

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

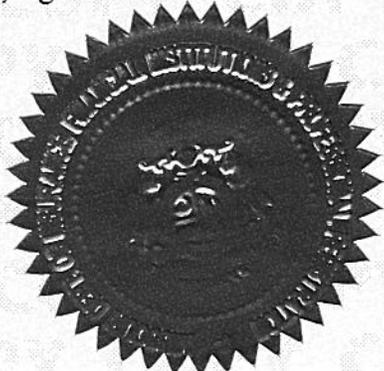
RE: Examination Report of Healthy Alliance Life Insurance Company for the period ended
December 31, 2012

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, 2012, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, 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 findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

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, 2012, 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) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) 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 16th day of December, 2013.



John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

FINANCIAL EXAMINATION

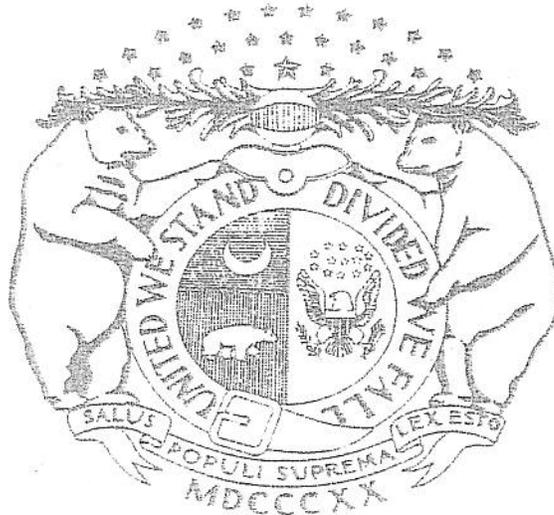
Healthy Alliance Life Insurance Company

AS OF:
DECEMBER 31, 2012

FILED

DEC 26 2013

**DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION**



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

JEFFERSON CITY, MISSOURI

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September 23, 2013
Saint Louis, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

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

also referred to as the "Company." The examination was conducted at the Company's main office at 1831 Chestnut Street, Saint Louis, MO 63103, telephone number (314) 923-4444. This examination began on March 4, 2013, and concluded on the above date.

Period Covered

We performed a multi-state examination of Healthy Alliance Life Insurance Company. The prior exam was completed as of December 31, 2007. This examination covers the period of January 1, 2008 through December 31, 2012. This examination also includes material transactions occurring subsequent to December 31, 2012.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department) or statutes of the state of Missouri prevailed. 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.

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

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings resulting from the examination.

SUBSEQUENT EVENTS

There were no events occurring subsequent to year-end, through the end of field work, which had a material effect upon the year-end financial statements.

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, a life and accident and health insurer domiciled in Arizona. American Transcontinental Life changed its name to Healthy Alliance Life Insurance Company in June 1992 and in November of 1993 the two Healthy Alliance Life Insurance companies merged, with the Missouri-domiciled company being the surviving entity.

On August 1, 1994, the outstanding shares of Healthy Alliance Life Insurance Company stock were transferred to RightCHOICE Managed Care, Inc. ("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 contributed 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 was effected in November 2000.

On January 31, 2002, RightCHOICE completed a merger agreement with WellPoint Health Networks, Inc. and RWP Acquisition Corporation, a wholly-owned subsidiary of WellPoint Health Networks, Inc. Under the terms of the merger agreement, RightCHOICE merged into RWP Acquisition Corporation, with RWP Acquisition Corporation being the surviving entity. RWP Acquisition Corporation changed its name to RightCHOICE Managed Care, Inc. The Department approved the acquisition on January 16, 2002.

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

Capital Stock and Paid-In Surplus

The Company is authorized to issue up to two million (2,000,000) shares of \$1.25 par value common stock. At year-end 2012, all shares were issued and outstanding for a total of \$2.5 million in common capital stock. All shares are owned by RightCHOICE.

Dividends

The Company has declared and paid dividends to its shareholder as shown below. The \$80 million dividend paid in 2011 was an extraordinary dividend.

<u>Year</u>	<u>Amount</u>
2008	\$ 84,900,000
2009	116,300,000
2010	114,700,000
2011	80,000,000
2012	<u>128,000,000</u>
Total	<u>\$ 523,900,000</u>

Acquisitions, Mergers and Major Corporate Events

There were no mergers, acquisitions 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 amendments to the Articles of Incorporation or the Bylaws during the examination period.

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

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, 2012 were as follows:

<u>Director</u>	<u>Affiliation</u>
Carter A. Beck Manchester, NH	Senior Vice President and Counsel WellPoint, Inc.
Ruth M. Hollenback St. Louis, MO	Regional Vice President I WellPoint, Inc.
Steven J. Martenet St. Louis, MO	President Healthy Alliance Life Insurance Company
Dennis W. Casey Fishers, IN	President HealthLink HMO, Inc.
Catherine I. Kelaghan Carmel, IN	Vice President and Counsel WellPoint, Inc.

Joseph P. Murray St. Charles, MO	Managing Associate General Counsel WellPoint, Inc.
Wayne S. DeVeydt Indianapolis, IN	Executive Vice President and CFO WellPoint, Inc.
Kathleen S. Kiefer Indianapolis, IN	Vice President, Assistant Secretary and Counsel WellPoint, Inc.
Jay H. Wagner Carmel, IN	Vice President and Counsel WellPoint, Inc.

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2012 were as follows:

<u>Name</u>	<u>Office</u>
Steven J. Martenet	President
Kathleen S. Kiefer	Secretary
Robert D. Kretschmer	Treasurer
Wayne S. DeVeydt	Chief Financial Officer
Jennifer L. Forsythe	Assistant Secretary

Committees

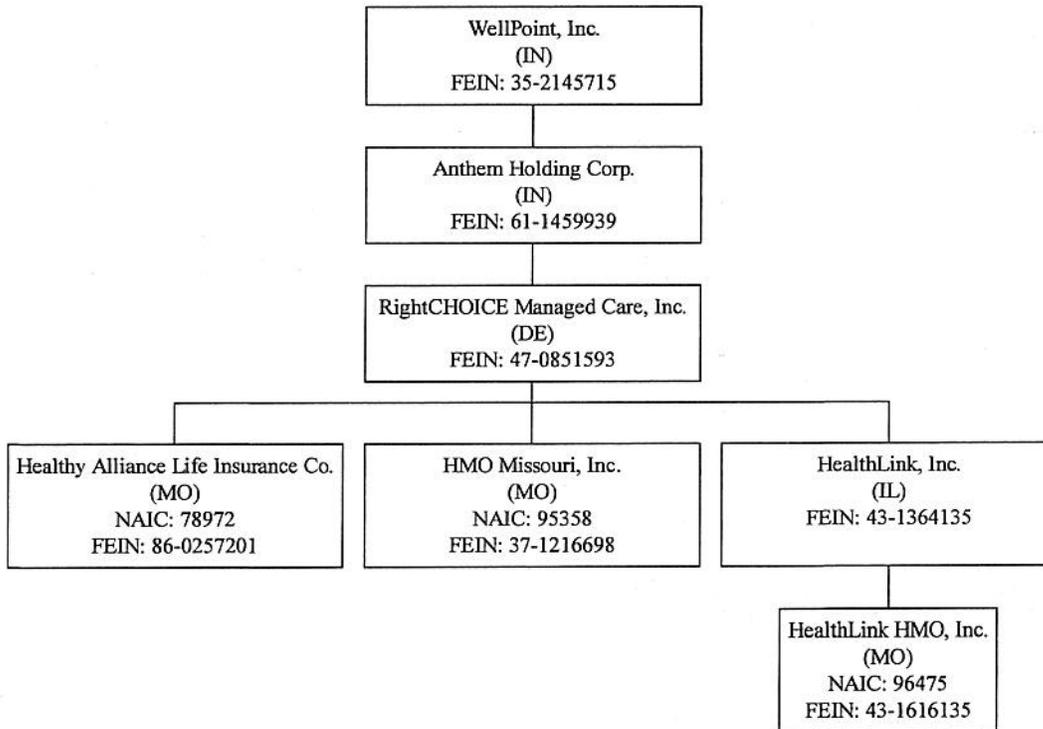
There are no committees of the Board. The audit committee of WellPoint, Inc. serves as the Company's audit committee.

Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions), with WellPoint, Inc. 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 which depicts the holding company system at December 31, 2012. All subsidiaries are wholly-owned unless otherwise noted. Only entities that are directly related to the Company are listed.



Intercompany Transactions

Guarantee and Conversion Agreement

Parties: The Company and WellPoint, Inc. (WellPoint)

Effective: November 30, 2004; non-disapproved November 21, 2008

Terms: WellPoint agrees to guarantee 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 policyholders of the Company without consideration of health status. The agreement will remain 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, Inc. and its subsidiaries including the Company, HMO Missouri, Inc., and Health Link HMO, Inc.

Effective: January 1, 2003; approved May 28, 2003. Amended effective January 1, 2006; non-disapproved April 5, 2006

Terms: RightCHOICE and its Missouri domestic insurance subsidiaries will 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. The 2006 amendment did not change the terms of the agreement but was mainly an assignment from RightCHOICE to WellPoint.

Rate(s): The agreement specifies that services are to be billed at direct and allocated cost incurred.

Stop-Loss Coverage Agreement

Parties: The Company and HMO Missouri, Inc. (HMO MO)

Effective: April 11, 2002; non-disapproved October 1, 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.

Out of Network Agreement and First Amendment

Parties: The Company and HMO Missouri, Inc.

Effective: January 15, 1997; non-disapproved February 13, 2003

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 is based upon historical claims experience.

Reinsurance Agreement

Parties: The Company, HMO Missouri, and Blue Cross and Blue Shield of Kansas City (BCBSKC)

Effective: July 1, 2003; non-disapproved November 16, 2005. Amended effective September 1, 2006; non-disapproved May 27, 2008

Terms: The Company and HMO Missouri will cede the liability of the Missouri Educators Health Program (formerly known as MST A) written on their paper to BCBSKC. The Company maintains the administration of the business and pays the balance of premium collected less commissions, claims, medical expenses and administrative fees to BCBSKC.

Rate(s): Reinsurance premium is discussed in Sections 3.8 and 3.9 of the agreement.

Consolidated Federal Income Tax Agreement

Parties: WellPoint, Inc. and its subsidiaries including the Company, HealthLink HMO, Inc. (HealthLink), and HMO Missouri, Inc.

Effective: December 31, 2005; non-disapproved March 30, 2006. Amended effective December 31, 2005; non-disapproved September 19, 2006

Terms: This agreement establishes 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 the use of its tax losses or tax credits, and for allocating and paying any refund arising from a carry back of losses or tax credits. Payments are made 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 a separate return had been filed.

Rate(s): There are no rates associated with this agreement.

Cash Concentration Agreement

Parties: WellPoint, Inc. and its subsidiaries including the Company, HMO Missouri, Inc. and HealthLink HMO, Inc.

Effective: October 1, 2009; non-disapproved August 17, 2009

Terms: The agreement establishes the designation of a "Cash Manager." A Cash Manager is defined as "WellPoint or any Affiliate handling the receipt and/or disbursement of funds on behalf of one or more Affiliates." The Cash Manager receives premiums, administrative expense reimbursements and other revenues and makes benefit, payroll, and general administrative expense payments on behalf of the Affiliates. Cash Managers and Affiliates establish intercompany payables and receivables as required to reflect receipts and disbursements.

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 from the date entered with the offsetting of payables and receivables allowed. If the parties are unable to settle within thirty (30) days, the parties may mutually agree to delay settlement until a date agreed upon by the parties, but not later than ninety (90) days after the payable and receivable are established. Any receivables not settled within ninety (90) days of the due date are non-admitted in accordance with SSAP No. 96.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a financial institution bond with coverage up to \$10 million per occurrence and \$20 million in aggregate. This bond has a \$1.5 million deductible. This coverage meets the NAIC suggested minimum amount.

The Company is also a named insured on policies issued to WellPoint for the following types of coverage: directors and officers liability; managed care professional liability (errors and omissions); commercial property; general liability; auto liability; fiduciary liability; umbrella liability; and workers compensation. The Company's coverages appear 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, 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 Illinois and in Kansas. The Company currently writes direct business in only two states, Kansas and Missouri: the overwhelming majority of its business is written in Missouri, concentrated in the St. Louis metropolitan area. With over 715,000 members, the Company is the largest health insurer in Missouri.

RightCHOICE markets the products underwritten by the Company as Alliance Blue Cross Blue Shield. These products include: preferred provider organization products (PPO) 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 Blue Shield licensee, the Company participates in the Federal Employee Program (FEP) and the BlueCard Program. The FEP is a nationwide contract with the Federal

Office of Personnel Management to provide health benefit coverage to federal employees and their dependents. The BlueCard Program is a nationwide program that enables those members traveling or living 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 premium, surplus and premiums-to-surplus ratio for the past five years:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Premiums Earned (000s)	1,553,419	1,591,164	1,713,125	1,748,061	1,845,023
Change from Prior Year	N/A	2.4%	7.7%	2.0%	5.5%
Capital and Surplus (000s)	268,945	252,111	283,066	331,995	331,470
Change from Prior Year	N/A	-6.3%	12.3%	17.3%	-0.2%
Premiums Earned : Surplus	5.8	6.4	6.1	5.3	5.6

LOSS EXPERIENCE

The following exhibit represents the Company's underwriting results for the past three years (2010-2012). The results from the first two years of the examination period (2008-2009) are not included. The Company filed a life and health statement in 2008 and 2009; the underwriting results are not comparable. All amounts are reported in thousands (000s):

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Premiums Earned	\$ 1,713,125	\$ 1,748,061	\$ 1,845,023
Non-Health Revenues	(5,829)	-	-
Total Hospital and Medical Expenses	(1,317,284)	(1,377,080)	(1,492,374)
Total Administrative Expenses	(183,600)	(193,119)	(181,978)
Increase in Reserves	(6,102)	(2,567)	(13,268)
Rounding	(7)	(5)	(5)
Net Underwriting Gain	<u>\$ 200,303</u>	<u>\$ 175,290</u>	<u>\$ 157,398</u>

REINSURANCE

General

The Company provides stop-loss coverage to HMO Missouri, Inc. for certain self-insured groups whose business is administered by the HMO. Terms of the agreement between the Company and HMO Missouri, Inc. are largely dependent on terms of the underlying agreements with the groups for which the HMO provides administrative services.

Premiums reported during the examination period were as follows. All amounts are reported in thousands (000s):

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Direct Written Premiums	\$ 1,562,695	\$ 1,600,073	\$ 1,726,163	\$ 1,797,550	\$ 1,827,006
Reinsurance Ceded	<u>9,276</u>	<u>8,908</u>	<u>10,951</u>	<u>12,141</u>	<u>10,053</u>
Net Written Premiums	<u>\$ 1,553,419</u>	<u>\$ 1,591,165</u>	<u>\$ 1,715,212</u>	<u>\$ 1,785,409</u>	<u>\$ 1,816,953</u>

Ceded

As noted above (Intercompany Transactions), the Company, along with its affiliate, HMO Missouri, Inc., cedes 100% of business written for the Missouri Educators Health Program to Blue Cross Blue Shield Kansas City under an agreement effective July 1, 2003.

A small amount of previously written life business has been reinsured with two other companies, but no new business is covered under those contracts.

ACCOUNTS AND RECORDS

Independent Accountants

For each year during the period under examination, the Company's financial statements were audited by the certified public accounting firm of Ernst & Young LLP. The 2012 audit work papers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

For each year during the period under examination, claims-related reserves and other actuarial items were reviewed and certified by Cheryl Allari, FSA, MAAA, WellPoint Actuarial Director. Ms. Allari determined the 2012 claims-related reserves and other actuarial items to be adequate.

Information Systems

In conjunction with this examination, Andrew Balas, CFE, AES, CPA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems. No material exceptions were noted.

Consulting Actuary

Pursuant to a contract with the Department, Karen E. Elsom, FSA, MAAA, of Lewis & Ellis, Inc., reviewed the adequacy of the Company's reserves and related actuarial items at December 31, 2012. The Lewis & Ellis, Inc. Statement of Actuarial Opinion concluded that all actuarial items included in the review were fairly stated in accordance with accepted actuarial loss reserving standards and principles, met the requirements of the insurance laws of Missouri, and reasonably provided for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2012, as reflected below, were sufficient to meet the capital deposit requirements for the state of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities):

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Missouri State Bond	\$ 685,000	\$ 770,385	\$ 765,655
Missouri State Environmental Impt	320,000	320,000	320,000
Missouri State Environmental Impt	<u>80,000</u>	<u>80,314</u>	<u>80,000</u>
Totals	<u>\$ 1,085,000</u>	<u>\$ 1,170,699</u>	<u>\$ 1,165,655</u>

Deposits with Other States

The Company also has funds on deposit with another state in which it had been licensed. Those funds on deposit as of December 31, 2012, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
New Mexico	US Treasury Note	<u>\$ 110,000</u>	<u>\$ 111,813</u>	<u>\$ 110,609</u>

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2012, and the results of operations for the fiscal period then ended. Any examination adjustments to the amounts reported in the financial statements or comments regarding such are made in the "Comments on the 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 the 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 financial statement item.

ASSETS

	<u>Assets</u>	<u>Nonadmitted</u>	<u>Net Admitted</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Bonds	\$ 478,846,895	\$ -	\$ 478,846,895
Cash, cash equivalents and short-term investments	15,808,969	-	15,808,969
Derivatives	1,176	-	1,176
Other invested assets	4,380,593	-	4,380,593
Receivables for securities	217,853	-	217,853
Securities lending reinvested collateral assets	13,575,910	-	13,575,910
Investment income due and accrued	3,868,395	-	3,868,395
Uncollected premiums	36,078,425	584,777	35,493,648
Deferred premiums	39,864,101	-	39,864,101
Accrued retrospective premiums	10,780	-	10,780
Amounts recoverable from reinsurers	4,592,980	-	4,592,980
Other amounts receivable under reinsurance contracts	424,780	-	424,780
Amounts receivable relating to uninsured plans	27,585,614	2,961,895	24,623,719
Net deferred tax asset	32,623,030	9,427,304	23,195,726
Guaranty funds receivable or on deposit	45,808	-	45,808
Electronic data processing equipment and software	11,093,262	6,633,721	4,459,541
Furniture and equipment	11,163,455	11,163,455	-
Receivables from parent, subsidiaries and affiliates	12,170,825	-	12,170,825
Health care and other amounts receivable	15,665,613	8,736,496	6,929,117
Company owned life insurance	1,659,137	1,659,137	-
Prepaid expenses	284,354	284,354	-
FEP assets held by agent	72,850,475	-	72,850,475
Premium tax receivable	21,650,113	-	21,650,113
Other miscellaneous receivables	71,512	71,512	-
Total Assets	<u>\$ 804,534,055</u>	<u>\$ 41,522,651</u>	<u>\$ 763,011,404</u>

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid	\$ 165,870,019
Unpaid claims adjustment expenses	5,686,860
Aggregate health policy reserves	120,738,571
Aggregate life policy reserves	50,135
Aggregate health claim reserves	1,416,182
Premiums received in advance	24,179,000
General expenses due or accrued	19,206,143
Current federal and foreign income tax payable	5,231,040
Ceded reinsurance premiums payable	5,203,992
Amounts withheld or retained for the account of others	501,741
Remittances and items not allocated	6,323,737
Amounts due to parent, subsidiaries and affiliates	35,760,819
Payable for securities	2,066,108
Payable for securities lending	13,575,910
Liability for amounts held under uninsured plans	8,977,766
Funds awaiting escheatment	3,354,958
Liability for retroactivity	8,531,253
Performance guaranty liability	968,262
ITS liability	2,689,832
Deposit-type contracts payable	485,692
FEP contract redetermination liability	407,040
Miscellaneous liability	316,664
Total Liabilities	\$ 431,541,724
Common capital stock	\$ 2,500,000
Gross paid in and contributed surplus	83,457,343
Unassigned funds (surplus)	245,512,337
Total Capital and Surplus	\$ 331,469,680
Total Liabilities, Capital and Surplus	\$ <u>763,011,404</u>

STATEMENT OF OPERATIONS

Member months	8,463,382
Net premium income	\$ 1,816,953,122
Change in unearned premium reserves and reserve for rate credits	<u>28,069,962</u>
Total revenues	1,845,023,084
Hospital/medical benefits	982,079,683
Other professional services	63,217,008
Emergency room and out-of-area	160,656,944
Prescription drugs	296,027,208
Incentive pool, withhold adjustments and bonus amounts	(2,257)
Net reinsurance recoveries	<u>(9,604,135)</u>
Total hospital and medical	1,492,374,451
Non-health claims	5,249
Claims adjustment expenses	44,064,951
General administrative expenses	137,912,646
Increase in reserves for life and accident and health contracts	<u>13,268,275</u>
Total underwriting deductions	1,687,625,572
Net underwriting gain	157,397,512
Net investment income earned	17,860,940
Net realized capital gains	<u>2,421,988</u>
Net investment gains	20,282,928
Net loss from agents' or premium balances charged off	(83,074)
Miscellaneous	<u>682,737</u>
Net income (pre-tax)	178,280,103
Federal and foreign income taxes incurred	<u>(70,358,049)</u>
Net income	<u><u>\$ 107,922,054</u></u>

RECONCILIATION OF SURPLUS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Capital and surplus, prior year	\$ 213,983,279	\$ 268,945,071	\$ 252,110,946	\$ 283,065,634	\$ 331,994,590
Net income	107,534,939	106,664,565	144,506,182	133,904,566	107,922,054
Change in net unrealized capital gains	(118)	118	(816)	(137,503)	138,319
Change in net deferred income tax	(3,159,825)	(339,447)	10,723,649	(1,063,166)	7,086,523
Change in nonadmitted assets	35,274,069	(6,727,736)	(12,915,855)	(772,593)	5,611,787
Change in asset valuation reserve	212,727	(131,625)	3,341,528	-	-
Paid in (surplus adjustments)	500,000	(1,000,000)	-	-	-
Cumulative effect of change in accounting principle	-	-	-	-	6,716,407
Dividends to stockholders	(84,900,000)	(116,300,000)	(114,700,000)	(80,000,000)	(128,000,000)
Write-ins for surplus gains (losses)	<u>(500,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>(3,002,348)</u>	<u>-</u>
Net change in capital and surplus	54,961,792	(16,834,125)	30,954,688	48,928,956	(524,910)
Capital and surplus, current year	<u>\$ 268,945,071</u>	<u>\$ 252,110,946</u>	<u>\$ 283,065,634</u>	<u>\$ 331,994,590</u>	<u>\$ 331,469,680</u>

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.



December 4, 2013

Mr. Frederick G. Heese, CPA, CFA, MBA
Chief Financial Examiner and Division Director
Department of Insurance
Harry Truman State Office Building
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Re: HealthLink HMO, Inc.
Financial Examination Report Dated November 19, 2013

Dear Mr. Heese:

We have reviewed the financial examination report for HealthLink HMO, Inc. for the year ended December 31, 2012 and accept the report as is, noting there are no general comments or recommendations on page 11 of the report. We wish to have our response included in the report as a public document.

Please contact me at 262-523-2439 or at brenda.buss@bcbswi.com if you have any questions.

Sincerely,

Brenda J. Buss
Director II, Regulatory Reporting
Anthem Blue Cross and Blue Shield
Phone: 262-523-2439
Fax: 262-523-4945

CC: Steve Martnet Karen Geiger Beth Cox
Doug Bahr Jim Kallas Anne Honisch