

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

IN THE MATTER OF: )  
 )  
UniCare Life & Health Insurance Company )  
120 Monument Circle )  
Indianapolis, IN 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 sent to you on December 27, 2016, 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.

2/3/2017  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 9445**

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

IN THE MATTER OF: )  
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UniCare Life & Health Insurance Company )  
120 Monument Circle )  
Indianapolis, IN 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, 2009 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on December 16, 2016.

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 December 27, 2016 and was received by the Company on January 3, 2017.

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 UniCare Life & Health Insurance Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the UniCare Life & Health Insurance Company 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 and Sealed this 3rd day of  
February, 2017.

  
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.

A handwritten signature in black ink, appearing to read "Robert M. ...". The signature is written in a cursive style and is positioned at the bottom of the page.

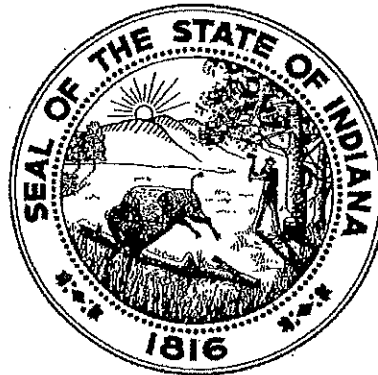
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**UNICARE LIFE & HEALTH INSURANCE COMPANY**

NAIC Co. CODE 80314  
NAIC GROUP CODE 0671

As of

December 31, 2013



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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](http://in.gov/idoi)

December 16, 2016

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 3771, an examination has been made of the affairs and financial condition of:

**UniCare Life & Health Insurance Company**  
**120 Monument Circle**  
**Indianapolis, Indiana 46204**

hereinafter referred to as the "Company", or "ULHIC", an Indiana domestic stock, life, accident and health insurance company. The examination was conducted at the WellPoint, Inc., corporate offices in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2013, 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) as of the period ending December 31, 2008. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2009 through December 31, 2013, 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

The examination of the Company, an indirect, wholly-owned subsidiary of WellPoint, Inc., (WLP) was called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. This coordinated risk-focused examination also included Company affiliates CareMore Health Plan of Arizona, Inc., an Arizona domestic insurance company; Anthem Blue Cross Life and Health Insurance Company, a California domestic insurance company; Anthem Insurance Companies, Inc., Anthem Life Insurance Company, and OneNation Insurance Company, Indiana domestic insurance companies; Anthem Health Plans of Maine, Inc., a Maine domestic insurance company; AMERIGROUP Maryland, Inc., a Maryland domestic insurance company; HealthLink HMO, Inc., Healthy Alliance Life Insurance Company, and HMO Missouri, Inc., Missouri domestic insurance companies; Anthem Health Plans of New Hampshire, Inc., and Matthew Thornton Health Plan, Inc., New Hampshire domestic insurance companies; AMERIGROUP New Jersey, Inc., a New Jersey domestic insurance company; AMERIGROUP Community Care of New Mexico, Inc., a New Mexico domestic insurance company; Empire HealthChoice HMO, Inc., Empire HealthChoice Assurance, Inc., and Anthem Life & Disability Insurance Company, New York domestic insurance companies; AMERIGROUP Ohio, Inc., and Community Insurance Company, Ohio domestic insurance companies; UNICARE Health Plans of Texas, Inc., AMERIGROUP Texas, Inc., and AMERIGROUP Insurance Company, Texas domestic insurance companies; Anthem Health Plans of Virginia, Inc., and HealthKeepers, Inc., Virginia domestic insurance companies; AMERIGROUP Washington, Inc., a Washington domestic insurance company; UNICARE Health Plan of West Virginia, Inc., a West Virginia domestic insurance company; and Blue Cross Blue Shield of Wisconsin and CompCare Health Services Insurance Corporation, Wisconsin domestic insurance companies. The INDOI served as the lead state on the examination, with Departments of Insurance from the states of Arizona, California, Maine, Maryland, Missouri, New Hampshire, New Jersey, New Mexico, New York, Ohio, Texas, Virginia, Washington, West Virginia, and Wisconsin serving as participants.

Actuarial Options, LLC provided all actuarial services throughout the examination and conducted a review of the Company's loss reserves and loss adjustment expense reserves as of December 31, 2013.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.



## HISTORY

The Company 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 WLP insurance holding company system on November 30, 2004, as part of the WLP merger. The Company was re-domesticated to Indiana on June 8, 2005. Approval of the re-domestication was granted by the INDOI in October 2005. WLP is a publicly traded company and the largest health benefits company in terms of membership in the United States, serving approximately 35.7 million medical members as of December 31, 2013.

## CAPITAL AND SURPLUS

As of December 31, 2013, the Company had 3,500,000 shares of common stock authorized with a par value of \$1 per share, of which 3,000,000 shares were issued and outstanding to UNICARE National Services, Inc., which is an indirect, wholly-owned subsidiary of WLP.

## DIVIDENDS TO STOCKHOLDERS

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

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2013	\$ 75,000,000	\$ -	\$ 75,000,000
2012	50,000,000	-	50,000,000
2011	76,200,000	76,200,000	-
2010	290,000,000	-	290,000,000
2009	150,000,000	150,000,000	-
Total	<u>\$ 641,200,000</u>	<u>\$ 226,200,000</u>	<u>\$415,000,000</u>

In accordance with Indiana Code (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 three (3) 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.

## TERRITORY AND PLAN OF OPERATION

ULHIC is licensed to transact insurance business in all fifty (50) states, the District of Columbia, and Puerto Rico. ULHIC is licensed as a life, accident and health insurance company. ULHIC offers group and individual life and disability insurance, group and individual accident and health insurance, administrative services contracts, Medicare Advantage coverage, Medicare Part D coverage, and administrative contracts and services, such as claims processing, underwriting, provider network access, and medical cost management. As of December 31, 2013, all but approximately 10,600 individual, small, and large group members have renewed their policies with other carriers. A significant portion of the remaining fully insured commercial members are part of one (1) large Massachusetts group which will continue to be covered by the Company. ULHIC will continue to operate

nationwide and offer senior, state-sponsored, and specialty related products.

### 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>
2013	\$ 469,053,917	\$ 342,803,454	\$126,250,463	\$ 321,671,551	\$ 43,715,772
2012	554,200,163	395,368,810	158,831,353	439,412,695	74,393,504
2011	642,920,080	493,592,006	149,328,074	632,531,563	51,230,087
2010	971,857,383	802,952,657	168,904,725	986,987,101	68,179,695
2009	1,482,436,367	1,101,100,244	381,336,126	2,429,212,127	156,488,393

Admitted assets decreased during the examination period. The decreases were primarily a result of declines in invested assets, due to dividends paid and healthcare receivables, and the related October 28, 2009 strategic action whereby the Company announced that it had entered into a member transition agreement with Health Care Service Corporation (HCSC). HCSC offered guaranteed replacement coverage to the Company's commercial group and individual members in the states of Illinois and Texas.

Liabilities during the examination period were reduced by policy count reductions and amounts held under uninsured plans and contract claims. The decreases in aggregate reserves were due to the ceding of the life business in 2011.

Surplus decreased over the examination period as a result of dividends paid and decreases in net income. Beginning with the large decrease noted in 2010, policy count reductions systematically decreased expenses and income.

Premiums decreased during the examination period due to the run-off of individual and group health insurance business, as well as the ceding of life premiums to Anthem Life Insurance Company (ALIC).

Net income decreased for the period due to the declining policy volume.

### MANAGEMENT AND CONTROL

#### Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than fourteen (14) directors. The shareholder, at each annual meeting, elects the members of the Board.

The following is a listing of persons serving as directors at December 31, 2013, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Wayne Scott DeVeydt Indianapolis, Indiana	Executive Vice President and Chief Financial Officer WellPoint, Inc.
Linda Marie Kearney Austin, Texas	Managing Associate General Counsel Senior WellPoint, Inc.
Catherine Irene Kelaghan Carmel, Indiana	Vice President and Counsel WellPoint, Inc.
Kathleen Susan Kiefer Indianapolis, Indiana	Vice President and Corporate Secretary WellPoint, Inc.
Lawrence Glenn Schreiber Muskego, Wisconsin	President Wisconsin Commercial WellPoint, Inc.

#### Officers

The Bylaws state that the elected officers of the Company shall be 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 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, 2013:

<u>Name</u>	<u>Office</u>
Lawrence Glenn Schreiber	President and Chief Executive Officer
Robert David Kretschmer	Treasurer
Kathleen Susan Kiefer	Secretary
Linda Marie Kearney	Assistant Secretary
Eric (Rick) 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 Conflict of Interest statements as of December 31, 2013, except for one (1) item further detailed in the Other Significant Issues section of this Report of Examination.

## 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 not all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of the date of their last election. See the Other Significant Issues section of this Report of Examination.

## CORPORATE RECORDS

### Articles of Incorporation

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

### Bylaws

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

### Minutes

The Board and sole shareholder meeting minutes were reviewed for the period under examination through December 31, 2014. 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 and at such time within that period as the Bylaws may provide. The 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 year.

The WLP Committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit, Compensation, Corporate Governance, and Planning.

## AFFILIATED COMPANIES

### Organizational Structure

The following abbreviated organizational chart shows the Company's parent and related subsidiaries as of December 31, 2013:

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

OneNation Insurance Company	85286	IN
Anthem Holding Corp.		IN
UNICARE National Services, Inc.		DE
<b>UniCare Life &amp; Health Insurance Company</b>	<b>80314</b>	<b>IN</b>

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.

*Consolidated Federal Income Tax Agreement*

Effective December 31, 2005, the Company entered into a Consolidated Federal Income Tax Agreement with WLP 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, 2013, the Company had current federal income taxes payable to WLP, of \$2,248,969 pursuant to this agreement.

*Master Administrative Services Agreement*

Effective January 1, 2005, the Company entered into an Amended and Restated Master Administrative Services Agreement with WellPoint Health Networks, Inc., (WHN) and other affiliates whereby each company provides certain administrative, consulting, and other support services for the benefit/use of the other affiliated companies. The costs and expenses related to these administrative management and support services are allocated by the Company in an amount equal to the direct and indirect costs and expenses incurred in providing these services.

*WellPoint Cash Concentration Agreement*

Effective November 20, 2007, the Company entered into the WLP Cash Concentration Agreement whereby any of the Company’s affiliates may be designated as a cash manager to handle the collection and/or payment of funds on behalf of the Company. Conversely, the Company may be designated as a cash manager to handle the collection and/or payment of funds on behalf of its affiliates. Cash services covered under this agreement include the collection of premiums and other revenue, the collection of benefit and administrative expense reimbursements, the payment of policy benefits, payroll expense, general and administrative expense, and accounts payable disbursements. As of December 31, 2013, the Company had an estimated net receivable of \$7,288,233 pursuant to this agreement.

*Administrative Services Agreement*

Effective January 1, 2004, the Company entered into an Administrative Services Agreement with Golden West Health Plan (Golden West) whereby Golden West provides administrative services to the Company including, but not limited to, billing and collection of funds, claims processing services, financial services, and human resource services. In 2013, the Company paid \$5,354,363 pursuant to this agreement.

*Reinsurance Agreements*

Effective January 1, 2010, the Company entered into a Specific Excess Liability Agreement with Anthem Insurance Companies, Inc. (AICI). Under this agreement, the Company assumes 85% co-insurance on all covered payments. Under this agreement, AICI paid \$1.8 million in ceded reinsurance premiums to the Company in 2013.

Effective October 1, 2011, the Company entered into a 100% Coinsurance Agreement with ALIC. Under this agreement, the Company cedes 100% of its life insurance business to ALIC. Under this agreement, the Company ceded \$163.3 million in premiums and took reserve credits of \$99.4 million for 2013.

## **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, 2013, including but not limited to automobile liability and physical damage, employee benefit plan fiduciary liability, general liability, property damage, and umbrella liability.

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

The Company participates in the WLP Cash Balance Pension Plan (the Plan), a frozen non-contributory defined benefit pension plan, sponsored by ATH Holding Company, LLC (ATH Holding), covering most employees of WLP 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 2012 and 2013, these costs total \$12,610 and \$183,042, respectively. The Company has no legal obligation for the benefits under this plan.

The Company participates in a postretirement medical benefit plan, sponsored by ATH Holding, providing certain dental, health, life, and vision benefits to eligible retirees. ATH Holding allocates a share of the total accumulated costs of this benefit to the Company based on the number of allocated employees. During 2012 and 2013, these costs totaled \$204,386 and \$240,243, respectively. The Company has no legal obligation for benefits under this plan.

The Company participates in various deferred compensation plans, sponsored by WLP, which cover certain employees. The deferred amounts are payable according to the terms and subject to the conditions of said deferred compensation agreements. WLP allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees participating in the plan. During 2012 and 2013, these costs total \$32,050 and \$33,776, respectively. The Company has no legal obligation for the benefits under this plan.

The Company participates in the WellPoint 401(K) Retirement Savings Plan, sponsored by ATH Holding, 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 the plan to the Company based on the number of allocated employees. During 2012 and 2013, these costs totaled \$944,693 and \$1,004,552, respectively. The Company has no legal obligation for benefits under this plan.

## STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory and special deposits at December 31, 2013:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the Benefit of All Policyholders:		
Arkansas	\$ 160,926	\$ 178,342
Georgia	40,000	40,000
Indiana	5,470,433	5,738,439
Massachusetts	105,000	105,000
New Mexico	105,381	106,199
North Carolina	441,083	464,225
South Carolina	135,499	136,842
Virginia	243,320	262,519
Puerto Rico	1,023,718	1,024,180
Total Deposits	<u>\$ 7,725,360</u>	<u>\$ 8,055,746</u>

## REINSURANCE

### Reinsurance Assumed

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 reserves totaling \$15.9 million at December 31, 2013.

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, 2013, this block of business accounted for a financially insignificant amount of premium income, life reserves of \$21.4 million and accident and health claims payable of \$.7 million.

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. Premiums assumed totaled \$140.5 million in 2013.

The Company continues to maintain relatively small amounts of assumed medical business that stem from past acquisitions.

### Reinsurance Ceded

The Company's primary reinsurance ceded contract is with an affiliate, ALIC, as further detailed in the Affiliated Agreements section of this report. Additionally, the Company cedes risk to various reinsurers to control its overall risk. Currently, corporate policy specifies that business is ceded only to reinsurers rated "A-" or better by A.M. Best and the contracts contain provisions enabling the Company to terminate and recapture business in the event that the financial rating of a reinsurer declines below specified levels.

At December 31, 2013, the Company continues to cede an immaterial amount of medical and long-term disability business to unauthorized reinsurers. For these cessions, the Company maintains either compensating collateral covering ceded reserve credits or posts compensating reserves for unauthorized reinsurance.

### 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, 2012 and December 31, 2013, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2009 through December 31, 2013, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.



UNICARE LIFE & HEALTH INSURANCE COMPANY

Assets

As of December 31, 2013

	<u>Per Examination*</u>
Bonds	\$ 269,851,536
Stocks:	
Preferred stocks	401,800
Cash, cash equivalents and short-term investments	34,864,892
Contract loans	117,786
Securities lending reinvested collateral assets	3,728,300
Subtotals, cash and invested assets	<u>308,964,314</u>
Investment income due and accrued	3,928,775
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	21,084,745
Accrued retrospective premiums	6,012,641
Reinsurance:	
Amounts recoverable from reinsurers	914,432
Amounts receivable relating to uninsured plans	24,414,610
Net deferred tax asset	11,593,973
Guaranty funds receivable or on deposit	98,623
Electronic data processing equipment and software	729,109
Receivables from parent, subsidiaries and affiliates	85,114,823
Health care and other amounts receivable	5,240,350
Aggregate write-ins for other than invested assets	957,522
Total	<u>\$ 469,053,917</u>

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

UNICARE LIFE & HEALTH INSURANCE COMPANY  
Liabilities, Surplus and Other Funds  
As of December 31, 2013

	Per Examination*
Aggregate reserve for accident and health contracts	\$ 20,443,646
Liability for deposit-type contracts	114,525,752
Contract claims:	
Accident and health	45,992,633
Premiums and annuity considerations for life and accident and health contracts received in advance	2,245,493
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	16,332,692
Other amounts payable on reinsurance	379
Interest maintenance reserve	23,275,716
Commissions to agents due or accrued-life and annuity contracts, accident and health and deposit-type contract funds	374,456
General expenses due or accrued	4,498,540
Taxes, licenses and fees due or accrued, excluding federal income taxes	169,265
Current federal and foreign income taxes	2,248,969
Unearned investment income	502
Amounts withheld or retained by company as agent or trustee	1,528,101
Remittances and items not allocated	3,196,369
Miscellaneous liabilities:	
Asset valuation reserve	2,411,287
Reinsurance in unauthorized and certified companies	1,139,012
Payable to parent, subsidiaries and affiliates	92,731,070
Liability for amounts held under uninsured plans	402,721
Payable for securities lending	3,728,300
Aggregate write-ins for liabilities	7,558,551
Total Liabilities	342,803,454
Common capital stock	3,000,000
Surplus	123,250,463
Total capital and surplus	126,250,463
Total liabilities, capital and surplus	\$ 469,053,917

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

UNICARE LIFE & INSURANCE COMPANY  
Statement of Operations  
For the Year Ended December 31, 2013

	<u>Per Examination*</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 321,671,551
Net investment income	14,980,435
Amortization of interest maintenance reserve	5,664,217
Commissions and expense allowances on reinsurance ceded	4,068,063
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	67,323
Total	<u>346,451,589</u>
Disability benefits and benefits under accident and health contracts	274,465,967
Group conversions	84,758
Interest and adjustments on contract or deposit-type contract funds	991,085
Increase in aggregate reserves for life and accident and health contracts	<u>(3,046,105)</u>
Totals	<u>272,495,705</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	2,685,186
General insurance expenses	13,765,151
Insurance taxes, licenses and fees, excluding federal income taxes	7,889,765
Aggregate write-ins for deductions	<u>(30,209)</u>
Totals	<u>296,805,598</u>
Net gain from operations before dividends to policyholders and federal income taxes	<u>49,645,991</u>
Net gain from operations after dividends to policyholders and before federal income taxes	49,645,991
Federal and foreign income taxes incurred	<u>7,066,031</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	42,579,960
Net realized capital gains (losses)	1,135,812
Net income	<u>\$ 43,715,772</u>

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

UNICARE LIFE & HEALTH INSURANCE COMPANY  
Capital and Surplus Account Reconciliation

	2013	2012	2011	2010	2009
Capital and surplus, December 31, prior year	\$158,831,353	\$149,328,074	\$168,904,723	\$381,336,121	\$361,461,364
Net income	43,715,772	74,393,504	51,230,087	68,179,695	156,488,393
Change in net unrealized capital gains (losses)	39,098	(39,098)	668,252	(687,827)	1,343,607
Change in net deferred income tax	(7,028,756)	(18,207,079)	1,847,457	(24,432,715)	(14,333,128)
Change in nonadmitted assets	6,243,990	22,504,895	(2,801,356)	34,926,260	26,146,173
Change in liability for reinsurance in unauthorized and certified companies	930,516	(483,935)	299,485	521,488	229,713
Change in asset valuation reserve	244,697	(623,828)	(1,093,859)	(938,298)	-
Cumulative effect of changes in accounting principles	-	(16,314,972)	-	-	-
Surplus adjustment:					
Paid in	(23,077,611)	-	(19,576,651)	(72,052,592)	(1)
Dividends to stockholders	(51,922,389)	(50,000,000)	(56,623,349)	(217,947,408)	(150,000,000)
Aggregate write-ins for gains and losses in surplus	(1,726,208)	(1,726,208)	6,473,285	-	-
Net change in capital and surplus for the year	<u>(32,580,891)</u>	<u>9,503,279</u>	<u>(19,576,649)</u>	<u>(212,431,397)</u>	<u>19,874,757</u>
Capital and surplus, December 31, current year	<u>\$126,250,463</u>	<u>\$158,831,353</u>	<u>\$149,328,074</u>	<u>\$168,904,723</u>	<u>\$381,336,121</u>

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

### OTHER SIGNIFICANT ISSUES

IC 27-1-3-13(a) requires the preparation of the Annual Statement in accordance with NAIC Annual Statement Instructions. These instructions include the assertion that officers of the Company are subject to a code of ethics which includes a requirement for honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest. The Company was found to have such a code of ethics in place during the examination period which included a conflict of interest policy. It was determined that one (1) director and one (1) officer had not signed a 2011 Conflict of Interest statement.

It is recommended that all officers and directors review and sign Conflict of Interest statements on an annual basis in accordance with Company policy and Annual Statement instructions.

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 while each director does have an Oath of Office statement on file, not all were current as of their last elected date.

It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board.

### SUBSEQUENT EVENTS

Effective December 2014, shareholders approved the name change of WLP to Anthem, Inc. (Anthem).

In February 2015, Anthem, and entities, were the target of a sophisticated external cyber-attack. The attackers gained unauthorized access to certain information technology systems and obtained personal information related to many individuals and employees, such as names, birthdays, health care identification/social security numbers, street addresses, email addresses, phone numbers and employment information, including income data. To date, there is no evidence that credit card or medical information, such as claims, test results or diagnostic codes, were targeted, accessed or obtained, although no assurance can be given that they will not identify additional information that was accessed or obtained. Upon discovery of the cyber-attack, Anthem took immediate action to remediate the security vulnerability and retained a cyber-security firm to evaluate the systems and identify solutions based on the evolving landscape. Anthem is providing credit monitoring and identity protection services to those who have been affected by this cyber-attack. Anthem has continued to implement security enhancements since this incident. Anthem has incurred expenses subsequent to the cyber-attack to investigate and remediate this matter and expects to continue to incur expenses of this nature in the foreseeable future. Anthem will recognize these expenses in the periods in which they are incurred. Actions have been filed in various federal and state courts and other claims have been or may be asserted against Anthem on behalf of current or former members, current or former employees, other individuals, shareholders or others seeking damages or other related relief, allegedly arising out of the cyber-attack. State and federal agencies, including state insurance regulators, state attorneys general, the Health and Human Services Office of Civil Rights and the Federal Bureau of Investigation, are investigating events related to the cyber-attack, including how it occurred, its consequences and Anthem's responses. Although Anthem is cooperating in these investigations, Anthem may be subject fines or other obligations, which may have an adverse effect on how they operate their business and their results of

operations. With respect to the civil actions, a motion to transfer was filed with the Judicial Panel on Multidistrict Litigation in February 2015 and was subsequently heard by the Panel in May 2015. In June 2015, the Panel entered its order transferring the consolidated matter to the U.S. District Court for the Northern District of California. The U.S. District Court entered its case management order in September 2015. Anthem filed a motion to dismiss ten of the counts that are before the U.S. District Court. In February 2016, the court issued an order granting in part and denying in part their motion, dismissing three counts with prejudice, four counts without prejudice and allowing three counts to proceed. Plaintiffs filed a second amended complaint in March 2016, and Anthem subsequently filed a second motion to discuss. In May 2016, the court issued an order granting in part and denying in part their motion, dismissing one count with prejudice, dismissing certain counts asserted by specific named plaintiffs with or without prejudice depending on their individualized facts, and allowing the remaining counts to proceed. In July 2016, plaintiffs filed a third amended complaint which Anthem answered in August 2016. Fact discovery is scheduled to be completed by December 2016. There remain two state court cases that are presently proceeding outside of the Multidistrict Litigation. Anthem has contingency plans and insurance coverage for certain expenses and potential liabilities of this nature. While a loss from these matters is reasonably possible, Anthem cannot reasonably estimate a range of possible losses because their investigation into the matter is ongoing, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved.

On May 26, 2015, a Form 8K announced that Ken Goulet, Executive Vice President and President of the Commercial and Specialty Business Division will retire from Anthem on September 1, 2015.

On July 24, 2015, the Company's ultimate parent company, Anthem, and Cigna Corporation (Cigna) announced that they entered into an Agreement and Plan of Merger, or Merger Agreement, dated as of July 23, 2015, by and among Anthem, Cigna, and Anthem Merger Sub Corp., a Delaware corporation and a direct wholly-owned subsidiary, pursuant to which Anthem will acquire all outstanding shares of Cigna, or the Acquisition. The Acquisition will further Anthem's goal of creating a premium health benefits company with critical diversification and scale to lead the transformation of health care delivery for consumers. Cigna is a global health services organization that delivers affordable and personalized products and services to customers through employer-based, government-sponsored and individual coverage arrangements. All of Cigna's products and services are provided exclusively by or through its operating subsidiaries, including Connecticut General Life Insurance Company, Cigna Health and Life Insurance Company, Life Insurance Company of North America and Cigna Life Insurance Company of New York. Such products and services include an integrated suite of health services, such as medical, dental, behavioral health, pharmacy, vision, supplemental benefits, and other related products including group life, accident and disability insurance. Cigna maintains sales capability in 30 countries and jurisdictions. Under the terms of the Merger Agreement, Cigna's shareholders will receive \$103.40 in cash and 0.5152 shares of Anthem's common stock for each Cigna common share outstanding. The value of the transaction is estimated to be approximately \$53.0 billion based on the closing price of Anthem's common stock on the New York Stock Exchange on July 23, 2015. The final purchase price will be determined based on Anthem's closing stock price on the date of closing of the Acquisition. The combined company will reflect a pro forma equity ownership comprised approximately 67% Anthem shareholders and approximately 33% Cigna shareholders. Anthem expects to finance the cash portion of the Acquisition through available cash on hand and the issuance of new debt. Anthem entered into a bridge facility commitment letter and a joinder agreement with a group of lenders which will provide up to \$22.5 billion under a 364-day senior unsecured bridge term loan credit facility to finance the Acquisition in the event that Anthem has not received proceeds from any combination of (i) senior unsecured term loans, (ii) common or preferred equity or equity-linked securities and/or (iii) senior unsecured notes in a public offering or private placement in an aggregate principal amount of at least \$22.5 billion prior to the consummation of the Acquisition. In addition, in August 2015, Anthem entered into a term loan facility which will provide up to \$4.0 billion to finance a portion of the Acquisition. The commitment of the lenders to provide the bridge facility and the term loan facility is subject to several conditions, including the completion of the Acquisition. On July 21, 2016, the U.S. Department of Justice, or DOJ, along with certain state

attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia seeking to block the Acquisition. Trial commenced on November 21, 2016. At trial, the Court will hear evidence regarding the alleged anti-competitive effects of the Acquisition with respect to the combination of Anthem's and Cigna's National Accounts businesses. Upon conclusion of this first phase, the Court will hear evidence on the DOJ's claims pertaining to local commercial markets and healthcare services rates. Further, in its challenge to the Acquisition, the DOJ has agreed that it will not pursue allegations relating to the sale of Individual Insurance policies on the public exchanges. Anthem intends to vigorously defend the Acquisition in this litigation and remains committed to completing the Acquisition as soon as practicable. Though the Merger Agreement provides that the closing of the Acquisition occur by January 31, 2017, this date can be extended to April 30, 2017 by either Anthem or Cigna through written notice to the other party if all conditions to the merger have been satisfied except for the receipt of regulatory approvals and other governmental consents. If the Merger Agreement is terminated because the required regulatory approvals cannot be obtained, under certain conditions, Anthem would be obligated to pay a \$1.85 billion termination fee to Cigna.

On December 1, 2016, a Regulatory Settlement Agreement, (RSA) was entered into by Anthem and the California Department of Insurance, INDOI, Maine Bureau of Insurance, Missouri Department of Insurance, New Hampshire Insurance Department, North Dakota Department of Insurance, and South Carolina Department of Insurance (collectively, the "Lead Regulators") and the insurance regulatory departments, divisions, or offices of each of the remaining States and U.S. jurisdictions that adopt, agree to, and approve this Agreement (the "Participating Regulators"). This RSA resulted from the targeted multistate market conduct and financial examination initially called by the INDOI as lead domestic regulator on February 26, 2015, as a result of Anthem's announcing of the cyber-security breach noted above. The purpose of the examination was to assess Anthem's state of cyber-security preparedness prior to the Data Breach, its post-Data Breach response, the adequacy of measures taken by the Company to mitigate the harm to consumers whose personally identifiable information (PII) was compromised, and determine the identity of the actors responsible for the breach. The results of this examination found that a) Anthem's pre-breach cyber-security was reasonable and included the implementation of technologies and procedures consistent with or exceeding those of a typical organization of its size and type; b) Anthem's preparations to respond to a data breach began well before the incident occurred and included a detailed Incident Response Plan (IR Plan); c) The Company's IR Plan allowed it to timely and effectively respond to the Data Breach when it was discovered, removing the attacker's ability to access the network within three days of identifying the Data Breach; d) The examiners identified the attacker with high confidence and concluded with medium confidence that the attacker was acting on behalf of a foreign government. Attacks associated with this foreign government have not resulted in PII being transferred to non-state actors; e) Anthem promptly communicated and cooperated with law enforcement and regulatory officials; f) Anthem provided affected individuals with notice through direct mailing, emailing, news publications, website notice, and working with State insurance departments; g) Within two weeks of discovering the Data Breach, Anthem contracted with a vendor to provide credit protection services for two years to breach-impacted consumers; and h) Immediately following discover of the Data Breach, Anthem engaged expert consultants to investigate the Data Breach and assist the Company with its post-breach response. To date, the Company has already incurred significant costs related to the Data Breach: \$2.5 million to engage expert consultants; \$115 million for the implementation of security improvements; \$31 million to provide initial notification to the public and affected individuals; and \$112 million to provide credit protection to breach-impacted consumers. In light of the facts set forth, the corrective actions already implemented by the Company, and the Additional Corrective Actions agreed to, the Lead Regulators find that administrative fines or penalties are not warranted. Additional Corrective Actions include 1) Continued implementation of enhanced security measures at an estimated additional cost of at least \$30 million; 2) Continuation of cyber-security monitoring; and 3) Anthem Minor Credit Protection Program at an estimated additional cost of at least \$15 million.






**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the INDOI and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Actuarial Options, LLC hereinafter collectively referred to as the "Examiners", performed an examination of UniCare Health and Life Insurance Company, as of December 31, 2013.

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.


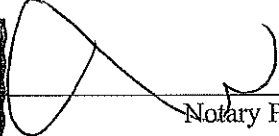
The attached report of examination is a true and complete report of the condition of UniCare Health and Life Insurance Company, as of December 31, 2013, as determined by the undersigned.

  
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Michael P. Dinius, CFE  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

On this 16 day of December 2016, before me personally appeared, Michael P. Dinius, 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:    
\_\_\_\_\_  
Notary Public

