

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

IN THE MATTER OF:)
)
UniCare Life & Health Insurance Company)
220 Virginia Avenue)
Indianapolis, Indiana 46204)

Examination of: **UniCare Life & Health Insurance Company**

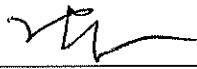
NOTICE OF ENTRY OF ORDER

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 UniCare Life & Health Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, 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 UniCare Life & Health Insurance Company 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 28, 2019
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0823

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

IN THE MATTER OF:)
)
UniCare Life & Health Insurance Company)
220 Virginia Avenue)
Indianapolis, Indiana 46204)

Examination of: **UniCare Life & Health Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the UniCare Life & Health Insurance Company (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 June 7, 2019 and was received by the Company on June 12, 2017.

On June 21, 2019, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

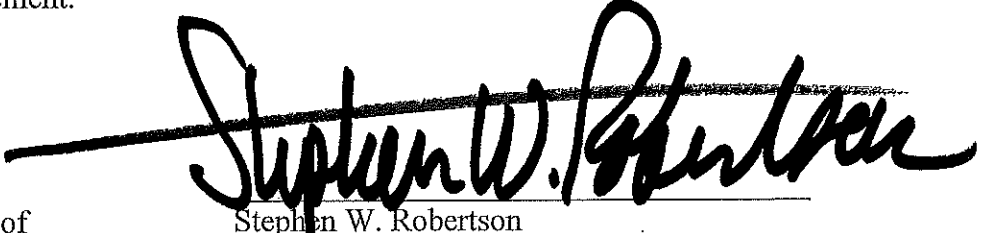
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.
2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2017.

3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 28 day of June, 2019.



Stephen W. Robertson
Insurance Commissioner

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.

The image shows two handwritten signatures in black ink. The signature on the left is larger and more complex, while the one on the right is smaller and simpler. Both are written on a white background.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

UNICARE LIFE & HEALTH INSURANCE COMPANY

NAIC Co. CODE 80314
NAIC GROUP CODE 0671

As of

December 31, 2017

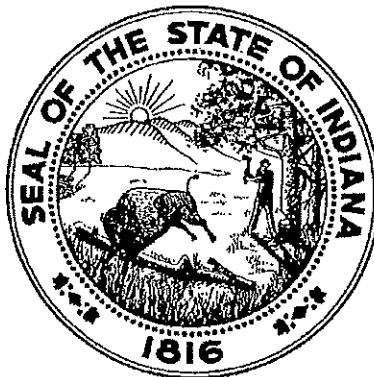


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STATE OF INDIANA

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 3959, an examination has been made of the affairs and financial condition of:

UniCare Life & Health Insurance Company
220 Virginia Avenue
Indianapolis, Indiana 46204

hereinafter referred to as the "Company", or "ULH", an Indiana domestic stock, life, accident, and health 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. (Anthem) 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.

Mark Alberts, FSA, MAAA, of Alberts Actuarial Consulting, LLC and Kirk Braunius, ASA, MAAA, of Merlinos & 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

ULH was incorporated in Delaware on June 11, 1971, and commenced operations on December 16, 1980. Originally incorporated as Bay Colony Life Insurance Company of Delaware, it assumed the name of MML Pension Insurance Company in 1979. In March 1996, the name was changed to MIRUS Insurance Company. The Company's present name was adopted in May 1996. The Company became part of the Anthem's insurance company holding system on November 30, 2004, as part of the WellPoint, Inc. (WLP) merger. ULH is a wholly-owned subsidiary of UniCare National Services, Inc. (UNS), an indirect wholly-owned subsidiary of Anthem. ULH was re-domesticated to Indiana on June 8, 2005. Approval of the re-domestication was granted by the INDOI in October 2005.

CAPITAL AND SURPLUS

UNS, a subsidiary of Anthem Holding Corp., owned 100% of the Company's issued and outstanding common stock throughout the examination period. There were 3,500,000 authorized shares of common stock with a par value of \$1 per share and 3,000,000 shares issued and outstanding throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to UNS during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2017	\$ 27,000,000	\$ 27,000,000	\$ -
2016	50,000,000	-	50,000,000
2015	23,900,000	23,900,000	-
2014	100,000,000	-	100,000,000
Total	<u>\$200,900,000</u>	<u>\$ 50,900,000</u>	<u>\$150,000,000</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 gain from operations 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. As directed by the INDOI, dividends paid in 2014 in excess of the reported positive unassigned balance were reported as a return of paid-in capital or paid-in surplus. 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.

TERRITORY AND PLAN OF OPERATION

ULH offers life, accident, and health insurance products including group and individual life and disability insurance, group and individual accident and health insurance, administrative service contracts, Medicare Advantage coverage, and Medicare Part D coverage. ULH assumes reinsurance through Medicaid contracts in South Carolina and Texas. The Company is licensed to transact insurance business in all fifty (50) states, the District of Columbia, and Puerto Rico.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums and Annuities</u>	<u>Net Income</u>
2017*	\$ 299,524,295	\$ 261,008,904	\$ 38,515,390	\$ 312,720,028	\$ 5,751,996
2016	305,984,845	217,920,024	88,064,821	275,236,066	28,329,647
2015	373,838,168	265,487,218	108,350,950	291,874,780	21,473,986
2014	413,315,992	349,488,941	63,827,051	329,588,470	25,033,998

* The 2017 amounts were adjusted by the Examiners to reflect an error related to an intercompany reinsurance agreement. See Subsequent Events Section for details.

The decrease in net admitted assets and net income, and increase in premiums, in 2017 was associated with the results of the reinsurance assumed from Anthem Insurance Companies, Inc. (AICI), along with reinsurance assumed related to Texas and South Carolina Medicaid contracts. These increases were partially offset by various decreases in premiums related to other lines of business.

During 2015, ULH wrote off approximately \$46 million in Medicare Part D accounts receivable that were previously non-admitted. This also caused a significant increase in the change in non-admitted assets.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the number of directors shall fall within the range prescribed by the Amended and Restated Articles of Incorporation and Redomestication. The current Board of Directors (Board) shall consist of five (5) 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>
Stephen Douglas Beebe Mason, Ohio	Assistant Secretary Anthem, Inc.
Jenny Ellen Colton Austin, Texas	Vice President, State Sponsored Programs Anthem, Inc.
Catherine Irene Kelaghan Carmel, Indiana	Vice President and Counsel Anthem, Inc.
Paul Christopher Nobile Hartland, Wisconsin	President and Chief Executive Officer UniCare Life and Health Insurance Company
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 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 President. The President 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 President. Each of these officers is elected by the Board and shall hold office 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>
Paul Christopher Nobile	President and Chief Executive Officer
Robert David Kretschmer	Treasurer
Kathleen Susan Kiefer	Secretary
Stephen Douglas Beebe	Assistant Secretary

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:

	NAIC Co. Code	Domiciliary State/Country
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

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.

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 ULH pursuant to this agreement in 2017 was \$61,548,164.

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 \$445,374 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. At December 31, 2017, the amount attributable to the Company pursuant to this agreement was \$130,640.

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

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 \$295,767. 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 \$21,637. 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 \$28,420. 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. Voluntary employee contributions are matched by ATH Holding 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 \$988,084. The Company has no legal obligation for benefits under this plan.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits as of December 31, 2017:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Arkansas	\$ 152,112	\$ 155,112
Georgia	40,000	40,000
Indiana	5,857,775	5,853,332
Massachusetts	105,000	105,000
New Mexico	491,500	491,239
North Carolina	502,970	495,826
South Carolina	149,618	147,586
Virginia	227,475	229,577
Puerto Rico	1,068,226	1,056,600
Total Deposits	<u>\$8,594,676</u>	<u>8,574,272</u>

REINSURANCE

Ceded Reinsurance - Affiliates

Coinsurance Agreement

Effective October 1, 2011, the Company entered into a 100% Coinsurance Agreement with its affiliate, Anthem Life Insurance Company (ALIC). Under this agreement, ULH cedes 100% of its life insurance business to ALIC. In 2017, the Company ceded \$171.3 million in premiums and took reserve credits of \$78.2 million.

Ceded Reinsurance – Non-Affiliates

Life and AD&D Excess Liability Agreement

Effective February 1, 2013, the Company, along with certain other Anthem companies, entered into an agreement with Hartford Life and Accident Insurance Company (HLAIC), whereby HLAIC agrees to reinsure the excess liability that may accrue to ULH under its life and accidental death and dismemberment policies. Pursuant to this agreement, ULH ceded premiums of \$1.3 million and took reserve credits of \$0.7 million during 2017.

Assumed Reinsurance – Affiliates

Specific Excess Liability Agreement

ULH and AICI 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. Under this agreement, ULH assumed reinsurance premiums of \$446,095 from AICI in 2017.

Assumed Reinsurance – Non-Affiliates

Pension Contracts Agreement

The Company was acquired as part of WLP's 1996 acquisition of several companies from Massachusetts Mutual Holding Company. At the time, the Company assumed all group term life and accident and health business associated with the Mass Mutual Pension contracts. This block of business accounted for assumed life reserves totaling \$10.4 million and accident and health reserve liability of \$0.3 million at December 31, 2017.

Novation Agreement

In 1997, the Company acquired the health business of the John Hancock Mutual Life Insurance Company (JHMLIC) and the group life business associated with cases having group health coverage. Effective January 1, 2010, the Company became party to a novation agreement transferring the JHMLIC interest to John Hancock Life & Health Insurance Company. At December 31, 2017, this block of business accounted for a financially insignificant amount of premium income, life reserves of \$14.6 million and accident and health reserve liability of \$0.5 million.

Medicaid Services Reinsurance Agreement

Effective January 1, 2008, the Company's primary assumed medical business relates to its contract with Blue Cross Blue Shield of South Carolina to provide Medicaid services to South Carolina residents. Pursuant to this agreement, ULH assumed \$212.7 million in premiums during 2017.

Quota Share Reinsurance Agreement

Effective December 1, 2016, Seton Health Plan, Inc. started ceding, under a Quota Share Reinsurance Agreement, 50% of the liability associated with the State Contract for the Texas Medicaid Star Program and Texas CHIP Program, to ULH. Pursuant to this agreement, ULH assumed premiums of \$24.1 million during 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

UNICARE LIFE & HEALTH INSURANCE COMPANY

Assets

As of December 31, 2017

	Per Annual Statement	Exam Adjustments	Per Examination*
Bonds	\$ 236,600,663	-	\$ 236,600,663
Stocks:			
Preferred stocks	130,810	-	130,810
Common stocks	392,840	-	392,840
Cash, cash equivalents and short-term investments	(459,221)	-	(459,221)
Contract loans	89,435	-	89,435
Securities lending reinvested collateral assets	532,686	-	532,686
Subtotals, cash and invested assets	237,287,213	-	237,287,213
Investment income due and accrued	3,246,836	-	3,246,836
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	32,819,275	-	32,819,275
Accrued retrospective premiums and contracts subject to redetermination	353,236	-	353,236
Reinsurance:			
Amounts recoverable from reinsurers	163,992	13,837,679	14,001,671
Amounts receivable relating to uninsured plans	3,992,263		3,992,263
Current federal and foreign income tax recoverable and interest thereon	5,107,495	1,786,046	6,893,541
Guaranty funds receivable or on deposit	661,815	-	661,815
Health care and other amounts receivable	268,444	-	268,444
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	283,900,568	15,623,726	299,524,295
Totals	\$ 283,900,568	15,623,726	\$ 299,524,295

* The financial statements were adjusted by the Examiners to reflect an error related to an intercompany reinsurance agreement, including immaterial rounding differences. See Subsequent Events Section for details.

UNICARE LIFE AND HEALTH INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2017

	Per Annual Statement	Exam Adjustments	Per Examination*
Aggregate reserve for accident and health contracts	\$ 18,773,139	23,543,597	\$ 42,316,736
Liability for deposit-type contracts	79,449,903	-	79,449,903
Contract claims:			
Accident and health	42,573,198	10,770,832	53,344,030
Premiums and annuity considerations for life and accident and health contracts received in advance	2,173,070	-	2,173,070
Contract liabilities not included elsewhere:			
Provision for experiencing rating refunds	2,385,199	-	2,385,199
Other amounts payable on reinsurance	481	14,007,052	14,007,533
Interest maintenance reserve	10,859,127	-	10,859,127
Commissions to agents due or accrued	194,149	-	194,149
General expenses due or accrued	2,582,927	(848,751)	1,734,176
Taxes, licenses and fees due or accrued, excluding federal income taxes	793,685	-	793,685
Net deferred tax liability	10,880,043	1,367,591	12,247,634
Unearned investment income	382	-	382
Amounts withheld or retained by company as agent or trustee	1,619,969	-	1,619,969
Remittances and items not allocated	5,033,510	-	5,033,510
Miscellaneous liabilities:			
Asset valuation reserve	2,095,379	-	2,095,379
Reinsurance in unauthorized and certified companies	104,438	-	104,438
Payable to parent, subsidiaries and affiliates	22,675,176	(1,641,096)	21,034,080
Liability for amounts held under uninsured plans	3,067,958	-	3,067,958
Payable for securities lending	532,686	-	532,686
Aggregate write-ins for liabilities	8,015,258	-	8,015,258
Total liabilities excluding Separate Accounts business	213,809,678	47,199,225	261,008,904
Total liabilities	213,809,678	47,199,225	261,008,904
Common capital stock	3,000,000	-	3,000,000
Gross paid-in and contributed surplus	57,054,487	-	57,054,487
Aggregate write-ins for special surplus funds	1,112,164	-	1,112,164
Unassigned funds (surplus)	8,924,239	(31,575,500)	(22,651,261)
Surplus	67,090,890	(31,575,500)	35,515,390
Total capital and surplus	70,090,890	(31,575,500)	38,515,390
Total liabilities, capital and surplus	\$ 283,900,568	15,623,725	\$ 299,524,294

*The financial statements were adjusted by the Examiners to reflect an error related to an intercompany reinsurance agreement, including immaterial rounding differences. See Subsequent Events Section for details.

UNICARE LIFE AND HEALTH INSURANCE COMPANY
 Summary of Operations
 For the Year Ended December 31, 2017

	Per Annual Statement	Exam Adjustments	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 312,720,028		\$ 312,720,028
Net investment income	8,713,052		8,713,052
Amortization of interest maintenance reserve	3,029,413		3,029,413
Commissions and expense allowances on reinsurance ceded	2,060,205		2,060,205
Miscellaneous income:			
Aggregate write-ins for miscellaneous income	201,777		201,777
Total	<u>326,724,475</u>		<u>326,724,475</u>
Disability benefits and benefits under accident and health contracts	304,899,456	6,138,035	311,037,491
Group conversions	192,803		192,803
Interest and adjustments on contract or deposit-type contract funds	801,180		801,180
Increase in aggregate reserves for life and accident and health contracts	(1,247,253)	(413,408)	(1,660,661)
Total	<u>304,646,186</u>	<u>5,724,627</u>	<u>310,370,813</u>
Commissions on premium, annuity considerations, and deposit-type contract funds	1,715,729		1,715,729
General insurance expenses	8,129,267	(34,354)	8,094,913
Insurance taxes, licenses and fees, excluding federal income taxes	8,402,443	(888,418)	7,514,025
Aggregate write-ins for deductions	(755,518)		(755,518)
Totals	<u>322,138,107</u>	<u>4,801,855</u>	<u>326,939,962</u>
Net gain from operations before dividends to policyholders and federal income taxes	4,586,368	4,801,855	(215,487)
Net gain from operations after dividends to policyholders and before federal income taxes	4,586,368	4,801,855	(215,487)
Federal and foreign income taxes incurred	(4,054,243)	1,786,028	(5,840,271)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	8,640,611	3,015,827	5,624,784
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of (\$135,129) (excluding taxes of (\$340,869) transferred to the IMR)	127,212		127,212
Net income	<u>\$ 8,767,823</u>	<u>\$ 3,015,827</u>	<u>\$ 5,751,996</u>

* The financial statements were adjusted by the Examiners to reflect an error related to an intercompany reinsurance agreement, including immaterial rounding differences. See **Subsequent Events Section** for details

UNICARE LIFE AND HEALTH INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2017	2016	2015	2014
Capital and surplus, December 31, prior year	\$ 88,064,820	\$108,350,950	\$ 63,827,051	\$164,831,870
Net income **	5,751,996	28,329,647	21,473,986	25,033,998
Change in net unrealized capital gains or (losses) less capital gains tax	136,790	(96,657)	(11,993)	3,161
Change in net deferred income tax	7,208,382	(6,588,104)	(1,770,729)	(24,424,871)
Change in nonadmitted assets	482,626	7,270,351	49,718,396	(194,526)
Change in liability for reinsurance in unauthorized and certified companies	(4,220)	243,035	331,511	464,249
Change in asset valuation reserve	(56,457)	555,598	(22,616)	(160,617)
Surplus adjustment:				
Paid in	-	-	-	(100,000,000)
Dividends to stockholders	(27,000,000)	(50,000,000)	(23,900,000)	-
Aggregate write-ins for gains and losses in surplus	-	-	(1,294,656)	(1,726,214)
Net change in capital and surplus for the year	<u>(13,480,883)</u>	<u>(20,286,130)</u>	<u>44,523,899</u>	<u>(101,004,819)</u>
Capital and surplus, December 31, current year*	<u>\$ 74,583,937</u>	<u>\$ 88,064,820</u>	<u>\$108,350,950</u>	<u>\$ 63,827,051</u>
Surplus and Other Funds Adjustments Exam Adjustments **	<u>(\$36,068,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Surplus as of December 31, current year*	<u>\$ 38,515,390</u>	<u>\$ 88,064,820</u>	<u>\$108,350,950</u>	<u>\$63,827,051</u>

* Exhibit includes immaterial rounding differences.

** The 2017 financial statements were adjusted by the Examiners to reflect an error related to an intercompany reinsurance agreement. See **Subsequent Events Section** for details.

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.

The December 31, 2017 audited financial statements of ULH were corrected for an accounting error related to an intercompany reinsurance agreement identified by the Company. In conjunction with the 2018 audit of ULH, Ernst & Young (EY) will be reporting a matter involving internal control over financial reporting and its operation that they consider to be a material weakness. For the period ended December 31, 2018, EY has concluded management did not have a control process in place to monitor that all intercompany reinsurance agreements had been appropriately accounted for in the statutory basis financial statements. Capital and Surplus reported by ULH in its December 31, 2018 annual statement is not materially impacted by this correction. There were no other material issues that might impact the financial statements or have a significant impact on the organization's operations of

the companies under examination. During 2019, Anthem took action to develop and implement a process to analyze all intercompany reinsurance transactions to ensure the applicable balances are accounted for in the statutory basis financial statements. ULH also plans to review all existing agreements to ensure it has a complete inventory of intercompany reinsurance arrangements and to provide training to appropriate staff regarding accounting for intercompany reinsurance arrangements to remediate this finding.

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 Alberts Actuarial Consulting, LLC and Merlinos & Associates, Inc., performed an examination of UniCare Life & Health Insurance Company, as of December 31, 2017.

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

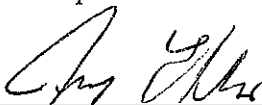
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing 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 UniCare Life & Health Insurance Company as of December 31, 2017, as determined by the undersigned.



Nadine Treon, CFE
Noble Consulting Services, Inc.

Under the Supervision of:



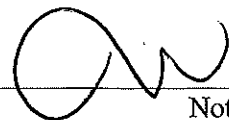
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

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

