



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of Anthem Health Plans, Inc. (the "Company") as of December 31, 2022, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S.").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 30, 2024, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On June 11, 2024, the Company notified the Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company is hereby adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the Commissioner but send said certification to the care/attention of Michael Shanahan, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 13th day of June, 2024.



Andrew N. Mais
Insurance Commissioner



EXHIBIT A

EXAMINATION REPORT

OF THE

ANTHEM HEALTH PLANS, INC.
(NAIC # 60217)

AS OF

DECEMBER 31, 2022

BY THE CONNECTICUT INSURANCE DEPARTMENT



TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	4
Organizational Chart	5
Management and Control	5
Related Party Transactions	6
Territory and Plan of Operation	7
Reinsurance	7
Information Technology Controls	7
Accounts and Records	8
Financial Statements	
Assets	9
Liabilities, Capital and Surplus	10
Statement of Revenue and Expenses	11
Capital and Surplus	12
Unpaid Claims	12
Accrued Medical Incentive Pool and Bonus	12
Unpaid Claims Adjustment Expense	12
Summary of Recommendations	12
Subsequent Event	12
Conclusion	12
Signature	13

May 30, 2024

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has made an examination of the conditions and affairs of:

ANTHEM HEALTH PLANS, INC.

(hereinafter referred to as the Company or AHP), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office and its main administrative office located at 108 Leigus Road, Wallingford, Connecticut. The report of such examination is submitted herewith.

SCOPE OF THE EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2017. The current examination covers the period from January 1, 2018 through December 31, 2022.

The current examination was conducted as part of a multi-state examination of the Elevance Health, Inc. (Elevance) holding company, in which the Department served as a participating state and assisted the lead state, Indiana, in the simultaneous examination of forty-five (45) regulated entities domiciled in twenty-six (26) states, including Connecticut and its regulated entity (the Coordinated Examination). The Coordinated Examination not only provided information on each insurer individually but also provided a structure for regulators to understand and evaluate risks of the companies within the holding company as a whole.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company from 2018 through 2022:

- statutory audit reports completed by the Company's independent certified public accountant, Ernst & Young, LLP (E&Y);
- Board of Director (Board) and other committee minutes (through the latest 2023 minutes);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;

ANTHEM HEALTH PLANS, INC.

- reports of the Company's Internal Audit Department;
- documentation supporting Section 404 of the Sarbanes Oxley Act of 2002 (SOX);
- 10-K reports filed with the Securities and Exchange Commission; and
- Annual statements filed with the Department.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department and reports from the National Association of Insurance Commissioners (NAIC) database, all of which indicated no material concerns with respect to financial condition or regulatory compliance.

Work papers prepared by the Company's independent certified public accountants E&Y were reviewed and relied upon to the extent deemed appropriate.

Merlinos & Associates, Inc. (Merlinos) was engaged by the Indiana Insurance Department (IID) to assist in the review of the Company's reserving and pricing/underwriting risks for the coordinated examination.

Noble Consulting (Noble) was engaged by the IID to assist in the review of the Company's Information Technology General Controls (ITGCs) for the coordinated examination.

Winthrop Capital Management (Winthrop) was engaged by the IID to assist in the review of the Company's investment risks for the coordinated examination.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the 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 inherent risks within the Company, and evaluating 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 currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest the fair presentation of the financial statements included herein. If an adjustment is identified during the course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements.

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

ANTHEM HEALTH PLANS, INC.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

The Company was issued a certificate of incorporation by the Secretary of the State of Connecticut on February 7, 1997, pursuant to Section 33-646 of the CGS. The Company was licensed as a life, accident and health insurer on June 20, 1997, and as a health care center on July 22, 1997.

The Company was formed as part of a larger transaction under which its predecessor, Blue Cross and Blue Shield of Connecticut, Inc. (BCBSCT) was merged with and into Anthem Insurance Companies, Inc. (AICI), an Indiana domiciled insurance company, on August 1, 1997. In accordance with an assumption reinsurance agreement, BCBSCT transferred all of its insurance, managed care, and health care center businesses, and all its assets and liabilities, except the stock of Anthem East, Inc. (AE), a Delaware holding company, to the Company immediately prior to the August 1, 1997, merger.

The Company was a wholly-owned subsidiary of AE, which in turn was a wholly-owned subsidiary of AICI, which in turn was a wholly-owned subsidiary of Anthem, Inc.

Anthem was formed in July 2001 in connection with the conversion of AICI from a mutual insurance company to a stock insurance company. The demutualization was effective on November 2, 2001, in accordance with Indiana demutualization law. The Department approved the exemption from acquisition of controlling interest on July 18, 2001.

On November 30, 2004, Anthem and WellPoint Health Networks, Inc. (WHN) completed a merger. WHN merged with and into Anthem Holding Corp. (Holding), a direct and wholly-owned subsidiary of Anthem, with Holding 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 October 3, 2005, AE was converted into a limited liability company under the name Anthem East, LLC (Anthem East). Effective December 28, 2006, Anthem East, the Company's former parent, Anthem Midwest, LLC and Anthem West, LLC merged with and into ATH Holding Company, LLC (ATH Holding), with ATH Holding as the surviving entity. As a result of the merger, the Company is now a direct subsidiary of ATH Holding, which is a wholly owned subsidiary of WellPoint, the ultimate controlling entity. An exemption in change of control was granted by the Department on November 22, 2006.

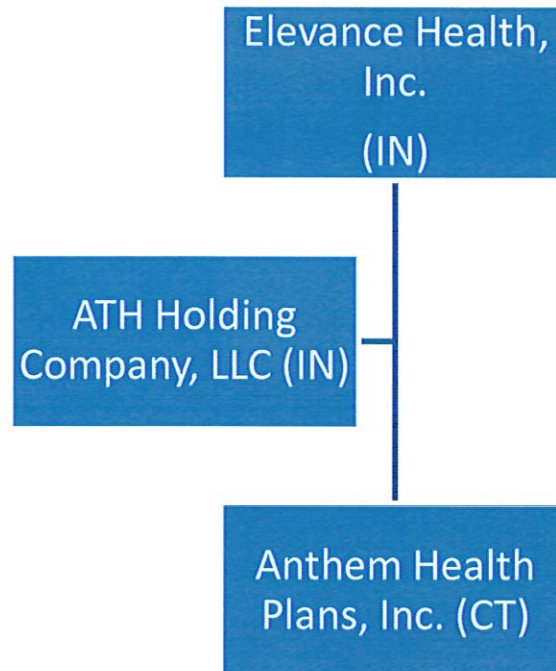
Effective December 2, 2014, the shareholders of WellPoint approved a proposal to amend its articles of incorporation to change its name back to Anthem, Inc. from WellPoint, Inc.

Effective June 27, 2022, Anthem, Inc. changed its name to Elevance Health, Inc. (Elevance).

ANTHEM HEALTH PLANS, INC.

ORGANIZATIONAL CHART

The following is a portion of the Company's organizational chart as of December 31, 2022:



MANAGEMENT AND CONTROL

The bylaws state that annual meetings of shareholders of the Company, for the election of directors and for the transaction of any other proper business, shall be held before the end of May each year, at such time and at such place within or outside the State of Connecticut as specified in the meeting notice. With respect to the vote required for a specified action, except as otherwise provided by law, by the Certificate of Incorporation or by the bylaws, at any meeting of shareholders, the holders of a majority of the outstanding stock entitled to vote at such meeting, either present or represented by proxy, shall constitute a quorum for the transaction of any business.

Special meetings of the shareholders of the Company may be called at any time by the Board, president, or shareholders holding not less than twenty-five percent (25%) of all shares of all classes outstanding and entitled to vote at the meeting.

In accordance with the bylaws, the Board is responsible for managing the business of the Company. The Board consists of three (3) directors, whom are elected at the annual meeting and serve one year or until their respective successor has been elected.

The Board shall meet without notice immediately following the annual meeting of the shareholders. Additional meetings may be set by resolution of the Board on an annual basis. A

ANTHEM HEALTH PLANS, INC.

majority of the Board shall constitute a quorum for the transaction of business. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

A special meeting of the Board shall be held whenever called by the Chairman, if any, or by any two members of the Board, at such time and place as shall be specified in the notice or waiver thereof.

Directors

At December 31, 2022, the directors of the Company were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Louis Gianquinto Jr.	Chairperson and President Anthem Health Plans, Inc.
Laurie Helm Benintendi	Vice President and Counsel Elevance Health, Inc.
Ronald William Penczek	Chief Accounting Officer Elevance Health, Inc.

Officers

At December 31, 2022, the officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Louis Gianquinto Jr.	President and Chairperson
Vincent Edward Scher	Treasurer
Eric Kenneth Noble	Assistant Treasurer
Kathleen Susan Kiefer	Secretary
Alfred Raymond Jarvis	Assistant Secretary

RELATED PARTY TRANSACTIONS

The Company is a party to numerous related party transaction agreements. The most significant agreements are as follows:

Tax Allocation Agreement

The Company files a consolidated federal tax return with Elevance and members of the affiliated group based on a written tax sharing agreement. The federal income tax is allocated to each of the companies in the consolidated group in a manner that approximates each company's liability on a separate tax company basis.

Administrative and Management Agreement

The Company is a party to the Master Administrative Services Agreement (MASA), with Elevance, and its subsidiaries, to provide or receive various administrative, management and support services. These services include management and general administration services operations services (accounting, investment, legal, actuarial, underwriting, claim adjudication, etc.) Some of these services are provided at cost while others are at fair market value.

ANTHEM HEALTH PLANS, INC.

Cash Concentration Agreement

The Company entered into the Anthem Cash Concentration Agreement, under this agreement, any of the Company's affiliates may be designated as a cash manager to handle the collection and/or payment of funds on behalf of the Company. Conversely, the Company may be designated as a cash manager to handle the collection and/or payment of funds on behalf of its affiliates.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the State of Connecticut and markets and underwrites hospitalization, surgical and medical, major medical, prescription drugs, vision, and dental insurance to individuals and groups. The Company also provides administrative services for certain employers and government agencies.

The Company also writes Medicare Advantage and Medicare Supplement plans in Connecticut.

As a Blue Cross Blue Shield Association licensee, the Company participates in the Federal Employee Health Benefits Program (FEP) and BlueCard program. FEP is a nationwide contract to provide health benefit coverage to federal employees and their dependents. BlueCard is a nationwide program that enables members who need health care services while traveling or living in other Blue Plans' services area to access their benefits through local Plans' providers.

REINSURANCE

During the examination period, the Company participated in the Connecticut Small Employer Health Reinsurance Pool (CSEHRP), a mandatory pool incorporated pursuant to Sections 38a-564 et seq. and 38a-569 of the CGS. This statute requires that each insurer issuing health insurance in this state on and after July 1, 1990, be a member of the pool. The Company retains \$5,000 on each individual cession.

Effective March 1, 2018, the Company entered into a Group Accident, Critical Illness, and Hospital Indemnity Quota Share Reinsurance Agreement with Hartford Life & Accident Insurance Company (Reinsurer), under which the Reinsurer has assumed 50% of the accident, critical illness, and hospital indemnity insurance business, except for defined exclusions.

INFORMATION TECHNOLOGY CONTROLS

Noble performed a risk-based assessment and review of the Company's ITGCs in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs was derived from Exhibit C Part 1 – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part 2 – Information Technology Work Program. The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were

ANTHEM HEALTH PLANS, INC.

designed effectively and were functioning properly. Based upon the risk-based assessment and review, the Company's ITGCs were determined to be effective.

ACCOUNTS AND RECORDS

The Company uses PeopleSoft for its automated general ledger, accounts receivable and accounts payable processing. Additionally, Anthem Consolidated East System ("ACES") provides a suite of integrated applications supporting the Company's various business functions and was the primary membership/billing and claims processing platform through December 31, 2022. However, the membership has migrated from ACES to WellPoint Group System ("WGS"), which was completed on January 1, 2023. The PeopleSoft accounting system produces a monthly trial balance based upon Generally Accepted Accounting Principles, which is then adjusted quarterly for statutory accounting and reporting requirements. The Company uses the Wings annual statement filing software to produce its statutory financial statements.

ANTHEM HEALTH PLANS, INC.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2022. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Non Admitted Assets	Net Admitted Assets
Bonds	\$242,598,062		\$242,598,062
Common stocks	2,905,153		2,905,153
Cash	(38,850,990)		(38,850,990)
Cash equivalents	2,366		2,366
Other invested assets	102,228,356		102,228,356
Receivables for securities	1,414		1,414
Securities lending reinvested collateral assets	33,145,688		33,145,688
Investment income due and accrued	2,268,096		2,268,096
Uncollected premiums and agents' balances in the course of collection	41,970,995	\$5,762,377	36,208,618
Deferred premiums, agents' balances and installments booked but deferred and not yet due	49,779,648		49,779,648
Accrued retrospective premiums	799,068		799,068
Contract subject to redetermination	58,084,499		58,084,499
Amounts recoverable from reinsurers	3,928,692		3,928,692
Amounts receivable relating to uninsured plans	254,722,754	20,376,867	234,345,887
Current federal and foreign income tax recoverable and interest thereon	14,910,781		14,910,781
Guaranty funds receivable or on deposit	2,131,301		2,131,301
Furniture and equipment, including health care delivery assets	9,589,872	9,589,872	0
Receivables from parent, subsidiaries and affiliates	68,337,676		68,337,676
Health care (\$15,129,435) and other amounts receivable	32,622,943	17,493,508	15,129,435
Aggregate write-ins for other than invested assets	36,369,916	6,081,665	30,288,251
Totals	<u>\$917,546,290</u>	<u>\$59,304,289</u>	<u>\$858,242,001</u>

ANTHEM HEALTH PLANS, INC.

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	\$249,185,523		\$249,185,523
Accrued medical incentive pool and bonus	7,617,884		7,617,884
Unpaid claims adjustment expenses	6,318,713		6,318,713
Aggregate health policy reserves; including the liability of \$5,151,815 for medical loss ratio rebate per the Public Health Service Act	37,670,624		37,670,624
Premiums received in advance	30,669,454		30,669,454
General expenses due or accrued	28,179,818		28,179,818
Net deferred tax liability	3,142,559		3,142,559
Ceded reinsurance premiums payable	4,778,035		4,778,035
Amounts withheld or retained for the account of others	9,751,407		9,751,407
Remittances and items not allocated	41,674,352		41,674,352
Payable for securities lending	33,145,688		33,145,688
Liability for amounts held under uninsured plans	49,652,785		49,652,785
Aggregate write-ins for other liabilities (including \$8,995,399 current)	17,669,507		17,669,507
Total liabilities	<u>\$519,456,348</u>		<u>\$519,456,348</u>
CAPITAL AND SURPLUS			
	Covered	Uncovered	Total
Common capital stock	XXX		500,000
Gross paid in and contributed surplus	XXX		2,025,180
Unassigned funds (surplus)	XXX		336,260,473
Total capital and surplus	XXX		338,785,653
Total liabilities, capital and surplus	XXX		<u>\$858,242,001</u>

ANTHEM HEALTH PLANS, INC.

STATEMENT OF REVENUE AND EXPENSES

STATEMENT OF REVENUE AND EXPENSES	Uncovered	Total
Member months	XXX	7,011,739
Net premium income	XXX	\$2,131,448,926
Change in unearned premium reserves and reserve for rate credits	XXX	(21,717,919)
Aggregate Write-ins for other non-health revenues	XXX	8,630
Total revenues	XXX	2,109,739,637
Hospital and Medical:		
Hospital/medical benefits		1,282,015,896
Other professional services		147,964,903
Outside referrals		29,320,591
Emergency room and out-of-area		133,139,083
Prescription drugs		232,952,138
Incentive pool, withhold adjustments and bonus amounts		14,709,874
Subtotal		1,840,102,485
Less:		
Net reinsurance recoveries		5,264,825
Total hospital and medical		1,834,837,660
Claims adjustment expenses, including \$45,825,463 cost containment expenses		77,271,402
General administrative expenses		129,660,086
Total underwriting deductions		2,041,769,148
Net underwriting gain or (loss)	XXX	67,970,489
Net investment income earned		26,986,456
Net realized capital gains or (losses) less capital gains tax of (\$6,100,941)		(14,640,252)
Net investment gains (losses)		12,346,204
Net gain or (loss) from agents' or premium balances charged off (amount charged off of \$363,195)		(363,195)
Aggregate write-ins for other income or expenses		2,814,448
Net income or (loss); after capital gains tax and before all other federal income taxes		82,767,945
Federal and foreign income taxes incurred		24,206,234
Net income (loss)	XXX	<u>\$58,561,711</u>
CAPITAL AND SURPLUS ACCOUNT		
Capital and surplus, December 31, prior year		\$270,499,624
Net income		58,561,711
Change in net unrealized gains (losses) less capital gains tax of \$2,946,749		11,083,237
Change in net deferred income tax		4,420,903
Change in non-admitted assets		(5,779,822)
Net change in capital and surplus for the year		68,286,029
Capital and surplus; December 31, current year		<u>\$338,785,653</u>

ANTHEM HEALTH PLANS, INC.

CAPITAL AND SURPLUS

\$338,785,652

The following is a reconciliation of capital and surplus for the period under examination:

Beginning of the Examination Period, January 1, 2018	\$293,707,099
Net income	327,023,659
Change in net unrealized capital gains or (losses) less capital gains tax	(30,128,784)
Change in net deferred income tax	(20,636,369)
Change in non-admitted assets	(9,179,953)
Dividends to stockholders	(222,000,000)
Net Change in Capital and Surplus for the Examination Period	45,078,553
Capital and Surplus, December 31, 2022	<u>\$338,785,652</u>

CLAIMS UNPAID

\$249,185,523

ACCRUED MEDICAL INCENTIVE POOL AND BONUS

\$7,617,884

UNPAID CLAIMS ADJUSTMENT EXPENSE

6,318,713

Merlinos assisted the IID in its risk-based actuarial review of reserving and pricing /underwriting of the Company. Based upon the review, no material findings were noted which affected the Company's reserving or pricing/underwriting risk.

SUMMARY OF RECOMMENDATIONS

None noted.

SUBSEQUENT EVENT

On March 24, 2023, the Company paid an ordinary dividend of \$45,000,000 to its parent company ATH Holding Company, LLC.

CONCLUSION

The results of this examination disclosed that as of December 31, 2022, the Company had admitted assets of \$858,242,001, liabilities of \$519,456,348, and capital and surplus of \$338,785,653. During the period under examination, admitted assets increased \$92,456,102, liabilities increased \$47,377,548, and surplus as regards policyholders increased \$45,078,554.

ANTHEM HEALTH PLANS, INC.

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Mike Shanahan, CFE; Keith Kleindienst, CFE; and the professional services firms of Noble, Winthrop and Merlinos.

I, Wayne Shepherd, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2022, to the best of my information, knowledge and belief.

Respectfully submitted,

Wayne Shepherd
Wayne Shepherd, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me, [Signature]
Notary Public on this 30 day of May, 2024.

[Signature]
Notary Public

My Commission Expires June 30, 2026

