REPORT ON EXAMINATION

OF

EMPIRE HEALTHCHOICE ASSURANCE, INC.

AS OF

DECEMBER 31, 2013

DATE OF REPORT	AUGUST 15, 2016
EXAMINERS	JERRY EHLERS, CFE
	SYLVIA D. LAWSON, AINS, ARM, CLU

TABLE OF CONTENTS

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

August 15, 2016

Honorable Maria T. Vullo
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 31231, dated October 9, 2014 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, 2013, and submit the following report thereon.

The examination was conducted at the home office of Empire HealthChoice Assurance, Inc. located at One Liberty Plaza, New York, NY.

Empire HealthChoice Assurance, Inc., is a wholly-owned subsidiary of WellPoint Holding Corporation ("WHC"). WHC is a wholly-owned subsidiary of WellPoint, Inc. ("WellPoint").

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 “WellPoint” appears herein, without qualification, it should be understood to indicate WellPoint, 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” appear 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., an affiliated health maintenance organization, licensed pursuant to the provisions of Article 44 of the New York Public Health Law. A separate report thereon has been submitted.

A separate market conduct examination reviewing the manner in which EHCA and its subsidiary EHC HMO conducted its business practices and fulfilled its contractual obligations to policyholders and claimants was also conducted as of December 31, 2014. A separate report thereon will be submitted.

1. SCOPE OF THE EXAMINATION

EHCA was previously examined as of December 31, 2010. This examination of the Company was a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2014 Edition* ("the Handbook") and it covered the period from January 1, 2011 through December 31, 2013. 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, 2013 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 2011 through 2013, by the accounting firm of Ernst & Young, LLP ("E&Y"). EHCA received an unmodified opinion in each of those years. Certain audit work papers of E&Y were reviewed and relied upon in conjunction with this examination. A review was also made of WellPoint, Inc.'s (the Company's ultimate parent), 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 WellPoint, Inc. The examination was led by the state of Indiana with participation from twelve (12) other states: New York, California, New Hampshire, Maryland, Maine, Missouri, Ohio, Texas, Virginia, West Virginia, Washington and Wisconsin. 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 WellPoint, 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 WellPoint'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 5 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, Inc. ("WellPoint"), a publicly traded company. Effective December 2, 2014, WellPoint changed its corporate name to Anthem, 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.

EHCA's revenue is generated primarily as a result of premiums earned from health insurance contracts whereby policyholders are indemnified against losses.

EHCA incurs expenses primarily from health benefit costs, such as outpatient and inpatient care, physician visits, and pharmacy benefits and administrative expenses. The Company also provides administrative services, such as claims processing, underwriting, provider network access and medical cost management under self-insured agreements. Under these contracts, the insureds retain the risk of funding payments for health benefits; however, EHCA is subject to credit risk derived from the time of the claim payment until the time of the claim reimbursement from the customer. In accordance with statutory accounting principles, the Company excludes such claim payments and subsequent reimbursements from the statutory basis income statement and the administrative fees earned are deducted from operating expenses.

In a letter dated October 14, 2011, WellPoint Holding Corporation filed an application for approval for the acquisition of control of Rayant Insurance Company of New York ("Rayant"). This application was filed pursuant to Section 1506 of the New York State Insurance Law and Subpart 80-1.6 of Insurance Regulation No. 52 (11 NYCRR 80-1.6) – Holding Companies. On December 28, 2011, the application for acquisition of Rayant by WHC was approved by this Department. Pursuant to the purchase agreement, WellPoint Holding Corporation purchased 100% of the capital stock of Rayant, a dental insurance company wholly owned by Horizon Healthcare Plan Holding Company, Inc. Rayant became a party to the WellPoint inter-company Federal Income Tax Sharing Agreement and the Amended and Restated Master Administrative Services Agreement. On December 30, 2013, Rayant was merged into EHCA.

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 thirteen (13) and not more than twenty-five (25) Directors. As of December 31, 2013, EHCA's Board of Directors was comprised of thirteen (13) Directors. The Audit Committee for WellPoint, Inc. ("WellPoint"), the Companies' ultimate parent, 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 WellPoint Audit Committee reviews the effectiveness of the accounting and financial controls and elicits recommendations that may improve controls. The WellPoint Audit Committee meets each quarter and minutes of the meetings are prepared and retained.

The thirteen (13) Directors and their principal business affiliation as of December 31, 2013, are as follows:

Name and Residence	Principal Business Affiliation
Carter A. Beck Manchester, NH	Senior Vice-President and Counsel, WellPoint, Inc.
Scott Breidbart Mt. Kisco, NY	Director Senior Clinical Officer, WellPoint, Inc.
Thomas H. Canty West Nyack, NY	Vice-President & General Manager, Large & Muni, WellPoint, Inc.
William A. Corrigan Deer Park, NY	Regional Vice-President, Underwriting II, WellPoint, Inc.
Ethel A. Graber Niskayuna, NY	Vice-President & General Manager, Upstate New York, WellPoint, Inc.
Brian T. Griffin Allenhurst, NJ	President and Chief Executive Officer – New York Market Empire HealthChoice Assurance, Inc.
William B. Hartman Slingerlands, NY	Staff Vice President, Claims, WellPoint, Inc.
Gloria M. McCarthy Blauvelt, NY	Executive Vice President & Chief Administration Officer, WellPoint, Inc.
Patrick O'Keefe Summit, NJ	Vice-President & General Manager, Downstate New York, WellPoint, Inc.
Raymond L. Umstead Carmel, IN	Senior Vice-President & Deputy General Counsel, WellPoint, Inc.
Chrystal L. Veazey-Watson West Caldwell, NJ	Associate General Counsel, New York Market, WellPoint, Inc.
Jay H. Wagner Carmel, IN	Associate General Counsel, WellPoint, Inc.
Richard D. Watson Jersey City, NJ	Regional Vice-President, Finance, WellPoint, Inc.

A review of the members of the Board of Directors' 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, 2013 were as follows:

Name	Title
Brian T. Griffin	President and Chief Executive Officer
Jay H. Wagner	Secretary
Eric K. Noble	Treasurer
Chrystal L. Veazey-Watson	Assistant Secretary

B. Corporate Governance

WellPoint, Inc. is a publicly traded, diversified health company subject to the Sarbanes-Oxley Act of 2002, and 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 WellPoint Risk Control and Assurance group that reports up through the WellPoint, Inc. Internal Audit Department ("IAD"). Shared services are managed by WellPoint, Inc. and include information technology, risk management, investments, accounting, and internal audit.

i. Enterprise Risk Management

WellPoint 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

WellPoint has an established Internal Audit Department ("IAD") function, which is independent of management, to serve the WellPoint Audit Committee of the BOD ("the Audit Committee" or "AC"). In addition, WellPoint 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 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 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 ("BCBSA") and markets its products under the Blue Cross/Blue Shield trade name. EHCA, including its predecessor company, has been in operation over thirty-nine years and offers traditional indemnity products 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. The Company also provides administrative services, such as claims processing, underwriting, provider network access, and medical cost management, to certain customers under self-insured agreements.

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:

	Net Admitted Assets	Capital and Surplus	Net Premium Income	Net Income
2013	$3,533,272,999	$1,711,878,986	$4,562,079,251	$263,020,021
2012*	3,655,502,953	1,712,204,147	5,124,051,297	290,966,131
2011*	3,557,014,741	1,446,145,602	5,544,647,629	330,098,877

* - Includes the impact of the merger of Rayant Insurance Company of New York into EHCA.

The above change in net income for calendar year 2013 was primarily attributed to losses in the Company's government program products.

As of December 31, 2013, health care services were provided to 1,791,872 members. The following chart shows annual membership changes during the examination period by number and percentage:

	2010	2011	2012	2013
Members	1,620,403	1,836,823	1,857,178	1,791,872
% of change	(36.83)%	13.36%	1.11%	(3.52)%

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. The Company's RBC for the examination period was 603%, 771% and 864% for calendar years 2011, 2012, and 2013, respectively, resulting in a "no action" level and thereby requiring no further action on the part of the Company or the Department.

E. Dividends

Section 4207(b)(1) of the New York Insurance Law states in part:

> "(b)(1) Except as provided in paragraph three hereof, no domestic stock accident and health insurance company shall declare or distribute any dividend on its capital stock, except out of earned surplus, as defined in subsection (a) of section four thousand one hundred five of this chapter. Notwithstanding the forgoing, the superintendent may permit a domestic stock accident and health insurance company to restate its earned surplus under a plan of quasi-reorganization in accordance with regulations as may be promulgated by the superintendent. No domestic stock accident and health insurance company shall declare or distribute any dividend to shareholders which, together with all such dividends declared or distributed by it during the next preceding twelve months, exceeds the lesser of ten percent of its surplus to policyholders, as shown by its last statement on file with the superintendent, or one hundred percent of adjusted net investment income for such period unless, upon prior application therefor, the superintendent approves a greater dividend payment based upon his finding that the insurer will retain sufficient surplus to support its obligations and writings…"

EHCA declared and paid a dividend November 20, 2011, to its sole shareholder WellPoint Holding Corporation, Inc. It should be noted that a finding was made in the prior report on examination when it was determined that the aggregate amount of the dividend had exceeded 10%

of the Company's prior twelve month period's capital and surplus and that the Superintendent's approval was not obtained before the payment of the dividend. It should be further noted that the Company's has rectified this matter.

F. Small Group Business

During the examination period, EHCA saw the erosion of the profitability of its small group business. EHCA has limited its writings of small group business accounts in New York. The trend was for small group disenrollment as EHCA and EHC HMO pursue alternative contract arrangements, including adding stop-loss insurance and Administrative Services Only ("ASO") products, as well as the healthcare reform initiatives noted previously and customer trends detailed below. The decline in small group enrollment was predominately the result of the switch to an affiliated Preferred Provider Organization ("PPO") plan by some small groups, as well as competitor Health Maintenance Organization ("HMO") plans and the economic downturn.

On September 2, 2011, the Department met with representatives from EHCA and EHC HMO to discuss a plan for the discontinuance of small group policy forms and options which were planned for January 1, 2012. Early in 2011, EHCA and EHC HMO submitted a plan to discontinue certain products relative to their small group and commercial markets, which were mostly associated with prescription drug plans.

On October 1, 2011, EHCA discontinued its small group and commercial Health Savings Account ("HSA") market. EHCA discontinued two options from its Total Blue product, which represents two of six total cost share configurations.

Effective January 1, 2012, EHCA also discontinued additional small group commercial market products. EHCA discontinued its small group indemnity products (Tradition Plus). These consist of older, closed blocks of business that include hospital, medical and pharmacy indemnity coverage.

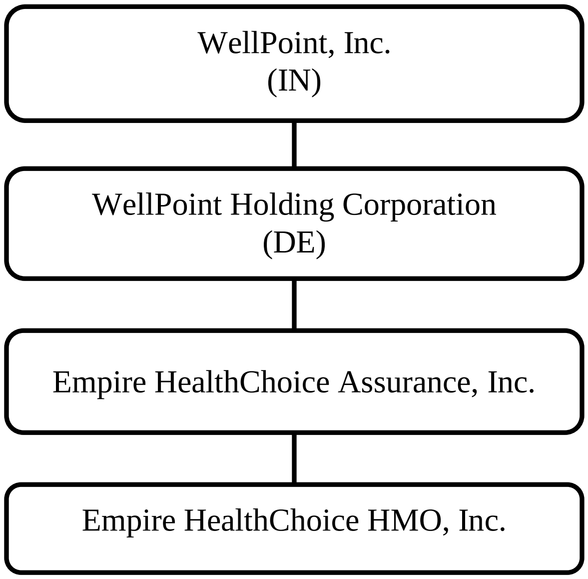
Additionally, on April 1, 2012, the Companies discontinued all of their small group products with the exception of its Health Maintenance Organization, Preferred Provider Organization, Exclusive Provider Organization ("EPO") and its Consumer Directed Health Plan ("CDHP") products and Healthy New York ("HNY").

During 2013, premiums decreased $562 million or 11% primarily due to the small group simplification. As of April 1, 2012, EHCA no longer offered some products effective on the group's renewal date.

G. Holding Company System

As of the examination date, EHCA was a wholly-owned subsidiary of WellPoint Holding Corporation which is a wholly-owned subsidiary of WellPoint, Inc. ("WellPoint"), 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 Department Insurance Regulation No. 52 (11 NYCRR 80). All pertinent filings made during the examination period, regarding the aforementioned statute and regulations were reviewed. No problem areas were noted.

The following chart depicts the Company's abbreviated holding company system as of December 31, 2013:



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.

Inter-company agreements and amendments for EHCA that were in place as of December 31, 2013, including the following:

- Amended and Restated WellPoint Master Administrative Services Agreement – The Companies entered into an Amended and Restated Master Administrative Services Agreement, effective August 1, 2007, with WellPoint, Inc. ("WellPoint"), and its subsidiaries and affiliates. This agreement was submitted to the Department on April 3, 2006 and was approved by the Department on July 3, 2008.
- Federal Income Tax Allocation Agreement – The Companies entered into an Amended Consolidated Federal Income Tax Agreement, effective December 15, 2006, with 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 Companies on October 4, 2006.

H. Reinsurance

There was no reinsurance assumed or ceded during the period under examination.

I. Internal Controls

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

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

The information technology ("IT") environment for EHCA is managed in a shared services model by WellPoint, Inc. Under this model, WellPoint 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, and in 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 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.

J. Facilitation of the Examination

Section 310(a)(3) of the New York Insurance Law states:

> "The officers and agents of such insurer or other person shall facilitate such examination and aid such examiners in conducting the same so far as it is in the power to do so."

Various requests for data were made by the examiners to management of the Company. It should be noted management of the Company failed to provide the examiners with the requested documentation regarding many of these requests in a timely manner. Failure to provide the documentation in a timely manner led to numerous delays in the examination process. It should be further noted that a similar comment was made in the Company's prior report on examination.

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.

K. Accounts and Records

During the course of the examination, it was noted that the Company's treatment of certain items was not in accordance with Statutory Accounting Principles, Annual Statement Instructions, and/or Department guidelines. The examiners also noted several deficiencies with the Company's system of accounts and records. A description of such items is as follows:

1. The 2013 NAIC Health Annual Statement Instructions, with regard to a Company's Actuarial Memoranda state in part:

> *"…This technical component must show the analysis from the basic data, (e.g., claim lags) to the conclusions..."*

Upon review it was noted that none of the Actuarial Memoranda included claim lag triangles. While the technical component of each of the Actuarial Memoranda did include a significant amount of information and exhibits, it was also not indexed or organized in a way that one could easily follow the analysis from the data to the conclusions.

It is recommended that the Appointed Actuary's technical component of the Actuarial Memoranda include the analysis from the basic data, (e.g., claim lags) to the conclusions, as is required by the NAIC Health Annual Statement Instructions.

It is also recommended that the Appointed Actuary organize the technical appendices in a manner such that the analysis can be followed from data to conclusions.

It is further recommended that the Company establish and implement a control to prevent the omission of required components during the preparation of the Actuarial Memoranda.

2. The 2013 NAIC Health Annual Statement Instructions also require that the Actuarial Memoranda include, *"An exhibit which ties to the Annual Statement and compares the actuary's conclusions to the carried amounts."* The required exhibit was not included in the Actuarial Memoranda for any of the Companies. An inquiry was made to the Company and the examiners were told that, *"The actuarial team does currently perform the checks via notes in our reconciliations, but that information isn't currently included in the memo itself."*

It is recommended that the Company's Appointed Actuary include in all Actuarial Memoranda an exhibit that reconciles the Annual Statement and compares the Actuary's conclusions to the carried amounts as is required by the NAIC Health Annual Statement Instructions.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in the Company's 2013 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, 2013 filed annual statement.

The firm of E&Y was retained 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.

E&Y 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 corresponding years' annual statements with no discrepancies noted.

A. Balance Sheet

Assets

Bonds	$ 2,096,907,197
Preferred stocks	19,259,644
Common stocks	477,261,490
Cash and short-term investments	(318,105,911)
Other invested assets	82,198,492
Receivables for securities	4,094,838
Securities lending reinvested collateral assets	112,258,826
Aggregate write-ins for invested assets	7,052,216
Investment income due and accrued	23,792,759
Uncollected premiums in the course of collection	64,318,502
Deferred premiums, agents' balances and installments booked but deferred and not yet due	73,954,424
Accrued retrospective premiums	229,266,036
Amounts receivable relating to uninsured plans	263,684,769
Current federal and foreign income tax recoverable and interest thereon	6,338,646
Net deferred tax asset	67,089,007
Receivables from parent, subsidiaries and affiliates	66,644,465
Healthcare and other amounts receivable	8,518,372
Aggregate write-ins for other than invested assets	248,739,227
Total assets	$ 3,533,272,999

Liabilities

Claims unpaid	$ 570,641,249
Accrued medical incentive pool and bonus amounts	1,746,467
Unpaid claims adjustment expenses	10,965,515
Aggregate health policy reserves including liability of $0 for medical loss ratio rebate per the Public Health Service Act	228,855,863
Aggregate health claim reserves	5,259,983
Premiums received in advance	14,525,924
General expenses due and accrued	89,490,422
Amounts withheld or retained for the account of others	279,866,201
Remittance and items not allocated	34,492,079
Amounts due to parents, subsidiaries and affiliate affiliates	192,640,161
Payable for securities	9,191,399
Payable for securities lending	112,258,826
Liability for amounts held under uninsured plans	154,064,350
Aggregate write-ins for other liabilities	117,395,574
Total liabilities	$ 1,821,394,013

Capital and Surplus

Common capital stock	$ 300,000
Gross paid-in and contributed surplus	188,082,137
Unassigned funds	1,523,496,849
Total capital and surplus	$ 1,711,878,986
Total liabilities, capital and surplus	$ 3,533,272,999

NOTE: The Internal Revenue Service ("IRS") routinely conducts a Compliance Assurance evaluation of tax returns for WellPoint and its affiliates. There were no known IRS findings reported from the Compliance Assurance completed for December 31, 2011, December 31, 2012 or December 31, 2013. The examiners are unaware any potential exposure of issues related to the EHCA for any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Capital and Surplus

Capital and surplus increased $180,732,692 during the three-year examination period, January 1, 2011 through December 31, 2013, detailed as follows:

Revenue		
Premium income	$ 15,234,623,397	
Change in unearned premium reserve	31,283,438	
Total revenue		$15,265,906,835
Hospital and medical expense		
Hospital/medical benefits	$ 8,971,529,092	
Other professional services	157,023,379	
Outside referrals	476,630,501	
Emergency room and out-of-area	2,759,345,467	
Prescription drugs	1,081,366,526	
Aggregate write-ins for other hospital and medical	36,041,040	
Incentive pool, withhold adjustments and bonus amounts	9,718,494	
Total hospital and medical expenses	$ 13,491,654,499	
Claims adjustment expenses	290,390,594	
General administrative expenses	1,070,036,117	
Increase in reserves for life and accident and health contracts	30,997,805	
Total underwriting expenses		14,883,079,015
Net underwriting gains		$ 382,827,820
Net investment income		518,883,954
Net realized capital gains less capital gains tax		52,366,355
Net gain from agents' premium balances charged off		19,973
Aggregate write-ins for other income or expense		95,437,166
Net income before federal and foreign income taxes		$ 1,049,535,268
Federal and foreign income taxes incurred		161,952,697
Net income		$ 887,582,571

Changes in Capital and Surplus

	Gains in Surplus	Losses in Surplus	
Capital and surplus, per report on examination, as of December 31, 2010			$ 1,531,146,294
Net Income	$887,582,571		
Net change in unrealized capital gains		$ 83,668,859	
Change in net deferred income tax	18,059,793		
Change in non-admitted assets		11,914,286	
Cumulative effect of change in accounting principle	19,581,376		
Dividends to shareholders		648,907,903	
Net increase in capital and surplus			$ 180,732,692
Capital and surplus, per report on examination, as of December 31, 2013			$ 1,711,878,986

4. SUBSEQUENT EVENTS

On December 2, 2014 WellPoint, Inc. changed its corporate name to Anthem, Inc., and started trading on the New York Stock Exchange. Shareholders approved the name change at a special shareholders meeting held on November 5, 2014.

On February 5, 2015 Anthem, Inc. communicated to its current and former members that Anthem had been the subject of a very sophisticated external cyber-attack. The attackers gained unauthorized access (in mid-December 2014) to Anthem Inc.'s IT system and obtained personal information from current and former members (approximately 80 million).

It should be noted that following the discovery of this cyber breach, the NAIC requested that a cybersecurity multi-state examination of Anthem, Inc. and its subsidiaries be conducted. A separate report of their findings will be issued at a later date.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2010, contained the following three (3) comments and recommendations pertaining to the financial portion of the examination (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Dividends	
1.	It is recommended that the Company comply with the requirements of Section 4207(b)(1) of the New York Insurance Law by obtaining the Superintendent's approval before declaring and distributing any dividends exceeding the lesser of 10% of its capital and surplus or 100% of its adjusted net income earned, as shown by its last statement on file with the Superintendent.	12
	EHCA has complied with this recommendation.	
	Facilitation of the Examination	
2.	It is recommended that the Company comply with the requirements of Section 310(a)(3) of the New York Insurance Law by providing requested documentation in a timely manner.	18
	The Company has not complied with the recommendation. A similar recommendation appears in this report.	
	Insurance Regulation No. 146 (11 NYCRR 361) – Specified Medical Conditions ("SMC") Pools	
3.	It is recommended that the Plan properly account for all monies received from the SMC Pools that remain undistributed to the policyholders.	23
	EHCA has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Facilitation of the Examination	
	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.	18
B.	Accounts and Records	
i.	It is recommended that the Appointed Actuary's technical component of the Actuarial Memoranda include the analysis from the basic data, (e.g., claim lags) to the conclusions, as is required by the NAIC Health Annual Statement Instructions.	18
ii.	It is also recommended that the Appointed Actuary organize the technical appendices in a manner such that the analysis can be followed from data to conclusions.	18
iii.	It is further recommended that the Company establish and implement a control to prevent the omission of required components during the preparation of the Actuarial Memoranda.	19
iv.	It is recommended that the Appointed Actuary include in all Actuarial Memoranda an exhibit that reconciles the Annual Statement and compares the Actuary’s conclusions to the carried amounts as is required by the NAIC Health Annual Statement Instructions.	19

Respectfully submitted,

____

Jerry Ehlers, CFE
Insurance Examiner

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

Jerry Ehlers, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

____

Jerry Ehlers, CFE

Subscribed and sworn to before me
this ________ day of___________2016.

Respectfully submitted,

____

Sylvia D. Lawson, AINS, ARM, CLU
Principal Insurance Examiner

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

Sylvia D. Lawson, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

____

Sylvia D. Lawson, AINS, ARM, CLU
Principal Insurance Examiner

Subscribed and sworn to before me
this ________ day of___________2016.

APPOINTMENT NO. **31231**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***BENJAMIN M. LAWSKY****, 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 condition of 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 9th day of October, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Lisette Johnson
Bureau Chief
Health Bureau

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR