

FINANCIAL EVALUATION

I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused to Blue Cross and Blue Shield of North Carolina Senior Health, as of December 31, 2016 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 8th day June, 2018.

Mike Causey
Commissioner of Insurance



Ke Xu, CPA, CFE
Chief Financial Examiner
Examination Section





Blue Cross and Blue Shield of North Carolina Senior Health

Durham, NC

Report on Examination

As of December 31, 2016

Blue Cross and Blue Shield of North Carolina Senior Health

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Blue Cross and Blue Shield of North Carolina Senior Health
Report on Examination
December 31, 2016

January 31, 2018

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section 58-65-105 of the General Statutes of North Carolina (“G.S.”), the North Carolina Department of Insurance (“Department”) conducted an examination of

Blue Cross and Blue Shield of North Carolina Senior Health

(hereinafter referred to as the “Company”), at its main administrative office located at 4615 University Drive, Durham, North Carolina 27707. The Company’s statutory home office is located at 4705 University Drive, Building 700, Durham, North Carolina 27707. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

This examination covers the period from January 13, 2016, to December 31, 2016, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. This was the first examination of the Company conducted by the Department.

The examination was a coordinated examination and was conducted concurrently with the examination of its parent, Blue Cross and Blue Shield of North Carolina (“BCBSNC”).

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook.

The examination procedures performed included a review of the Company’s records, confirmation of assets, inquiries made to Company representatives, and communication with other divisions within the Department. This examination is not intended to communicate all matters of importance for an understanding of the Company’s financial condition. The scope of the examination included the following:

- a) Testing the accuracy, existence and disclosure of the \$1,500,000 capital contribution from BCBSNC, reported as of December 31, 2016.
- b) Determining compliance relative to various corporate documents including, but not limited to, the Company Bylaws and articles of incorporation.
- c) Confirming that North Carolina licensing requirements have been fulfilled as of December 31, 2016.

COMPANY HISTORY

The Company was incorporated on January 13, 2016, under the laws of the State of North Carolina as a Hospital, Medical and Dental Service corporation. The Company was initially capitalized with a \$1,500,000 contribution from the Company’s parent.

Blue Cross and Blue Shield of North Carolina Senior Health

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The Company's license is restricted to Medicare business only as of issuance by the Department on June 1, 2016. The Company is required to maintain a Risk Based Capital ratio of 375 percent or higher.

The Company was required to receive an additional \$40 million of capital before December 31, 2016. The Company cannot begin writing any business until the \$40 million capital infusion is received. The restriction was changed to extend the due date for the additional capital requirement from December 31, 2016 to September 30, 2017. The restriction was subsequently amended again to extend the date from September 30, 2017, to September 30, 2018. As of the date of this report, the Company has not received the additional capital required to begin writing business.

MANAGEMENT AND CONTROL

Board of Trustees

The business of the Company is managed by the board of trustees ("Board"). The Bylaws specify that the number of trustees shall not be less than three, but not more than five. The method of election for the members of the Board, other than the initial Board, is by the appointment of BCBSNC, for a term of three years, other than the CEO whose term is as long as he or she is serving as Chief Executive Officer.

The following individuals were serving as trustees at December 31, 2016:

<u>Name</u>	<u>Address</u>	<u>Principal Business Affiliation</u>
James B. Wilson	Durham, NC	President & Chief Executive Officer, BCBSNC
Gerald A. Petkau	Durham, NC	Senior Vice President & Chief Operating Officer, BCBSNC
John T. Roos	Durham, NC	Senior Vice President & Officer, BCBSNC

Committees

The Board has the authority to establish committees, including an Executive Committee, as it deems necessary.

The Company did not have committees at December 31, 2016.

Officers

The Bylaws provide that the Board will appoint the officers of the Company. The officers of the Company consist of a chief executive officer, a president, a secretary, a corporate counsel and any other officers deemed necessary by the Board. All officers shall hold office until death, resignation, retirement, removal, or disqualification, or until a successor has been appointed. Any two officer positions may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

The following individuals served as officers as of December 31, 2016:

James B. Wilson, President
Gary P. Bolt, Vice President
Mitchell W. Perry, Treasurer
Nathan K. Prather, Secretary

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Accounts and Records

The Company's books and records are maintained at 4705 University Drive, Durham, North Carolina 27707.

FINANCIAL STATEMENTS

The following financial statements are based on the annual statement filed by the Company with the Department and present the financial condition of the Company for the period ended December 31, 2016.

Blue Cross and Blue Shield of North Carolina Senior Health
Statutory Statement of Admitted Assets

	December 31, 2016
Cash and short-term investments	<u>\$ 1,500,000</u>
Total assets	<u>\$ 1,500,000</u>

Blue Cross and Blue Shield of North Carolina Senior Health
Statutory Statement of Liabilities, Capital and Surplus

December 31,
2016

Capital and Surplus

Gross paid in and contributed surplus	<u>\$ 1,500,000</u>
Total liabilities, capital and surplus	<u>\$ 1,500,000</u>

**Blue Cross and Blue Shield of North Carolina Senior Health
Appendix A – Report Distribution
December 31, 2016**

**Patrick H. Conway, President
4615 University Drive
Durham, NC 27702-2291**

**Mitchell W. Perry, Treasurer
4615 University Drive
Durham, NC 27702-2291**

**Maticia C. Sims, Vice President, Corporate Controller
4615 University Drive
Durham, NC 27702-2291**

**Thomas R. Krebs, Director, Financial Accounting & Reporting
and Federal Segment Controller
4615 University Drive
Durham, NC 27702-2291**

**Gerald A. Petkau, Trustee
4615 University Drive
Durham, NC 27702-2291**

**John T. Roos, Trustee
4615 University Drive
Durham, NC 27702-2291**

CONCLUSION

We conclude that the reported balances and disclosures as of December 31, 2016, are accurately stated, no issues were noted regarding compliance with corporate documents, and all licensing requirements were satisfied as of December 31, 2016.

We conclude that the Company complies with the minimum working capital requirements of G.S. 58-67-20, which is \$1,500,000 for the kind of insurance the Company is authorized to write.

Respectfully submitted,

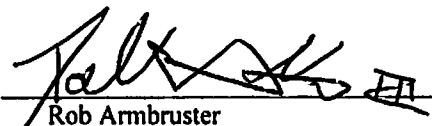


Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

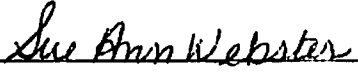
January 31, 2018

STATE OF NORTH CAROLINA
COUNTY OF WAKE

Rob Armbruster, Supervising Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature:  Date: 5/11/2018
Rob Armbruster

Sworn and subscribed before me this 11th day of May, 2018.

Notary Public Signature:  Notary Public Seal: