ASSOCIATION EXAMINATION REPORT
of
HEALTHKEEPERS, INC.
Richmond, Virginia
as of
December 31, 2017

COMMONWEALTH OF VIRGINIA

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Healthkeepers, Inc. as of December 31, 2017, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed to the original the seal of the Bureau at the City of Richmond, Virginia this 20th day of June 2019

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
May 9, 2019

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by the authority of Section 38.2-4315 of the Code of Virginia, an examination of the financial condition, records and affairs of

HEALTHKEEPERS, INC.
Richmond, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The last examination of the Corporation was made by representatives of the State Corporation Commission's (the "Commission") Bureau of Insurance (the "Bureau") as of December 31, 2013. This examination covers the four year period from January 1, 2014 through December 31, 2017.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The coordinated examination of the Anthem Group, of which the Corporation is a member, was led by the Indiana Department of Insurance. The examination of the Corporation was conducted concurrently with the examination of the following insurers:

Insurer	Domiciliary State
CareMore Health Plan of Arizona, Inc.	Arizona
Anthem Blue Cross Life and Health Insurance Company	California
HMO Colorado, Inc.	Colorado
Rocky Mountain Hospital and Medical Service, Inc.	Colorado
Anthem Health Plans, Inc.	Connecticut
AMERIGROUP District of Columbia, Inc.	DC
AMGP Georgia Manage Care Company, Inc.	Georgia
Greater Georgia Life Insurance Company, Inc.	Georgia
Blue Cross and Blue Shield of Georgia, Inc.	Georgia
Blue Cross and Blue Shield Healthcare Plan of GA, Inc.	Georgia
AMERIGROUP Iowa, Inc.	Iowa
Anthem Insurance Companies, Inc.	Indiana
UNICARE Life and Health Insurance Company	Indiana
Anthem Life Insurance Company	Indiana
Anthem Health Plans of Kentucky, Inc.	Kentucky
Anthem Kentucky Managed Care Plan, Inc.	Kentucky
AMERIGROUP Louisiana, Inc.	Louisiana
Anthem Health Plans of Maine, Inc.	Maine
AMERIGROUP Maryland, Inc.	Maryland
HealthLink HMO, Inc.	Missouri
Healthy Alliance Life Insurance Company	Missouri
HMO Missouri, Inc.	Missouri
AMERIGROUP Mississippi, Inc.	Mississippi
AMERIGROUP New Jersey, Inc.	New Jersey
AMERIGROUP Community Care of New Mexico, Inc.	New Mexico
AMERIGROUP Nevada, Inc.	Nevada
CareMore Health Plan of Nevada	Nevada
Anthem Life and Disability Insurance Company	New York
AMERIGROUP Ohio, Inc.	Ohio
Community Insurance Company	Ohio
AMERIGROUP Oklahoma, Inc.	Oklahoma
AMERIGROUP Insurance Company	Texas
AMERIGROUP Texas, Inc.	Texas
Anthem Health Plans of Virginia, Inc.	Virginia
AMERIGROUP Washington, Inc.	Washington
UNICARE Health Plans of WV, Inc.	West Virginia
Blue Cross Blue Shield of Wisconsin	Wisconsin
Compcare Health Services Insurance Corporation	Wisconsin
Wisconsin Collaborative Insurance Company	Wisconsin

All accounts and activities of the Corporation were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Corporation.

HISTORY

The Corporation became licensed in Virginia as a health maintenance organization ("HMO") pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on June 12, 1986. The Corporation was incorporated in the Commonwealth of Virginia on April 8, 1985 as a not-for-profit stock corporation by Blue Cross and Blue Shield of Southwestern Virginia. On February 11, 1986, Blue Cross and Blue Shield of Southwestern Virginia transferred all the stock of the Corporation to Blue Cross and Blue Shield of Virginia. On February 12, 1986, the Corporation amended its Articles of Incorporation to become a for-profit entity. On July 15, 1987, the corporate structure was reorganized and ownership of the Corporation was transferred to Healthcare Support Corporation ("HSC").

Effective November 1, 1997, HMO Virginia, Inc. ("HMOVA"), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. Effective July 1, 1998, HSC and Trigon Administrators, Inc. ("Trigon Administrators") merged, with Trigon Administrators remaining as the surviving entity and owner of the Corporation. Effective November 1, 1998, Physicians Health Plan, Inc. ("PHP"), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. Effective March 31, 2001, Trigon Administrators was sold and the outstanding shares of the Corporation were distributed to Trigon Healthcare, Inc. ("Trigon Healthcare")

On July 31, 2002, Trigon Healthcare and Anthem, Inc., a publicly traded company incorporated in Indiana, completed a merger in which Trigon Healthcare was merged into a wholly-owned subsidiary of Anthem, Inc. ("Anthem") that subsequently changed its name to Anthem Southeast, Inc. ("Anthem Southeast"). The Corporation became a wholly-owned subsidiary of Anthem Southeast.

On November 30, 2004, Anthem, the Corporation's ultimate Parent, and WellPoint Health Networks, Inc. ("WellPoint Health Networks") completed a merger in which WellPoint Health Networks and all WellPoint subsidiaries merged with and into Anthem

Holding Corp., a direct and wholly-owned subsidiary of Anthem with Anthem Holding Corp. as the surviving entity in the merger. In connection with the merger, Anthem amended its articles of incorporation to change its name to WellPoint, Inc. ("WellPoint")

Effective January 1, 2006, UNICARE Health Plan of Virginia, Inc. ("UNICARE Health Plan"), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. As a result of the merger, UNICARE National Services, Inc. ("UNICARE National"), UNICARE Health Plan's parent company, received 25 shares of the Corporation's common stock which was commensurate with the fair value of UNICARE Health Plan at the date of merger. Prior to the merger the Corporation was a wholly-owned subsidiary of Anthem Southeast. After the merger, the Corporation was 88.89% owned by Anthem Southeast and 11.11% owned by UNICARE National.

Effective October 1, 2010, Peninsula Health Care, Inc. ("Peninsula") and Priority Health Care, Inc. ("Priority"), affiliated HMOs, and the Corporation merged. As a result of the merger, Anthem Southeast, Peninsula's and Priority's parent company, received 108.7 shares of the Corporation's common stock which was commensurate with the fair value of Peninsula and Priority at the date of merger.

Effective December 2, 2014, WellPoint, Inc. changed its name to Anthem Inc. At December 31, 2017, the Corporation was 92.51% owned by Anthem Southeast and 7.49% owned by UNICARE National.

CAPITAL AND SURPLUS

At December 31, 2017, the Corporation's capital and surplus was $595,066,070. According to the Articles of Incorporation, the Corporation has the authority to issue 10,000 shares of common stock with a par value of $5 per share. At December 31, 2017, 333.7 shares were outstanding, with gross paid in and contributed surplus of $88,560,321, surplus notes of $8,716,141 and unassigned funds (surplus) of $435,076,899.

As a result of the mergers with HMOVA and PHP, the Corporation assumed subordinated loans executed between the two companies and Trigon Insurance Company (currently Anthem Health Plans of Virginia, Inc. {AHPVA}). The outstanding principal on the loans assumed totaled $6,716,141 from HMOVA and $2,000,000 from PHP. At December 31, 2017, accrued interest on these loans totaled $11,582,474.

NET WORTH REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that a HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than $600,000, up to a maximum of $4,000,000. 14 VAC 5-211-30 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Section 38.2-4307.1 C states that a statement of covered and uncovered expenses shall not be required for any HMO that reports capital and surplus of at least $4,500,000 on its most recent annual or quarterly financial statement. At December 31, 2017, the Corporation reported capital and surplus greater than $4,500,000 and was not required to file a statement of covered and uncovered expenses.

MANAGEMENT AND CONTROL

The bylaws of the Corporation provide that the affairs of the Corporation shall be managed by a board of not fewer than three and not more than six directors. A majority of the directors shall constitute a quorum for the transaction of business. The bylaws also provide that the board may designate two directors to constitute an Executive Committee. The Executive Committee shall have and may exercise all the authority of the board of directors except to approve an amendment of the bylaws of the Corporation or plan of merger or consolidation. Additionally, the Executive Committee may designate any other committees as may be deemed desirable.

The officers of the Corporation shall consist of a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time deem necessary. The Chairman of the Board shall preside at all meetings of the Board and of the Executive Committee. The President shall be the Chief Operating Officer and shall have general supervision and control of the other officers of the Corporation. At December 31, 2017, the Board of Directors and the Officers of the Corporation were as follows:

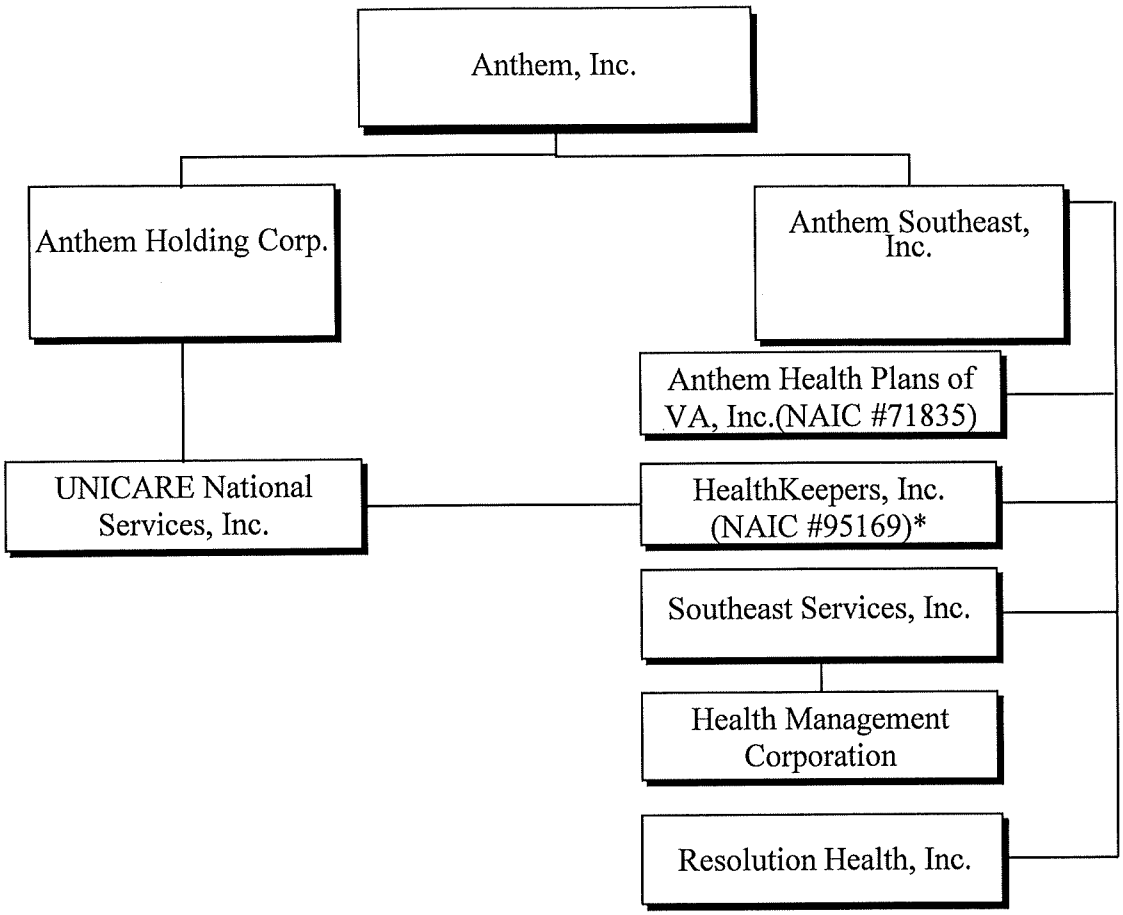
Directors	Principal Occupation
Catherine I. Kelaghan	Vice President and Counsel Anthem, Inc. Indianapolis, Indiana
George F. Ricketts, Jr.	President HealthKeepers, Inc. Richmond, Virginia
Patrick B. Sturdivant	Vice President and Medicaid Plan President HealthKeepers, Inc. Richmond, Virginia

Officers

George F. Ricketts, Jr.	President and Chairman of the Board
Patrick B. Sturdivant	Vice President
Kathleen S. Kiefer	Secretary
Sidney O. Hunt	Assistant Secretary
Robert D. Kretschmer	Treasurer
Eric K. Noble	Assistant Treasurer

AFFILIATED COMPANIES

At December 31, 2017, the Corporation is 92.51% owned by Anthem Southeast and 7.49% owned by UNICARE National. Both Anthem Southeast and UNICARE National are wholly-owned subsidiaries of Anthem. The chart on the following page illustrates the organizational structure of the Corporation and selected affiliated entities at December 31, 2017.



* HealthKeepers, Inc. is 92.51% owned by Anthem Southeast, Inc. and 7.49% owned by UNICARE National Services, Inc.

TRANSACTIONS WITH AFFILIATES

Cash Concentration Agreement

Effective April 1, 2010, the Corporation entered into a Cash Concentration Agreement with WellPoint and its direct or indirect affiliates whereby Wellpoint and certain affiliates are designated Cash Managers to handle the receipt and/or disbursement of funds on behalf of one or more affiliates. When a Cash Manager receives funds on behalf of an affiliate, an intercompany payable to the affiliate is established. When a Cash Manager disburses funds on behalf of an affiliate, an intercompany receivable from the affiliate is established. All resulting intercompany payables and receivables shall be settled within 30 days unless the parties mutually agree to settlement at a later date no later than 90 days after the intercompany payable or receivable was established. The Cash Manager shall be reimbursed monthly for all direct and indirect allocable costs it incurs in its capacity as Cash Manager.

Master Administrative Services Agreement

Effective January 1, 2006, the Corporation entered into a Master Administrative Services Agreement with WellPoint and its subsidiaries and affiliates. According to the agreement, each affiliate that is party to the agreement may provide certain administrative, consulting and support services to another affiliate upon request. The affiliate rendering services shall be reimbursed for the direct and indirect costs and expenses incurred in providing such services and reimbursement is due within 30 days upon receipt of a statement for the services rendered. The term of the agreement is one year and shall be automatically renewed for additional one-year periods unless terminated upon 90 days written notice. The Corporation incurred $291,722,250 in fees related to the agreement in 2017.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, the Corporation became a party to a Consolidated Federal Income Tax Agreement with WellPoint and selected subsidiaries. The agreement establishes methods for allocating the consolidated federal income tax liability of the consolidated group among its members, for reimbursing WellPoint for payment of such tax liability, for compensating any member 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 credits for subsequent taxable years. For each consolidated federal return year, each member shall pay WellPoint an amount equal to the federal income tax payments it would incur if it were filing a separate federal income tax return. Such payments shall be made to WellPoint no later than 30 days after these payments would be due to the federal government if the subsidiary were filing a separate return. For each consolidated federal return year, WellPoint shall pay each member an amount equal to the reduction in the

federal income tax liability of the consolidated group, if any, resulting from the use in any taxable year of tax benefits attributable to such member, including the use of net operating losses or tax credits. In the event of a refund, WellPoint shall pay each member its proportional share within 30 days after the refund is received.

Excess Medical Stop Loss Agreement

Effective January 1, 2000, the Corporation entered into an Excess Medical Stop Loss Agreement with Trigon Insurance Company (currently AHPVA). Pursuant to the agreement, AHPVA shall reimburse the Corporation 100% of the losses paid during the annual twelve-month policy period ending December 31 in excess of the deductibles specified within the agreement.

For the purposes of this policy, losses are defined as amounts that are actually paid by the Corporation for medical expenses covered under the contract; in settlement of claims for medical expenses covered under the contracts; or in satisfaction of judgments for medical expenses covered under the contracts. Medical expenses are defined as covered charges for inpatient services rendered by hospitals, rehabilitation and skilled nursing facilities to persons enrolled under contracts and transplant services fees charged by transplant service providers. For hospital, rehabilitation, skilled nursing facility or transplant services expenses, each expense shall be deemed to be incurred upon the date of admission to the hospital, rehabilitation or skilled nursing facility.

This agreement contains a provision that requires the Corporation to pay AHPVA up to a maximum of 30% of the initial premium in the event that the paid losses exceed 85% of the initial premium. Conversely, AHPVA is required to return to the Corporation up to 30% of the initial premium when paid losses are less than 85% of the initial premium.

The maximum lifetime excess insurance indemnity payable under this agreement for any one member shall not exceed $2,000,000. The agreement includes a continuation of coverage clause and a benefits conversion clause in the event of the Corporation's insolvency. Premiums and claims ceded to AHPVA related to this agreement during 2017 were $13,529,497 and $8,581,800 respectively.

Solvency Guarantee Agreement

The Corporation's performance, obligations, and solvency are guaranteed by AHPVA through a solvency guarantee agreement that was originally entered into effective April 9, 1986. This agreement remains in effect unless and until reasonable prior written notice has been given by either party to the other and the Commissioner of Insurance of the Commonwealth of Virginia has granted prior approval for such termination.

This solvency guarantee agreement was amended September 1, 1987 to include AHPVA's agreement that in the event the Corporation shall cease operations for any reason, AHPVA coverage will be offered to all of the Corporation's members without exclusions, limitations, or conditions based on health reasons.

Dividends to Stockholders

The Corporation paid cash dividends of $25,000,000, $35,000,000 and $60,000,000 in 2014, 2016 and 2017, respectively. The dividends were paid to Anthem Southeast and UNICARE National in proportion to their ownership interests.

TERRITORY AND PLAN OF OPERATION

At December 31, 2017, the Corporation's service area, as reported in its 2017 Annual Statement, included the Virginia counties of Accomack, Albemarle, Alleghany, Amelia, Amherst, Appomattox, Arlington, Augusta, Bath, Bedford, Bland, Botetourt, Brunswick, Buchanan, Buckingham, Campbell, Caroline, Carroll, Charles City, Charlotte, Chesterfield, Clarke, Craig, Culpeper, Cumberland, Dickenson, Dinwiddie, Essex, Fairfax, Fauquier, Floyd, Fluvanna, Franklin, Frederick, Giles, Gloucester, Goochland, Grayson, Greene, Greensville, Halifax, Hanover, Henrico, Henry, Highland, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Lee, Loudoun, Louisa, Lunenburg, Madison, Mathews, Mecklenburg, Middlesex, Montgomery, Nelson, New Kent, Northampton, Northumberland, Nottoway, Orange, Page, Patrick, Pittsylvania, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Rappahannock, Richmond, Roanoke, Rockbridge, Rockingham, Russell, Scott, Shenandoah, Smyth, Southampton, Spotsylvania, Stafford, Surry, Sussex, Tazewell, Warren, Washington, Westmoreland, Wise, Wythe and York. In addition, the service area included the Virginia cities of Alexandria, Bedford, Bristol, Buena Vista, Charlottesville, Chesapeake, Colonial Heights, Covington, Danville, Emporia, Fairfax, Falls Church, Farmville, Franklin, Fredericksburg, Galax, Hampton, Harrisonburg, Hopewell, Lexington, Lynchburg, Manassas, Manassas Park, Martinsville, Newport News, Norfolk, Norton, Petersburg, Poquoson, Portsmouth, Radford, Richmond, Roanoke, Salem, South Boston, Staunton, Suffolk, Virginia Beach, Waynesboro, Williamsburg and Winchester.

Medical services are provided by physicians in independent practice within the Corporation's service area. Each member chooses a primary care physician ("PCP") from a list of the Corporation's primary providers. The PCP is responsible for coordinating all of the member's health care needs. Except in emergencies, a member must obtain services only from, or prearranged by, their PCP. Specialty physicians are available only with a referral from a PCP. All hospital admissions must be arranged by the member's PCP and approved in advance by the Corporation. In addition, the Corporation offers a point of service option which allows a member to receive services from outside of the Corporation's

participating network of providers, as well as an open access option which allows members to receive services in network without a referral from their PCP.

At December 31, 2017, the Corporation had a contract with the Virginia Department of Medical Assistance Services to administer coverage to Medicaid enrollees which comprised 38% of its premium revenue in 2017.

PROVIDER AGREEMENTS

Medical Services

The Corporation has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to enrollees. The Corporation compensates participating physicians either on a capitated basis or a fee-for-service arrangement. Additionally, PCPs participate in an incentive program based on qualitative measures such as quality of care, as well as service and resource management.

Hospital Care

The Corporation has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its enrollees. The Corporation compensates participating hospitals on either a case/admission rate basis or a per diem rate basis.

Other Health Care Services

The Corporation has entered into various ancillary service agreements. These agreements provide mental health services, pharmacy services, home health care, physical therapy, durable medical equipment and other related covered health care services. Compensation is based on arrangements set forth in each contract.

CONTRACT FORMS

Group Contracts

The group contracts generally cover the following services provided by PCPs, specialty care physicians, and other participating providers:

1. Primary care physician services
2. Specialist physician services
3. Hospital services
4. Early intervention services
5. Diagnostic services
6. Maternity care services
7. Skilled nursing facilities services
8. Hospice care services
9. Mental health and substance abuse services
10. Home health care services
11. Durable medical equipment
12. Prescription drug services
13. Therapy services
14. Wellness services
15. Emergency and urgent care services
16. Ambulance services

Exclusions generally include benefits related to a non-covered service, cosmetic procedures, dental services, experimental procedures, family planning services, genetic testing and routine foot care.

The above are general summaries of coverages and exclusions and the provisions in each individual group contract may vary.

GROWTH OF THE CORPORATION

The following data is representative of the growth of the Corporation for the ten-year period ending December 31, 2017. The data is compiled from the Corporation's filed Annual Statements, previous examination reports, and the current examination report. In accordance with SSAP No. 68, Business Combinations and Goodwill, the 2009 financial data includes Peninsula Health Care, Inc. and Priority Health Care, Inc. which merged with the Corporation effective October 1, 2010.

Year	Total Admitted Assets	Total Liabilities	Capital And Surplus
2008	$318,292,893	$138,951,472	$179,341,421
2009	490,837,865	233,632,705	257,205,160
2010	511,932,469	232,224,357	279,708,112
2011	509,628,395	256,896,890	252,731,505
2012	515,345,837	236,585,619	278,760,218
2013	490,843,419	241,617,559	249,225,860
2014	716,851,354	435,379,210	281,472,144
2015	896,504,139	555,779,391	340,724,748
2016	1,132,859,369	690,182,660	442,676,709
2017	1,188,233,249	593,167,179	595,066,070

Year	Total Revenue	Net Investment Gain	Medical & Hospital Expenses	Administrative Expenses	Pre-Tax Income
2008	$857,871,634	$10,379,820	$722,997,284	$63,858,111	$81,396,059
2009	1,292,261,170	12,607,435	1,089,392,931	107,622,225	107,853,449
2010	1,365,677,654	15,252,462	1,093,136,833	97,507,984	190,285,299
2011	1,808,428,591	14,579,437	1,524,282,540	140,157,673	158,567,815
2012	1,762,766,259	22,258,850	1,496,851,994	132,002,999	156,170,116
2013	1,658,651,374	11,020,804	1,437,253,507	122,433,324	109,985,347
2014	2,081,395,594	6,057,907	1,718,478,318	248,688,873	120,286,310
2015	2,806,094,662	1,456,658	2,331,096,098	360,819,332	115,635,890
2016	3,120,525,925	11,827,702	2,576,414,027	346,144,954	209,794,646
2017	3,460,652,608	14,880,945	2,848,388,252	336,811,417	290,333,884

The Corporation's enrollment data at year-end is illustrated as follows:

Year	Number of Members
2008	284,828
2009	414,676
2010	423,725
2011	495,467
2012	465,318
2013	423,977
2014	536,354
2015	629,111
2016	632,321
2017	669,975

SPECIAL RESERVES AND DEPOSITS

At December 31, 2017, the Bureau required that the Corporation maintain a minimum of $5,553,059 on deposit with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Corporation for the period ending December 31, 2017. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2017.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$221,823,212		$221,823,212
Common stocks	184,854,617		184,854,617
Cash, cash equivalents and short-term investments	111,449,846		111,449,846
Other invested assets	272,422,332		272,422,332
Receivables for securities	971,836		971,836
Securities lending reinvested collateral assets	18,995,059		18,995,059
Subtotals, cash and invested assets	$810,516,902	$0	$810,516,902
Investment income due and accrued	1,560,627	8,625	1,552,002
Uncollected premiums and agents' balances in the course of collection	257,578,111	2,391,376	255,186,735
Accrued retrospective premiums and contracts subject to redetermination	20,204,216		20,204,216
Amounts recoverable from reinsurers	8,528,273		8,528,273
Other amounts receivable under reinsurance contracts	3,377,308		3,377,308
Amounts receivable relating to uninsured plans	59,898,669	1,200,990	58,697,679
Net deferred tax asset	11,035,007		11,035,007
Health care and other amounts receivable	45,019,971	25,884,844	19,135,127
Aggregate write-ins for other than invested assets	1,693,024	1,693,024	0
Total assets	$1,219,412,108	$31,178,859	$1,188,233,249

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	$289,343,596	$21,110,906	$310,454,502
Accrued medical incentive pool and bonus amounts	5,208,976		5,208,976
Unpaid claims adjustment expenses		9,552,472	9,552,472
Aggregate health policy reserves		19,937,967	19,937,967
Aggregate health claim reserves		4,132,762	4,132,762
Premiums received in advance		26,066,625	26,066,625
General expenses due or accrued		29,810,329	29,810,329
Current federal income tax payable		1,797,488	1,797,488
Ceded reinsurance premiums payable		774,157	774,157
Remittance and items not allocated		82,120,294	82,120,294
Amounts due to parent, subsidiaries and affiliates		48,432,089	48,432,089
Payable for securities		2,318,679	2,318,679
Payable for securities lending		18,995,059	18,995,059
Liability for amounts held under uninsured plans		17,981,553	17,981,553
Aggregate write-ins for other liabilities		15,584,227	15,584,227
Total liabilities	$294,552,572	$298,614,607	$593,167,179
Common capital stock			$1,669
Aggregate write ins for special surplus funds			62,711,040
Gross paid in and contributed surplus			88,560,321
Surplus notes			8,716,141
Unassigned funds (surplus)			435,076,899
Total capital and surplus			$595,066,070
Total liabilities, capital and surplus			$1,188,233,249

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
Net premium income	XXX	$3,477,056,902
Change in unearned premium reserves and reserve for rate credits	XXX	(16,404,294)
Total revenues	XXX	$3,460,652,608
Hospital and Medical		
Hospital/medical benefits	$136,268,864	$1,692,780,918
Emergency room and out-of-area	17,054,008	183,376,432
Prescription drugs	42,887,676	630,701,115
Aggregate write-ins for other hospital and medical	4,297,250	344,389,643
Incentive pool, withhold adjustments and bonus amounts		9,220,695
Subtotal	$200,507,798	$2,860,468,803
Less:		
Net reinsurance recoveries	10,386,946	10,386,946
Total hospital and medical	$190,120,852	$2,850,081,857
Claims adjustment expenses	132,626,857	132,626,857
General administrative expenses	204,159,591	204,159,591
Increases in reserves for life and accident and health contracts	(1,693,605)	(1,693,605)
Total underwriting deductions	$525,213,695	$3,185,174,700
Net underwriting gain	XXX	$275,477,908
Net investment income earned	XXX	$14,440,889
Net realized capital gains or (losses)	XXX	440,056
Net investment gains	XXX	$14,880,945
Net loss from agents' or premium balances charged off	XXX	($95,519)
Aggregate write-ins for other income or expenses	XXX	$70,550
Net income before federal income taxes	XXX	$290,333,884
Federal income taxes incurred	XXX	106,417,019
Net income	XXX	$183,916,865

RECONCILIATION OF CAPITAL AND SURPLUS

	2014	2015	2016	2017
Capital and surplus prior reporting year	$249,225,860	$281,472,144	$340,724,748	$442,676,709
GAINS AND LOSSES TO CAPITAL AND SURPLUS				
Net income	$65,346,525	$46,167,714	$123,796,881	$183,916,865
Change in net unrealized capital gains and (losses)	(5,388,452)	3,293,465	8,264,759	24,686,429
Change in net deferred income tax	5,736,402	16,043,463	(2,582,302)	(11,707,172)
Change in nonadmitted assets	(8,448,191)	(21,252,038)	(7,527,377)	15,493,239
Surplus adjustments Paid in		15,000,000	15,000,000	
Dividends to stockholders	(25,000,000)		(35,000,000)	(60,000,000)
Net change in capital and surplus	$32,246,284	$59,252,604	$101,951,961	$152,389,361
Capital and surplus end of reporting year	$281,472,144	$340,724,748	$442,676,709	$595,066,070

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	$3,428,591,291
Net investment income	16,070,810
Total	$3,444,662,101
Benefit and loss related payments	$2,761,006,170
Commissions, expenses paid and aggregate write-ins for deductions	309,790,442
Federal income taxes paid	102,266,340
Total	$3,173,062,952
Net cash from operations	$271,599,149

Cash from Investments

Proceeds from investments sold, matured or repaid:	
Bonds	$294,051,323
Stocks	718,120
Other invested assets	3,534,423
Net (losses) on cash and short-term investments	(10,076)
Miscellaneous proceeds	36,105,197
Total investment proceeds	$334,398,987
Cost of investments acquired (long-term only):	
Bonds	$235,224,271
Stocks	20,243,819
Other invested assets	56,210,878
Miscellaneous applications	890,429
Total investment acquired	$312,569,397
Net cash from investments	$21,829,590

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	($60,000,000)
Other cash applied	(127,532,261)
Net cash from financing and miscellaneous sources	($187,532,261)

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	$105,896,478
Cash, cash equivalents and short-term investments:	
Beginning of the year	5,553,368
End of the year	$111,449,846

RECOMMENDATIONS FOR CORRECTIVE ACTION

Management and Control

1. Section 38.2 – 1330 of the Code of Virginia entitled, "Standards for transactions within an insurance holding company system; adequacy of surplus" outlines standards to which an insurer within a holding company system must adhere. Certain transactions may not be entered into unless the insurer has notified the Commission in writing of its intention to enter into the transaction at least 30 days prior thereto. Furthermore, Section 38.2 – 1330 B.1a. addresses materiality standards relating to sales to entities within the holding company system with respect to nonlife insurers, as the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders as of the immediately preceding December 31. During the examination it was discovered that the Corporation sold pharmacy rebate receivables to a California non-regulated affiliate without providing prior notice to the Commission. It is recommended that the Corporation immediately file a Form D Material Transaction with the Commission that outlines this arrangement and adhere to Section 38.2 – 1330 of the Code of Virginia going forward.

2. During the examination, the Examiners requested copies of the amendments to the Excess Medical Stop Loss Agreement that the Corporation originally executed with Anthem Health Plans of Virginia, Inc. effective January 1, 2000. These amendments document the rates being charged for the coverage during the specified period covered by the amendment. The Corporation was unable to provide executed copies of these amendments. The Corporation should immediately execute amendments to document the rates covered during the examination period. Additionally, the Corporation should execute amendments any time there is a change in the rates and file these amendments with the Commission, as necessary.

SUBSEQUENT EVENTS

1. On June 18, 2018 and December 27, 2018, the Corporation paid ordinary cash dividends of $120,000,000 and $63,400,000, respectively, to Anthem Southeast and UNICARE National in proportion to their respective ownership interests.

2. On October 17, 2018, the Bureau approved the repayment of the Corporation's surplus note, with a balance of $8,716,141 and its related accrued interest of $11,818,406, to Anthem Health Plans of Virginia, Inc. The Corporation repaid the note on December 2, 2018.

ACKNOWLEDGEMENT

The courteous cooperation extended by the officers and employees of the Corporation during the course of the examination is gratefully acknowledged.

In addition to the undersigned, other individuals from the financial examination staff of the Bureau participated in the work of the examination.

Respectfully submitted,

John E. Bunce, CFE
Assistant Chief Examiner
Commonwealth of Virginia

HealthKeepers, Inc.
2015 Staples Mill Road
Richmond, Virginia 23230

Anthem. BlueCross BlueShield

June 18, 2019

David H. Smith
Chief Examiner
Virginia Bureau of Insurance
1300 E. Main Street
Richmond, Virginia 23219

Subject: Examination Report as of December 31, 2017 of Healthkeepers, Inc.

Dear Mr. Smith:

This letter is the Company's formal response to recommendations for corrective action included in the 2017 examination report for Healthkeepers, Inc.. (The "Company")

Management and Control

1. Section 38.2-1330 of the Code of Virginia entitled, "Standards for transactions within an insurance holding company system; adequacy of surplus" outlines standards to which an insurer within a holding company system must adhere. Certain transactions may not be entered into unless the insurer has notified the Commission in writing of its intention to enter into the transaction at least 30 days prior thereto. Furthermore, Section 38.2 – 1330 B.1a. addresses materiality standards relating to sales to entities within the holding company system with respect to nonlife insurers, as the lesser of three percent of the insurer's admitted assets or 25 percent of surplus as regards policyholders as of the immediately preceding December 31. During the examination it was discovered that the Corporation sold pharmacy rebate receivables to a California non-regulated affiliate without providing prior notice to the Commission. It is recommended that the Corporation immediately file a Form D Material Transaction with the Commission that outlines this arrangement and adhere to Section 38.2 – 1330 of the Code of Virginia going forward.

   Company response: A Form D filing that included specifics concerning the quarterly transactions was submitted on May 15, 2019. In addition, a quarterly Form D will be filed with the BOI 30 days prior to any subsequent pharmacy sales that meet Section 38.2-1330 minimum standard thresholds.

2. During the examination, the Examiners requested copies of the amendments to the Excess Medical Stop Loss Agreement that the Corporation originally executed with Anthem Health Plans of Virginia, Inc. effective January 1, 2000. These amendments document the rates being charged for the coverage during the specified period covered by the amendment. The Corporation was unable to provide executed copies of these amendments. The Corporation should immediately execute amendments to document the rates covered during the examination period. Additionally, the Corporation should execute amendments any time there is a change in the rates and file these amendments with the Commission, as necessary.

   Company response: The Company will execute the reinsurance rate amendments agreements covered under the examination period and will file all new rate amendments with the Commission, as necessary.

Sincerely,

Bette Gronseth

Bette Gronseth
Director II Regulatory Reporting, External Financial Reporting
Anthem, Inc.