

REPORT ON EXAMINATION

OF

EMPIRE HEALTHCHOICE ASSURANCE, INC.

AS OF

DECEMBER 31, 2019

DATE OF REPORT

SEPTEMBER 29, 2021

EXAMINERS

BRAD NEFF, CFE

JEFFREY USHER, CFE

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Department of Financial Services

KATHY HOCHUL
Governor

ADRIENNE HARRIS
Acting Superintendent

September 29, 2021

Honorable Adrienne A. Harris
Acting Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 32093, dated August 10, 2020, attached hereto, we have made an examination into the condition and affairs of Empire HealthChoice Assurance, Inc., an accident and health insurer licensed pursuant to Article 42 of the New York Insurance Law, as of December 31, 2019, and submit the following report thereon.

The examination was conducted remotely due to restrictions relating to the COVID-19 pandemic.

Empire HealthChoice Assurance, Inc. is a wholly owned subsidiary of WellPoint Holding Corporation (“WHC”). WHC is a wholly owned subsidiary of Anthem, Inc.

Wherever the designations “EHCA” or the “Company” appear herein, without qualification, they should be understood to indicate Empire HealthChoice Assurance, Inc.

Wherever the designation “EHC HMO” appears herein, without qualification, it should be understood to indicate Empire HealthChoice HMO, Inc., a wholly owned subsidiary of Empire HealthChoice Assurance, Inc.

Wherever the designations “WellPoint Holding Corporation” or “WHC” appear herein, without qualification, they should be understood to indicate WellPoint Holding Corporation, the Parent of EHCA.

Wherever the designation “Anthem” appears herein, without qualification, it should be understood to indicate Anthem, Inc., the ultimate Parent of WHC. On December 2, 2014, WellPoint, Inc. changed its corporate name to Anthem, Inc.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

Wherever the designation the “Companies” appears herein, without qualification, it should be understood to indicate Empire HealthChoice Assurance, Inc., and Empire HealthChoice HMO, Inc., collectively.

A concurrent examination was made of Empire HealthChoice HMO, Inc., a subsidiary health maintenance organization, certified pursuant to the provisions of Article 44 of the New York Public Health Law. A separate report thereon has been submitted.

1. SCOPE OF THE EXAMINATION

EHCA was previously examined as of December 31, 2016. This examination of the Company was a financial examination as defined in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook, 2020 Edition* (“the Handbook”), and it covered the three-year period, January 1, 2017 through December 31, 2019. The examination was conducted observing the guidelines and procedures in the Handbook and,

where deemed appropriate by the examiners, transactions occurring subsequent to December 31, 2019 were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiners' assessment of risk in EHCA's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiners planned and performed the examination to evaluate EHCA's current financial condition, as well as identify prospective risks that may threaten the future solvency of EHCA.

The examiners identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and annual statement instructions.

Information concerning EHCA's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated EHCA's risks and management activities in accordance with the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated EHCA's critical risk categories in accordance with the NAIC's ten critical risk categories. These categories are as follows:

- Valuation Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy Quality
- Reserve Data
- Reserve Adequacy
- Related Party Holding Company Considerations
- Capital Management

EHCA was audited annually for the years 2017 through 2019, by the accounting firm of Ernst & Young, LLP ("EY"). EHCA received an unmodified opinion in each of those years. Certain audit workpapers of EY were reviewed and relied upon in conjunction with this examination. A review was also made of Anthem, Inc.'s Internal Audit function, Sarbanes-Oxley/Model Audit Rule ("SOX/MAR") function, and Enterprise Risk Management program, as they relate to the Company.

This examination was conducted as a coordinated examination, as such term is defined in the Handbook (an examination of one insurer or a group of insurers performed by examiners from

more than one state whereby the participating states share resources and allocate work among the examiners), of the insurance subsidiaries of Anthem, Inc. The examination was led by the state of Indiana with participation from four (4) other states: New York, Arkansas, Florida, and Kansas. Since the lead and participating states are accredited by the NAIC, all states deemed it appropriate to rely on each other's work. The examination team, representing the participating states, identified and assessed the risks for key functional activities across all of the Anthem, Inc. insurance subsidiaries. The examination team also assessed the relevant prospective risks as they related to the insurance entities.

Additionally, as part of this coordinated examination and in accordance with the provisions of the Handbook, an information systems review was made on a risk-focused basis of Anthem's computer systems and operations that support EHCA.

The examiners reviewed the corrective actions taken by the Company with respect to the recommendations concerning financial issues contained in the prior report on examination. The results of the examiners' review are contained in Item 6 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF THE COMPANY

EHCA is a New York domiciled accident and health insurance company licensed under Article 42 of the New York Insurance Law. EHCA is a wholly owned subsidiary of WellPoint Holding Corporation ("WHC"). WHC is a wholly-owned subsidiary of Anthem, Inc. ("Anthem"),

which is a publicly traded company. Effective December 2, 2014, Anthem changed its corporate name from WellPoint, Inc.

Effective November 7, 2002, Empire Blue Cross Blue Shield converted from an Article 43 non-profit health service corporation to an Article 42 for-profit accident and health insurer. Simultaneously with the conversion, Empire Blue Cross and Blue Shield merged with its subsidiary EHCA, with Empire Blue Cross and Blue Shield being the surviving corporation and taking the name of the subsidiary, Empire HealthChoice Assurance, Inc. EHCA wholly owns Empire HealthChoice HMO, Inc., a for-profit New York domiciled health maintenance organization (“HMO”), licensed under Article 44 of the New York Public Health Law.

The majority of EHCA’s business is experience rated comprehensive health coverage issued to large groups. EHCA also sells experience rated non-comprehensive contracts to large groups as well as Medicare and Medicare Supplement contracts. The Company also provides administrative services for certain health plans. Furthermore, the Company sells stop-loss business issued to self-insurers. The Company is a licensee of the Blue Cross and Blue Shield Association (“BCBSA”) and markets its products under the Blue Cross Blue Shield trade name. As a BCBSA licensee, the Company participates in the Federal Employee Program (“FEP”) and the Blue Card Program.

A. Management and Controls

Pursuant to the Company’s By-laws, management of the Company is to be vested in a Board of Directors (“BOD”) consisting of not less than seven (7) and not more than eleven (11) Directors. As of December 31, 2019, EHCA’s Board of Directors was comprised of seven (7) Directors.

The Audit Committee for Anthem, which is composed of outside Directors, assumes responsibility for all entities in the holding company structure. With the independent auditors, internal auditors, and the Risk Assessment and Controls group, the Anthem Audit Committee reviews the effectiveness of the accounting and financial controls and elicits recommendations that may improve controls. The Anthem Audit Committee meets each quarter and minutes of the meetings are prepared and retained.

The seven (7) Directors of EHCA and their principal business affiliation as of December 31, 2019, are as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Karen Elizabeth Geiger-Niedfeldt Bryson City, NC	Attorney, Anthem, Inc.
Charles Morgan Kendrick, Jr. LaGrange, GA	Senior Vice President, Anthem, Inc.
Alan James Murray Syosset, NY	Chairman, President and Chief Executive Officer, Empire HealthChoice Assurance, Inc.
Patrick James O’Keeffe Queensbury, NY	Attorney, Anthem, Inc.
Randall Vincent Pernicone* New Milford, NJ	Financial Executive, Anthem, Inc.
Michael Jon Rains Indianapolis, IN	Vice President & Staff Vice President of Finance, Anthem, Inc.
Ari Paul Szafranski Valley Stream, NY	Actuary, Empire Blue Cross Blue Shield

**Effective March 5, 2020, Randall V. Pernicone resigned and was replaced by Jennifer Kuhn.

A review of the minutes of the BOD meetings held during the examination period revealed that the meetings were generally well attended, with all members attending at least 50% of the meetings they were eligible to attend.

The principal officers of the Company as of December 31, 2019, were as follows:

<u>Name</u>	<u>Title</u>
Alan James Murray	President, Chief Executive Officer and Chairman
Jay Harry Wagner	Secretary
Eric Kenneth Noble	Treasurer
Patrick James O’Keeffe	Assistant Secretary

B. Corporate Governance

Anthem, Inc. is a publicly traded, diversified health company subject to the Sarbanes-Oxley Act of 2002, EHCA is required to be compliant with Insurance Regulation No. 203 (11 NYCRR 82) – Enterprise Risk Management and Own Risk and Solvency Assessment. Controls are identified by management and testing is managed and monitored by the Anthem Risk Control and Assurance Group that reports to the Anthem Internal Audit Department (“IAD”). Shared services are managed by Anthem and include information technology, risk management, investments, accounting, and internal audit.

i. Enterprise Risk Management

Anthem has adopted an Enterprise Risk Management (“ERM”) framework for proactively addressing and mitigating risks, including prospective business risks. Exhibit M of the Handbook (*Understanding the Corporate Governance Structure*) was utilized by the examiners as guidance for assessing corporate governance. It appears that the Company’s BOD and key executives maintain an effective control environment.

ii. Internal Audit Department

Anthem has an established Internal Audit Department (“IAD”) function, which is independent of management, to serve the Anthem Audit Committee of the BOD (“the Audit

Committee” or “AC”). In addition, Anthem has established an Audit Council to address the requirements of Insurance Regulation No. 118 (11 NYCRR 89) – Audited Financial Statements, New York’s version of the NAIC’s Model Audit Rule, and to assist management at the local level with any insurance regulatory reviews.

During the course of this examination, consideration was given to the significance and potential impact of certain IAD and Risk Control and Assurance (“RCA”) findings. To the extent possible, the examiners relied upon the work performed by the IAD, as prescribed by the Handbook.

No exceptions were noted by the examiners relative to the Company’s corporate governance.

C. Territory and Plan of Operation

EHCA is licensed in New York State pursuant to the provisions of Article 42 of the New York Insurance Law. EHCA is licensed to sell accident and health insurance in the State of New York and primarily issues group accident and health insurance contracts to employers and associations.

The Company is a licensee of the Blue Cross and Blue Shield Association and markets its products under the Blue Cross Blue Shield trade name. EHCA, including its predecessor company, has been in operation since 1974 and offers traditional indemnity products, including prescription drug and dental coverage, and a diversified mix of managed care products, including preferred provider organizations (“PPOs”), to employers and individuals in the Greater New York City metropolitan region and select upstate counties in New York State. Additionally, the Company provides administrative services, including claim processing, underwriting and provider network

access, to certain health plans, as well as medical cost management, under self-insured agreements, to other insurers.

As a BCBSA licensee, the Company participates in the Federal Employee Program (“FEP”) and the Blue Card program. The FEP is a nationwide contract with the Federal Office of Personnel Management (“OPM”) that provides health benefit coverage to Federal employees and their dependents. The BlueCard program is a BCBSA nationwide program that enables members who need health care services while traveling or living outside their service area to access their benefits through local BCBSA plan providers. It also allows the cost of the service to be calculated in accordance with the local plan’s contract with providers.

The following table displays EHCA’s net admitted assets, capital and surplus, net premium income, and net income during the period under examination:

	<u>Net Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Net Premium Income</u>	<u>Net Income</u>
2017	\$2,176,966,214	\$ 963,778,125	\$2,145,020,071	\$106,097,453
2018	1,982,572,573	820,988,633	2,588,542,607	164,652,986
2019	1,982,115,146	897,717,928	2,822,963,851	206,363,910

As of December 31, 2019, the Company had 1,071,196 members. The following chart shows annual membership changes during the examination period by number and percentage:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Members	765,909	906,442	1,071,196
% of Change	(1.22)%	18.35%	18.18%

D. Risk-Based Capital

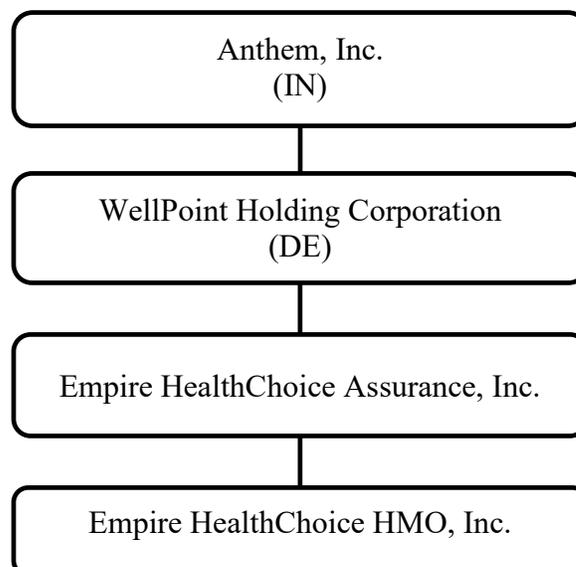
Risk-Based Capital (“RBC”) measures the minimum amount of capital appropriate for the Company to support its overall business operations in consideration of its size and inherent risks. An RBC of 300 or below can result in regulatory action.

The Company’s RBC during the examination period was above the regulatory action level.

E. Holding Company System

As of the examination date, EHCA was a wholly-owned subsidiary of WHC, which is a wholly-owned subsidiary of Anthem, a publicly traded company. As a member of a holding company system, EHCA is required to file registration statements pursuant to Article 15 of the New York Insurance Law and Insurance Regulation No. 52 (11 NYCRR 80). All pertinent filings made during the examination period, regarding the aforementioned statute and regulation were reviewed. No exceptions were noted.

The following chart depicts the Company’s abbreviated holding company system as of December 31, 2019:



The Company, during the examination period, was a party to inter-company agreements with its affiliates, which were subject to the Department's review and approval. These agreements involved activities such as administrative services, cash management, investment management, and tax allocation.

Section 1505(d)(3) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto... and the superintendent has not disapproved it within such period...
(3) rendering of services on a regular or systematic basis.”

Inter-company agreements and amendments for EHCA that were in place as of December 31, 2019, included the following:

- Amended and Restated WellPoint Master Administrative Services Agreement – The Company entered into an Amended and Restated Master Administrative Services Agreement (“MASA”), effective January 1, 2008, with Anthem (fka “WellPoint”) and its subsidiaries and affiliates. This Agreement and the Attachment NY-01 were approved by the Department on July 3, 2008.

The MASA was amended in order to incorporate provisions from the 2010 National Association of Insurance Commissioner's Model Insurance Holding Company Regulatory Act and Model Insurance Holding Company System Model Regulation with Reporting Forms and Instructions. Approval of the amendment was requested by a letter dated June 14, 2018. The Amendment was revised and resubmitted on July 9, 2018. The Department issued a no objection letter dated July 11, 2018.

As set forth above, the amendment to Attachment NY-01 to the MASA sets forth the services to be provided or received by EHCA. In connection with Anthem's development of an affiliated pharmacy benefit manager, IngenioRx, and with the goal of streamlining its intercompany agreements, EHCA requested approval to amend Attachment NY-01 in order to include IngenioRx into the list of primary entities that provide services to EHCA and to incorporate pharmacy benefit management administrative and support services into the list of services that may be provided to EHCA.

- Federal Income Tax Allocation Agreement – EHCA entered into an Amended Consolidated Federal Income Tax Agreement, retroactively effective December 31, 2005, with Anthem (fka “WellPoint”) and its subsidiaries. This agreement was submitted to the

Department on September 28, 2006, and a letter of no objection was sent to the Company on October 4, 2006.

F. Reinsurance

The Company entered into a reinsurance agreement with Hartford Life and Accident Insurance Company, effective March 1, 2018. The Company ceded \$15,117 of premiums in 2019 pursuant to this reinsurance agreement.

G. Internal Controls

The NAIC Risk-Focused approach to financial examinations relies on the review of mitigating controls applicable to the inherent risks of the companies examined. In the case of Anthem and EHCA, the mitigating controls are housed in “Open Pages”, a vendor purchased software package. Controls related to the Anthem Sarbanes-Oxley (“SOX”) and Insurance Regulation No. 118 (11 NYCRR 89) are tested and monitored by Anthem’s Risk Control and Assurance (“RCA”) group. Within Anthem’s SOX records, the internal controls applicable to EHCA were identified by its management.

A thorough review of Anthem’s SOX controls documentation and the Company’s MAR internal controls were an important component of the examination process. There were no identified material weaknesses or significant deficiencies identified by EY, the Company’s Auditor. Additionally, there were no material control deficiencies or internal control observations noted by the examiners during the review of Anthem’s and the Company’s internal controls that warranted attention.

The Information Technology (“IT”) environment for EHCA is managed in a shared services model by Anthem, Inc. Under this model, Anthem manages all aspects of information technology for the entire holding company.

IT infrastructure and operations for the financially significant systems identified were managed at the data centers located in Richmond, Virginia; Virginia Beach, Virginia; Harrisonburg, Virginia; and St. Louis, Missouri.

The examination encompassed a review of the controls for financially significant applications, systems and infrastructure. The IT portion of the examination was performed in accordance with the Handbook and utilized applicable procedures found in Exhibit C – *Evaluation of Controls in Information Technology* – of the Handbook.

Controls for financially significant applications, systems, and underlying infrastructure in each of the NAIC’s Exhibit C Information Technology Work Program areas listed below represent the framework for the scope of this examination. The following control areas were reviewed:

- Align, Plan and Organize;
- Build, Acquire and Implement;
- Deliver, Service and Support; and
- Monitor, Evaluate, and Assess.

It was determined that the overall assessment of EHCA’s IT General Controls (“ITGC”) environment for the key financial systems that supported the preparation of the Company’s financial statements supported an ITGC reliance-based financial examination. The IT examiners assessed the ITGC for EHCA as effective.

H. Investment Policy

Anthem utilizes a single Investment Policy Statement (“IPS”) for all entities that is broad. In certain instances, the IPS limits are in excess of state investment statutes. As a result, Anthem must provide each external Investment Manager with Investment Guidelines as an Appendix to the Investment Management Agreement, in order to ensure compliance with state investment statutes.

This does not represent best practice as each insurance entity may have several managers and aggregate investment limits for each entity are not specifically stated in a separate IPS. Therefore, it is possible for each manager to be in compliance with its investment guidelines but for the insurance entity to not be in compliance with state investment statutes, due to the lack of aggregate entity level investment limits stated in a separate IPS.

As a good business practice, it is recommended that the Company review and update its investment policy on a regular basis to ensure that its policy is in compliance with the New York Insurance Law.

3. **FINANCIAL STATEMENTS**

The following statements show the assets, liabilities, capital and surplus as of December 31, 2019, as contained in the Company's 2019 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiners' review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in the financial statements contained in the December 31, 2019 filed annual statement.

The firm of Ernst and Young, LLP ("EY") was retained by Anthem to audit EHCA's combined statutory basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

EY concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the 2018 and 2019 annual statements with no discrepancies noted.

A. Balance SheetAssets

Bonds	\$ 964,891,174
Preferred stocks	2,020,114
Common stocks	157,155,770
Cash, cash equivalents and short-term investments	(185,907,429)
Other invested assets	106,283,064
Securities lending reinvested collateral assets	36,576,634
Investment income due and accrued	10,917,424
Uncollected premiums in the course of collection	72,940,548
Deferred premiums, agents' balances and installments booked but deferred and not yet due	129,258,204
Accrued retrospective premiums	61,388,584
Amounts recoverable from reinsurers	350
Amounts receivable relating to uninsured plans	407,605,556
Federal and foreign income tax recoverable and interest thereon	900,793
Net deferred tax asset	28,323,408
Receivables from parent, subsidiaries and affiliates	1,197,893
Health care and other amounts receivable	12,243,752
Aggregate write-ins for other than invested assets	
New York Assessment	41,027,472
FEP assets held by agent	80,243,135
Accounts receivable inter company activity	49,972,742
Demographic Pooling Receivables (NY Regulation No. 146)	3,803,287
Miscellaneous Receivables	838,435
Prepaid Expenses	330,869
Medicare Receivables	<u>103,367</u>
Total assets	<u>\$1,982,115,146</u>

Liabilities

Claims unpaid	\$ 373,721,045
Accrued medical incentive pool and bonus amounts	2,514,906
Unpaid claims adjustment expenses	7,235,081
Aggregate health policy reserves	105,153,004
Aggregate health claim reserves	175,265
Premiums received in advance	26,865,888
General expenses due and accrued	44,654,671
Ceded reinsurance premiums payable	4,206
Amounts withheld or retained for the account of others	25,364,499
Remittances and items not allocated	47,869,382
Payable for securities	676,813
Payable for securities lending	36,576,634
Liability for amounts held under uninsured plans	262,159,656
Aggregate write-ins for other liabilities:	
Escheat liability	55,177,919
Accounts payable – out-of-area program – Home Plan	79,285,957
Accounts payable – miscellaneous	12,199,450
Pooling Payable – (NY Regulation No. 146)	2,939,422
Other Premium Liability	1,648,286
Low Income Housing Tax Credits	175,134
Total liabilities	\$ <u>1,084,397,218</u>

Capital and Surplus

Aggregate write – ins for special surplus funds:	
Estimated ACA Health Insurer fee	\$ 51,268,060
Common capital stock	300,000
Gross paid-in and contributed surplus	188,082,137
Unassigned funds (surplus)	<u>658,067,731</u>
Total capital and surplus	\$ <u>897,717,928</u>
Total liabilities, capital and surplus	\$ <u>1,982,115,146</u>

NOTE: The Internal Revenue Service (“IRS”) routinely conducts a Compliance Assurance evaluation of tax returns for Anthem and its affiliates. There were no known IRS findings reported from the Compliance Assurance evaluation completed for December 31, 2017, December 31, 2018 or December 31, 2019. The examiners are unaware of any potential exposure of issues related to EHCA for any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Changes in Capital and Surplus

The Company's capital and surplus increased by \$20,312,549 during the three-year examination period, January 1, 2017 through December 31, 2019, detailed as follows:

Revenue

Premium income	\$ 7,556,526,529	
Change in unearned premium reserve	<u>14,380,675</u>	
Total revenue		\$ 7,570,907,204

Hospital and medical expenses

Hospital medical benefits	\$ 4,065,983,067	
Other professional services	348,268,821	
Outside referrals	447,333,163	
Emergency room and out-of-area	662,007,020	
Prescription drugs	1,090,114,020	
Aggregate write-ins for other hospital and medical	(19,317,811)	
Incentive pool, withhold adjustments and bonus amounts	<u>22,828,954</u>	
Net reinsurance recoveries	<u>8,906</u>	
Total hospital and medical expenses	\$ 6,617,208,328	
Claims adjustment expenses	144,819,173	
General administrative expenses	<u>456,459,735</u>	
Total underwriting deductions		<u>\$7,218,487,236</u>
Net underwriting gain		\$ 352,419,968
Net investment income earned		82,033,212
Net realized capital gains less capital gains tax		<u>45,130,273</u>
Net investment gains		<u>127,163,485</u>
Net loss from agents' premium balances charged off		(536,761)
Aggregate write-ins for other income or expense		<u>92,726,242</u>
Net income after capital gains tax and before federal income taxes		\$ 571,772,934
Federal and foreign income taxes incurred		<u>94,658,585</u>
Net income		<u>\$ 477,114,349</u>

Changes in Capital and Surplus

Capital and surplus, per report on examination, as of December 31, 2016			\$ 877,405,379
	<u>Gains in</u> <u>Surplus</u>	<u>Losses in</u> <u>Surplus</u>	
Net income	\$ 477,114,349		
Net change in unrealized capital gains		\$ 97,174,437	
Change in net deferred income tax		26,842,681	
Change in non-admitted assets		2,784,682	
Dividends to stockholders	<u> </u>	<u>330,000,000</u>	
Net increase in capital and surplus			\$ <u>20,312,549</u>
Capital and surplus, per report on examination as of December 31, 2019			\$ <u>897,717,928</u>

4. CLAIMS UNPAID

The examination liability of \$373,721,045 for the above captioned accounts are the same as the amounts reported by EHCA in its filed December 31, 2019 annual statement.

The examination analysis of the aggregate reserves and claims unpaid reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in EHCA's internal records and in its filed annual statements as verified during the examination. The examination reserve was based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized EHCA's past experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2019.

5. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus ("COVID-19") a global health pandemic. At the onset of the pandemic, to prevent its spread, most states issued shelter-in-place or stay-at-home orders, which generally required the businesses not considered essential to close their physical offices. While these orders were largely lifted during the second quarter of 2020, many states and local authorities continued to impose certain restrictions on the conduct of businesses and individuals.

The COVID-19 pandemic continues to evolve, and the virus and mitigation efforts have continued to impact the global economy, cause market instability, increase unemployment and put pressure on the healthcare system. The COVID-19 pandemic has impacted and will continue to impact Anthem companies' membership and benefit expenses and has influenced and will likely continue to influence member behavior, impacting how members access healthcare services. The Department

continues to closely monitor the impact of the pandemic on EHCA and will take necessary action if a solvency concern arises.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2016, contained the following two (2) comments and recommendations pertaining to the financial portion of the examination (page number refers to the prior report on examination):

<u>ITEM NO.</u>	<u>PAGE NO.</u>
<p>1. <u>Holding Company System</u></p> <p>It is recommended that the Company comply with Section 1505(d)(3) of the New York Insurance Law by notifying the Department thirty (30) days prior to entering into any affiliated transactions that require such submission.</p> <p><i>The Company has complied with this recommendation.</i></p>	<p>13</p>
<p>2. <u>Faciliation of the Examination</u></p> <p>It is recommended that the Company comply with the requirements of Section 310(a)(3) of the New York Insurance Law by providing the requested documentation in a timely manner.</p> <p><i>The Company has complied with this recommendation.</i></p>	<p>15</p>

7. **SUMMARY OF COMMENTS AND RECOMMENDATIONS****ITEM****PAGE NO.**A. Investment Policy

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As a good business practice, it is recommended that the Company review and update its investment policy on a regular basis to ensure that its policy is in compliance with the New York Insurance Law.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Noble Consulting Services, Inc.

as a proper person to examine the affairs of the

Empire HealthChoice Assurance, Inc.

and to make a report to me in writing of the said

Company

with such other information as they shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 10th day of August, 2020

LINDA A. LACEWELL
Superintendent of Financial
Services

By: *Alice W. McKenney*

*Alice McKenney
Deputy Chief
Health Bureau*

