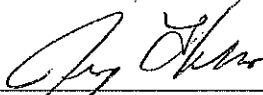
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Anthem Insurance Companies, Inc. as of December 31, 2017, as determined by the undersigned.



Nadine Treon, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

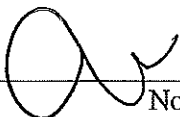


Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 6 day of June, 2019, before me personally appeared, Nadine Treon and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019 _____
Notary Public

