STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of Healthy Alliance Life Insurance Company for the period ended December 31, 2013, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant events; subsequent events; company history; corporate records; management and control; fidelity bonds and other insurance; pensions, stock ownership and insurance plans; territory and plan of operation; growth of company; loss experience; reinsurance; accounts and records; statutory deposits; financial statements; examination changes, comments on financial statements; and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the Financial Examination of Healthy Alliance Life Insurance Company as of December 31, 2013, be and is hereby ADOPTED as filed and for Healthy Alliance Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 24th day of April, 2017.

Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

HEALTHY ALLIANCE LIFE INSURANCE COMPANY

As of:

DECEMBER 31, 2013

FILED
MAY 4 2017
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

Table of Contents

March 14, 2017
Saint Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Healthy Alliance Life Insurance Company

hereinafter also referred to as the Company. The Company's main office is located at 1831 Chestnut Street, Saint Louis, MO 63101; phone number (314) 923-4444. Examination fieldwork began on January 14, 2014 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Healthy Alliance Life Insurance Company. We performed our examination as part of a coordinated examination of Anthem, Inc. led by examiners from the State of Indiana. The last examination of the Company was completed as of December 31, 2012. This examination covers the period of January 1, 2013 through December 31, 2013. This examination also includes material transactions or events occurring subsequent to December 31, 2013.

Procedures

This examination was conducted as a full scope comprehensive examination. We conducted our examination 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 systems 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key activities identified were: Investment, Treasury, Underwriting and Premiums, Claims, Reserving, Taxes, Related Party Transactions, Capital and Surplus, and Reinsurance.

The examiners relied upon information and workpapers provided by the Company's independent auditor Deloitte & Touche LLP, for its audit covering the period from January 1, 2013 through December 31, 2013. Such reliance included taxes, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT EVENTS

There were no significant events for the period January 1, 2013 through December 31, 2013. Subsequent to year-end 2013, the Company received a capital contribution, merged with an affiliate and paid an extraordinary dividend. Also subsequent to year-end 2013, the Company's ultimate controlling entity changed its name, was the subject of a cyber attack and initiated a merger. These events are detailed below.

SUBSEQUENT EVENTS

On January 13, 2014, the Company received a $500,000 capital contribution from its parent.

On August 4, 2014, the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) approved the merger of the Company and RightCHOICE Insurance Company, an Illinois-domiciled stock life insurance company with no ongoing business. Both companies were direct subsidiaries of RightCHOICE Managed Care, Inc. (RightCHOICE). The transaction was accounted for as a statutory merger with the Company remaining as the surviving entity. The only material transaction associated with RightCHOICE Insurance Company was the repayment of three surplus notes to RightCHOICE, a transaction that was approved by the Illinois Division of Insurance on February 10, 2014. On February 18, 2014, RightCHOICE was repaid $11 million of principal and $9.8 million of interest.

On August 21, 2014, the Company declared an extraordinary dividend of $100 million. The Department approved the dividend on September 24, 2014; the Company paid the dividend on September 26, 2014.

On December 1, 2014, WellPoint, Inc., the Company's ultimate controlling entity, changed its name to Anthem, Inc.

In February 2015, Anthem, Inc. (Anthem) was the subject of a sophisticated cyberattack. Personal information of Anthem subscribers and employees, including names, addresses, birthdates, social security numbers and income data, was accessed. Upon discovering the cyberattack, Anthem took action to remediate its security vulnerability, retaining a cyber-security firm to evaluate its systems and identify solutions. State and federal agencies, including state insurance regulators, state attorneys general, the Federal Bureau of Investigation and the Department of Health and Human Services Office of Civil Rights, undertook investigations of the security breach. Multiple civil actions were filed against Anthem relating to the security breach; some of these actions are still proceeding. Anthem incurred significant costs related to the security breach, approximately $260.5 million, which were expensed in the period in which they were incurred.

On July 23, 2015, Anthem entered into a merger agreement with Cigna Corporation (Cigna) under which Anthem would acquire all outstanding shares of Cigna. The estimated value of the transaction was $53 billion, based on the closing price of Anthem common stock on July 23, 2015. The merger agreement provided for a closing to occur by January 31, 2017, with an option to extend the closing to April 30, 2017, should additional time be required to secure regulatory approval. Under certain conditions, termination of the merger agreement requires Anthem to pay Cigna a termination fee of $1.85 billion.

On July 21, 2016, the U.S. Department of Justice, along with certain state attorneys general, filed a civil antitrust lawsuit seeking to block the proposed merger. A trial commenced on November 21, 2016.

On December 1, 2016, Anthem entered into a Regulatory Settlement Agreement (RSA) with the California Department of Insurance, the Indiana Department of Insurance, the Maine Bureau of Insurance, the Department, the New Hampshire Insurance Department, the North Dakota Department of Insurance and the South Carolina Department of Insurance (collectively, Lead Regulators). The RSA resulted from a targeted market conduct and financial examination, led by the Indiana Department of Insurance, that reviewed the cyber security breach uncovered by Anthem in February 2015. The examination found that Anthem's cybersecurity prior to the breach was reasonable; the examination further found Anthem's response to the breach to be adequate. Based on their findings, Lead Regulators determined that administrative fines or penalties were not warranted. As part of the RSA, Anthem agreed to implement additional corrective measures estimated to cost $45 million. These costs will be expensed in the period in which they are incurred.

COMPANY HISTORY

General

Healthy Alliance Life Insurance Company was formed in January 1992 as a subsidiary of BlueCross and BlueShield of Missouri (BCBSMO). On June 5, 1992, BCBSMO purchased American Transcontinental Life Insurance Company, an Arizona-domiciled life and health insurance company. American Transcontinental Life changed its name to Healthy Alliance Life Insurance Company. In November 1992 the two Healthy Alliance Life Insurance Companies merged and the Missouri-domiciled company became the surviving entity.

On August 1, 1994, the outstanding shares of Healthy Alliance Life Insurance Company were transferred to RightCHOICE, a newly-formed, publicly-traded subsidiary of BCBSMO.

On April 22, 1998, the Department and RightCHOICE agreed to dissolve BCBSMO. The shares of RightCHOICE owned by BCBSMO were transferred to the Missouri Foundation for Health, a nonprofit healthcare foundation. Under an agreement dated March 14, 2000, in-force insurance contracts underwritten or issued by BCBSMO were assumed by Healthy Alliance Life Insurance Company; the corresponding transfer of assets and liabilities occurred in November 2000.

On January 31, 2002, RightCHOICE completed a merger agreement with WellPoint Health Networks, Inc. (WellPoint) and RWP Acquisition Corporation (RWP), a wholly-owned subsidiary of WellPoint. Under the terms of the merger agreement, RightCHOICE merged into

RWP which became the surviving entity. RWP subsequently changed its name to RightCHOICE Managed Care, Inc. The Department had approved the acquisition on January 16, 2002.

On March 8, 2004, the Department approved the acquisition of WellPoint by Anthem, Inc., effective November 30, 2004. Anthem, Inc. changed its name to WellPoint, Inc. As a result of this transaction, the Company became an indirect subsidiary of WellPoint, Inc. On December 3, 2014, WellPoint, Inc. changed its name to Anthem, Inc.

Capital Stock and Paid-in Surplus

The Company is authorized to issue up to two million (2,000,000) shares of common stock with a par value of $1.25 per share. At year-end 2013, all shares were issued and outstanding for a total of $2.5 million in common capital stock. RightCHOICE owns all two million shares.

Dividends

In 2013, the Company declared and paid a $100 million extraordinary dividend to its sole shareholder, RightCHOICE. The Department approved the dividend.

Acquisitions, Mergers and Major Corporate Events

There were no acquisitions, mergers or other major corporate events during the current examination period.

Surplus Debentures

The Company has not issued any surplus debentures.

CORPORATE RECORDS

The Articles of Incorporation and the Bylaws were reviewed. There were no changes to the Articles of Incorporation or the Bylaws during the current examination period.

The minutes of the meetings of the shareholder and the board of directors were reviewed. The minutes appeared to properly support the approval of major corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a board of nine (9) directors. Directors serving at December 31, 2013, were as follows:

Name	Affiliation
Carter Allen Beck Manchester, NH	Senior Vice President and Counsel WellPoint, Inc.
Ruth Meyer Hollenback St. Louis, MO	Vice President WellPoint, Inc.

Steven John Martenet St. Louis, MO	President Healthy Alliance Life Insurance Company
Catherine Irene Keleghan St. Louis, MO	Vice President and Counsel WellPoint, Inc.
Joseph Patrick Murray St. Charles, MO	Managing Associate General Counsel WellPoint, Inc.
Wayne Scott DeVeydt Indianapolis, IN	Executive Vice President and CFO WellPoint, Inc.
Kathleen Susan Keifer Indianapolis, IN	Vice President, Assistant Secretary and Counsel WellPoint, Inc.
Jay Harry Wagner Carmel, IN	Associate General Counsel WellPoint, Inc.
Dennis Albert Matheis St. Louis, MO	Vice President WellPoint, Inc.

Officers
The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2013, were as follows:

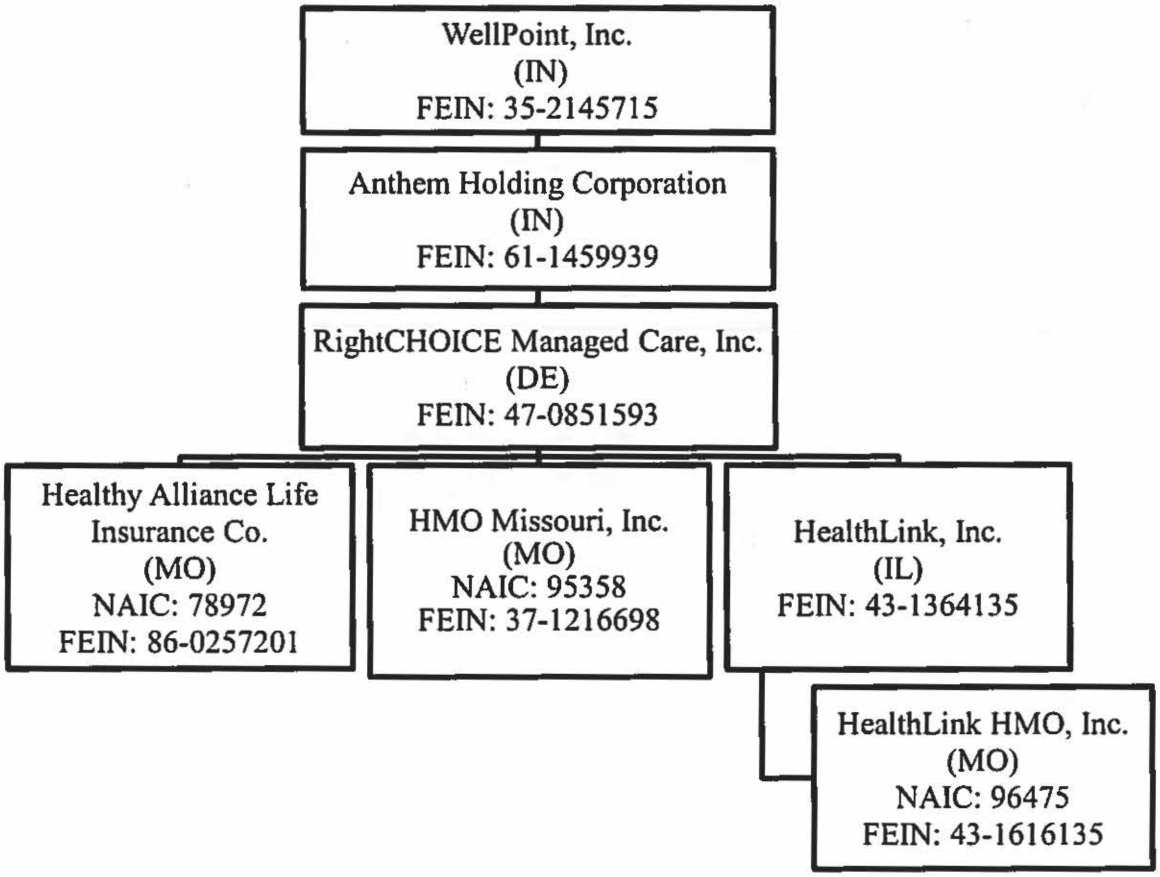
Name	Office
Steven John Martenet	President
Kathleen Susan Kiefer	Secretary
Robert David Kretschmer	Treasurer
Wayne Scott DeVeydt	Chief Financial Officer
Jennifer Lynn Forsythe	Assistant Secretary
Eric Kenneth Noble	Assistant Treasurer

Committees
There are no committees of the Board. WellPoint, Inc.'s audit committee serves as the Company's audit committee for Model Audit Rule purposes.

Holding Company, Subsidiaries and Affiliates
The Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). WellPoint, Inc. is designated as the ultimate controlling entity in the insurance holding company system. WellPoint, Inc. is a publicly held corporation headquartered in Indianapolis, Indiana. The common stock of WellPoint, Inc. is traded on the New York Stock Exchange under the symbol WLP. No one party owns 10% or more of the voting securities of WellPoint, Inc.

Organizational Chart

The following is an abridged organizational chart showing the insurance holding company system at December 31, 2013. All subsidiaries are wholly-owned unless otherwise noted.



Intercompany Agreements

<u>Guarantee and Conversion Agreement</u>

Parties:	The Company and WellPoint, Inc. (WellPoint)
Effective:	November 30, 2004
Terms:	WellPoint guarantees the obligations of the Company. In the event that the Company ceases operations, WellPoint or one of its licensed affiliates will provide coverage to the Company's policyholders without consideration of health status. The Agreement remains in effect until terminated. The Department must be given thirty days prior written notice of termination.
Rate(s):	There are no fees associated with this agreement.

Amended and Restated Master Administrative Service Agreement

Parties:	WellPoint and its subsidiaries including the Company, HMO Missouri, Inc. (HMO MO) and HealthLink HMO, Inc. (HealthLink)
Effective:	January 1, 2003
Terms:	RightCHOICE and its Missouri domestic insurance subsidiaries, including the Company, HMO MO and HealthLink receive and provide administrative services to each other, as well as to WellPoint and its subsidiaries. Employees of RightCHOICE and BlueCross of California will provide administrative services on behalf of the Company.
Rate(s):	The Agreement specifies that services are to be billed at direct and allocated costs incurred.

Fees incurred during 2013 were $168.6 million.

Stop-Loss Coverage Agreement

Parties:	The Company and HMO MO
Effective:	April 11, 2002
Terms:	The Company will provide stop loss coverage to certain administrative services only clients of HMO MO as required under the administrative services agreements between HMO MO and the plan sponsors.
Rate(s):	The rates established for the stop loss coverage are calculated and based on the same underwriting principles utilized by the Company in establishing health insurance premium for similar products.

There were no amounts incurred or earned by either company for 2013.

Out of Network Agreement and First Amendment

Parties:	The Company and HMO MO
Effective:	January 15, 1997
Terms:	The Company agrees to provide out of network coverage to enrollees of HMO MO choosing an out of network or POS option. HMO MO is to pay the Company a per member per month (PMPM) amount determined quarterly on the basis of underwriting and actuarial standards and guidelines utilized by the parties.
Rate(s):	The PMPM payment will be based upon historical claims experience.

There were no amounts incurred or earned by either company for 2013.

Consolidated Federal Income Tax Agreement

Parties:	WellPoint and its subsidiaries, including the Company, HealthLink, and HMO MO
Effective:	December 31, 2005
Terms:	This agreement established a method for allocating the consolidated tax liability of the affiliated group among its members, for reimbursing the parent for payment, for compensating any party for use of its tax losses or tax credits, and to provide for the allocation and payment of any refund arising from a carryback of losses or tax credit for subsequent years. Such payments of reimbursement or compensation shall be no earlier than ten (10) days before, and no later than thirty (30) days after, the dates on which such payments would be due to the federal government if separate returns had been filed. The agreement was in effect for tax year 2005 and for each subsequent year until terminated.
Rate(s):	There are no rates associated with this agreement.

Fees incurred during 2013 were $73.2 million.

Cash Concentration Agreement

Parties:	WellPoint and its subsidiaries, including the Company, HealthLink, and HMO MO
Effective:	October 1, 2009
Terms:	The Agreement establishes the designation of a Cash Manager; defined as "WellPoint or any Affiliate handling the receipt or disbursement of funds on behalf of one or more Affiliates." The Cash Manager accepts the receipt of premiums, administrative expense reimbursements and other revenue and makes benefit, payroll, general administrative expense and other accounts payable payments on behalf of Affiliates. Intercompany payables and receivables are established to record the transactions.
Rate(s):	The Cash Manager is reimbursed for the direct and indirect costs and expenses, including overhead expenses, associated with the Agreement. All settlements are made within thirty (30) days of the transaction date. The offsetting of payables and receivables is allowed. If the parties are unable to settle within thirty (30) days, they may mutually agree to delay settlement until an agreed-upon date, but not later than ninety (90) days from the transaction date. Any receivables not settled within ninety (90) days of the due date are non-admitted, in accordance with SSAP No. 96.

There were no amounts incurred or earned for 2013.

Master Services Agreement (MSA)

Parties:	WellPoint, the Company, HMO MO, HealthLink and Bloom Health Corporation (Bloom)
Effective:	January 1, 2013
Terms:	Bloom has developed a web-based software application that permits users to manage defined contribution tax-advantaged accounts, evaluate and select benefit options, and complete benefits transactions (Bloom Solution). Under the terms of the agreement, Bloom grants to WellPoint the right to use the Bloom Solution for the purposes of offering a private exchange for health insurance benefits on both a fully-insured and self-insured basis. Bloom will host and manage the Bloom Solution for WellPoint. The MSA also provides a framework under which WellPoint-owned Blue Cross Blue Shield licensees may contract with Bloom for the use of the Bloom Solution in their respective service areas by executing a joinder page mutually agreeable to the parties.
Rate(s):	The basis for compensation is a volume-tiered administrative fee determined by multiplying the number of employees enrolled under the Bloom Solution by the per enrolled employee per month (PEPM) rate. Through July 1, 2013, WellPoint has agreed to pay a minimum monthly fee of $12,500 in lieu of the PEPM rate.

There were no amounts incurred or earned for 2013.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a fidelity bond issued by National Union Fire Insurance Company of Pittsburgh, PA. The bond has a liability limit of $10 million, an aggregate limit of $20 million, and, a deductible of $1.5 million. This coverage meets the minimum amount of fidelity coverage recommended by the NAIC.

The Company is also a named insured on other policies obtained by WellPoint covering various aspects of its operations. The Company's insurance coverage appears to be adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. Services are provided by affiliates under an administrative services agreement. WellPoint employees are provided benefits including group health, vision and dental coverage, group life insurance, short- and long-term disability, a 401(K) plan, paid vacation and sick leave, an employee assistance plan, and tuition reimbursement. Employee benefits costs are included in intercompany charges from affiliates.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri under RSMo Chapter 376 (Life, Health and Accident Insurance). The Company is also licensed in Kansas and in Illinois. Currently, the Company writes direct business in only two states, Kansas and Missouri. The majority of the Company's business is written in Missouri, concentrated in the St. Louis metropolitan area. The Company is the largest health insurer in the state of Missouri.

RightCHOICE markets the products underwritten by the Company as Alliance Blue Cross Blue Shield. These products include: preferred provider organization (PPO) products known as Alliance, AllianceCHOICE, and HealthNet Blue; managed indemnity and short-term medical products; and, Medicare supplement products. The Company also provides stop-loss coverage for self-insured groups.

As a Blue Cross Bluc Shield licensee, the Company participates in the Federal Employees' Program (FEP) and the BlueCard program. FEP is a nationwide contract with the Federal Office of Personnel Management to provide health benefits to federal employees and their dependents. The BlueCard Program is a nationwide program that allows members travelling or residing in another Blue Cross Blue Shield Plan's service area to access needed health care services through the local Blue Cross Blue Shield Plan's providers.

GROWTH OF COMPANY

The Company's surplus has increased since the prior examination. The chart below indicates the Company's growth over the past five years.

(in 000s)	2009	2010	2011	2012	2013
Total Assets	624,295	661,228	775,199	763,011	840,143
Change from Prior Year	N/A	5.9%	17.2%	-1.6%	10.1%
Net Premiums Earned	1,591,164	1,713,125	1,748,061	1,845,023	1,883,381
Change from Prior Year	N/A	7.7%	2.0%	5.5%	2.1%
Capital and Surplus	249,611	283,066	331,995	331,470	358,856
Change from Prior Year	N/A	13.4%	17.3%	-0.2%	8.3%
Premiums Earned : Surplus	6.4	6.1	5.3	5.6	5.2

LOSS EXPERIENCE

The Company posted an underwriting gain during the current examination period. The exhibit below represents the Company's underwriting results for the past four years. Prior to 2010, the Company filed a life and health statement: underwriting results from that period are not comparable to the current reporting format.

(in 000s)	2010	2011	2012	2013
Total Premiums Earned	$1,713,125	$1,748,061	$1,845,023	$1,883,381
Non-Health Revenues	(5,829)	-	-	-
Total Hospital and Medical Expenses	(1,317,284)	(1,377,080)	(1,492,374)	(1,522,499)
Total Administrative Expenses	(183,600)	(193,119)	(181,978)	(189,201)
Increase in Reserves	(6,102)	(2,567)	(13,268)	8,554
Non-Health Claims	(7)	(5)	(5)	(4)
Net Underwriting Gain	$ 200,303	$ 175,290	$ 157,398	$ 180,231

REINSURANCE

General
The Company uses reinsurance to facilitate the administration of a statewide insurance program. Premiums reported during the current examination period were as follows. All amounts are reported in thousands ($000):

	2013
Direct Premiums Written	$ 1,884,443
Reinsurance Ceded	9,709
Net Premiums Written	$ 1,874,733

Ceded
MEHP Program
Under an agreement that became effective July 1, 2003, the Company cedes its liability for the Missouri Educator Health Program (MEHP) business written in western Missouri to Blue Cross and Blue Shield of Kansas City (BCBSKC). MEHP was formerly known as the Missouri State Teachers' Association (MSTA). The Company administers the business and remits to BCBSKC premiums collected net of commissions, claims, medical expenses and administrative fees. During the current examination period, the Company ceded $9.6 million under this agreement.

ACCOUNTS AND RECORDS

Independent Accountants
The Company's 2013 financial statements were audited by the certified public accounting firm of Ernst & Young, LLP. The 2013 audit workpapers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion
On May 31, 2013, the Company appointed a WellPoint employee, JoAnn Struckmeyer, FSA, MAAA, to review and certify the claims-related reserves and other actuarial items. Ms. Struckmeyer found the claims-related reserves and other actuarial items to be adequate.

Consulting Actuary
As part of the coordinated examination, Indiana retained Insurance and Actuarial Services (IAAS) to review year-end 2013 unpaid claims liabilities, actuarial reserves and related actuarial items. IAAS concluded that the unpaid claims liability established by the Company at year-end 2013 was within their range of reasonable estimates. IAAS further concluded that the methods and assumptions used in developing the reserves were appropriate for the type of risks written.

Information Systems
As part of the coordinated examination, Indiana retained Noble Consulting Services, Inc. (Noble) to review WellPoint's information technology control environment. Noble evaluated the information technology general controls (ITGCs) for financially significant systems supporting key functional activities as generally effective.

STATUTORY DEPOSITS

Deposits with the State of Missouri
The funds on deposit with the Department as of December 31, 2013, had sufficient value to meet the deposit requirement for the state of Missouri per Section 376.290 RSMo (Deposit and Transfer of Securities):

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2013, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 506,330,188	$ -	$ 506,330,188
Cash and short-term investments	12,535,835	-	12,535,835
Derivatives	1,599	-	1,599
Other invested assets	14,971,070	11,937,249	3,033,821
Receivables for securities	276,281	110,000	166,281
Securities lending reinvested collateral assets	72,126,517	-	72,126,517
Investment income due and accrued	4,376,848	-	4,376,848
Uncollected premiums and agents' balances	27,995,593	583,457	27,412,136
Deferred premiums, agents' balances and installments	40,874,631	-	40,874,631
Amounts recoverable from reinsurers	4,053,823	-	4,053,823
Other amounts receivable under reinsurance contracts	355,603	-	355,603
Amounts receivable relating to uninsured plans	31,632,012	3,369,153	28,262,859
Net deferred tax asset	34,491,706	8,248,513	26,243,193
Guaranty funds receivable or on deposit	44,426	-	44,426
Electronic data processing equipment and software	5,165,618	4,105,785	1,059,833
Furniture and equipment	1,303,616	1,303,616	-
Receivables from parent, subsidiaries and affiliates	31,894,898	9,004,556	22,890,342
Health care and other amounts receivable	16,522,751	8,629,435	7,893,316
Company owned life insurance	1,786,294	1,786,294	-
Prepaid expenses	131,762	131,762	-
FEP assets held by agent	70,500,046	-	70,500,046
Premium tax receivable	11,981,144	-	11,981,144
Other miscellaneous receivables	61,800	61,690	110
TOTAL ASSETS	$ 889,414,061	$ 49,271,510	$ 840,142,551

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid	$ 170,930,689
Accrued medical incentive pool and bonus amounts	74,163
Unpaid claims adjustment expenses	5,748,870
Aggregate health policy reserves	103,537,443
Aggregate life policy reserves	49,980
Aggregate health claim reserves	1,468,661
Premiums received in advance	22,174,475
General expenses due or accrued	15,095,602
Current federal and foreign income tax payable	14,285,547
Ceded reinsurance premiums payable	4,564,470
Amounts withheld or retained for the account of others	491,162
Remittances and items not allocated	4,109,898
Amounts due to parent, subsidiaries and affiliates	36,741,252
Payable for securities lending	72,126,517
Liability for amounts held under uninsured plans	11,043,183
Funds awaiting escheatment	3,499,554
Liabillity for retroactivity	11,068,870
Performance guaranty liability	1,097,974
ITS liability	2,004,099
Deposit-type contracts payable	424,818
FEP contract redetermination liability	439,499
Miscellaneous liability	$ 309,796
TOTAL LIABILITIES	481,286,522
Common capital stock	2,500,000
Gross paid in and contributed surplus	83,457,343
Unassigned funds (surplus)	$ 272,898,686
TOTAL CAPITAL AND SURPLUS	358,856,029
TOTAL LIABILITIES, CAPITAL AND SURPLUS	$ 840,142,551

STATEMENT OF OPERATIONS

Member months	8,496,332
Net premium income	$ 1,874,733,480
Change in unearned premium reserves	8,647,644
Total revenues	$ 1,883,381,124
Hospital/medical benefits	995,527,698
Other professional services	71,065,100
Emergency room and out-of-area	156,527,595
Prescription drugs	307,614,269
Incentive pool, withhold adjustments and bonus amounts	466,367
Net reinsurance recoveries	(8,701,868)
Total hospital and medical	$ 1,522,499,161
Non-health claims	4,172
Claims adjustment expenses	50,998,391
General administrative expenses	138,202,367
Increase in reserves for life and accident and health contracts	(8,553,639)
Total underwriting deductions	$ 1,703,150,452
Net underwriting gain	180,230,672
Net investment income earned	16,467,063
Net realized capital gains	4,060,818
Net investment gains	$ 20,527,881
Miscellaneous	89,722
Net income (pre-tax)	200,848,275
Federal and foreign income taxes incurred	(67,449,896)
Net income	$ 133,398,379

RECONCILIATION OF SURPLUS

Capital and surplus prior reporting year	$ 331,469,680
Net income	133,398,379
Change in net unrealized capital gains	(131,847)
Change in net deferred income tax	1,868,676
Change in nonadmitted assets	(7,748,859)
Dividends to stockholders	(100,000,000)
Net change in capital and surplus	$ 27,386,349
Capital and surplus end of reporting year	$ 358,856,029

EXAMINATION CHANGES

There were no changes to the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on the financial statements resulting from the examination.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from the examination.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and staff of Healthy Alliance Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, CFE, AES, CPA; Doug Daniels, CFE, CPA; and, Amy Snyder, CFE, CPA, MA, CGMA; examiners for the Department participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Thomas J. Cunningham, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Thomas Cunningham, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance,
Financial Institutions and Professional Registration

Sworn to and subscribed before me this 9 day of MARCH

My commission expires: 12/14/2019

Notary Public

ANDREA L. GILES
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: December 14, 2019
Commission Number: 15889311

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Assistant Chief Financial Examiner, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

Governor Eric R. Greitens
State of Missouri

Department of Insurance
Financial Institutions
and Professional Registration
Chlora Lindley-Myers, Director

MEMORANDUM

DATE: September 18, 2017

TO: File

FROM: Leslie Nehring, Chief Financial Examiner

RE: Healthy Alliance Life Insurance Company Examination Report Addendum

---

An error occurred in our report issuance procedures whereby an earlier draft of the Report of Financial Examination was used as the final version, attached to the Director's Order and uploaded to the Department of Insurance, Financial Institutions and Professional Registration (Department) website. Because this version of the Report had been adopted as final, the Department does not have a mechanism to change / correct the Report. In order to present accurate information, the following differences should be noted and considered when reviewing the respective Report. We apologize for any inconvenience this may cause.

- Page 1 - the main office zip code should be 63103.
- Page 2 - Auditor should be Ernst & Young, LLP.
- Page 2 - Subsequent Events, 4th paragraph – name change was December 2, 2014.
- Page 3 - Subsequent Events – The last 3 paragraphs of this section should be replaced with:

  On July 24, 2015, the Company's ultimate parent company, Anthem, and Cigna Corporation (Cigna) entered into an Agreement and Plan of Merger dated as of July 23, 2015, pursuant to which Anthem will acquire all outstanding shares of Cigna (Acquisition). On July 21, 2016, the U.S. Department of Justice (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. On January 18, 2017, Anthem provided notice to Cigna that Anthem had elected to extend the termination date under the Merger Agreement from January 31, 2017 until April 30, 2017.

  On February 8, 2017, following the conclusion of the trial, the Court ruled in favor of the DOJ, and Anthem promptly filed notice that it would appeal the Court's ruling. On February 14, 2017, Cigna purported to terminate the Merger Agreement and commenced litigation against Anthem in the Delaware Court of Chancery, or Delaware Court, seeking damages and a declaratory judgment that its purported termination of the Merger Agreement was lawful, among other claims. Also on February 14, 2017, Anthem initiated its own litigation against Cigna in the Delaware Court seeking a temporary restraining order to enjoin Cigna from terminating the Merger Agreement, specific performance compelling Cigna to comply with the Merger Agreement and damages. On February 15, 2017, the Delaware Court granted Anthem's motion for a temporary restraining order and issued an order enjoining Cigna from terminating the Merger Agreement. The temporary restraining order became effective immediately and will remain in place pending any further order from the Delaware Court.

On December 1, 2016, Anthem entered into a Regulatory Settlement Agreement (RSA) with the California Department of Insurance, the Indiana Department of Insurance, the Maine Bureau of Insurance, the Department, the New Hampshire Insurance Department, the North Dakota Department of Insurance and the South Carolina Department of Insurance (collectively, Lead Regulators). The RSA resulted from a targeted market conduct and financial examination, led by the Indiana Department of Insurance, that reviewed the cyber security breach uncovered by Anthem in February 2015. The examination found that Anthem's cybersecurity prior to the breach was reasonable; the examination further found Anthem's response to the breach to be adequate. Based on their findings, Lead Regulators determined that administrative fines or penalties were not warranted. As part of the RSA, Anthem agreed to implement additional corrective measures estimated to cost $45 million. These costs will be expensed in the period in which they are incurred.

- Page 4 – Company History – 5th paragraph, last sentence – name change was December 2, 2014.
- Page 6 – 2nd box should read Anthem Holding Corp.
- Page 10 - Growth of Company - 2009 Capital and Surplus should be $252,111. 2009 Premiums Earned: Surplus should be 6.3. 2010 Capital and Surplus Change from Prior Year should be 12.3%.
- Page 12 - Statutory Deposits – the following table should be included:

Type of Security	Par Value	Fair Value	Statement Value
Missouri GO bond	$ 685,000	$ 737,067	$ 754,106
Univ of MO Revenue bond	320,000	370,147	370,767
MO Environmtl Impact Rev	80,000	80,318	80,000
	$ 1,085,000	$ 1,187,532	$ 1,204,873