Financial Statements and Supplementary Information - Statutory Basis

Community Care Health Plan of Louisiana, Inc.

Years Ended December 31, 2017 and 2016
With Reports of Independent Auditors

Community Care Health Plan of Louisiana, Inc.

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Years ended December 31, 2017 and 2016

Contents

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Report of Independent Auditors

Board of Directors
Community Care Health Plan of Louisiana, Inc.

We have audited the accompanying statutory basis financial statements of Community Care Health Plan of Louisiana, Inc., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance. Management also is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, to meet the requirements of Louisiana, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance, which practices differ from U.S. generally accepted accounting principles. The variances between such practices and U.S. generally accepted accounting principles are described in Note 1. The effects on the accompanying financial statements of these variances are not reasonably determinable but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the effects of the matter described in the preceding paragraph, the statutory basis financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of Community Care Health Plan of Louisiana, Inc. at December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

However, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of Community Care Health Plan of Louisiana, Inc. at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance.

Ernst + Young LLP

April 24, 2018

Community Care Health Plan of Louisiana, Inc.

Balance Sheets - Statutory Basis

	December 31			
	2017		**2016**	
	(In Thousands)			
Admitted assets				
Cash and invested assets:				
Cash, (bank overdrafts), cash equivalents and short-term investments	**$**	**54,530**	$	114,882
Bonds		**167,852**		71,507
Receivable for securities		**95**		42
Securities lending collateral		**—**		856
Total cash and invested assets		**222,477**		187,287
Accrued investment income		**1,630**		676
Premiums receivable		**95,405**		85,637
Current federal income tax recoverable		**2,673**		—
Net deferred tax asset		**3,185**		7,794
Receivables from affiliates		**7,778**		565
Health care and other receivables		**537**		806
Other assets		**—**		1
Total admitted assets	**$**	**333,685**	$	282,766
Liabilities and capital and surplus				
Liabilities:				
Unpaid claims and claims adjustment expenses	**$**	**75,887**	$	121,557
Aggregate policy reserves		**42,175**		—
Current federal income tax payable		**—**		5,039
Accounts payable and accrued expenses		**26,820**		41,075
Remittances and items not allocated		**3,310**		2,399
Payable to affiliates		**—**		2,557
Payable for securities lending		**—**		856
Liability for amounts held under uninsured plans		**59,802**		38,239
Other liabilities		**1,656**		2,108
Total liabilities		**209,650**		213,830
Capital and surplus:				
Common stock, $0 par value, 1,250 shares authorized, issued and outstanding in 2017, 1,000 shares authorized, issued and outstanding in 2016		**—**		—
Additional paid-in surplus		**135,724**		95,676
Unassigned surplus (deficit)		**(33,041)**		(26,740)
Special surplus funds		**21,352**		—
Total capital and surplus		**124,035**		68,936
Total liabilities and capital and surplus	**$**	**333,685**	$	282,766

See accompanying notes.

Community Care Health Plan of Louisiana, Inc.

Statements of Operations - Statutory Basis

	Year Ended December 31	
	2017	**2016**
	(In Thousands)	
Premium income	**$ 947,539**	$ 785,342
Benefits and expenses:		
Claims and claims adjustment expenses	**835,615**	706,970
Operating expenses	**98,102**	76,326
Total benefits and expenses	**933,717**	783,296
Net underwriting gain (loss)	**13,822**	2,046
Investment gains (losses):		
Net investment income	**4,156**	2,273
Net realized capital gains (losses), net of taxes (benefits)	**239**	40
Total net investment gains (losses)	**4,395**	2,313
Income (loss) before federal income taxes	**18,217**	4,359
Federal income taxes (benefits)	**5,677**	7,615
Net income (loss)	**$ 12,540**	$ (3,256)

See accompanying notes.

Community Care Health Plan of Louisiana, Inc.

Statements of Changes in Capital and Surplus - Statutory Basis

	Common Stock	Additional Paid-in Surplus	Unassigned Surplus (Deficit)	Special Surplus Funds	Total Capital and Surplus
			(In Thousands)		
Balance as of January 1, 2016	$ —	$ 75,676	$ (33,190)	$ 10,759	$ 53,245
Net income (loss)	—	—	(3,256)	—	(3,256)
Change in net unrealized capital gains and losses, net of taxes (benefits)	—	—	43	—	43
Change in net deferred income tax	—	—	3,220	—	3,220
Change in nonadmitted assets	—	—	(4,316)	—	(4,316)
Change in special surplus funds for ACA health insurer fee	—	—	10,759	(10,759)	—
Capital contribution from parent	—	20,000	—	—	—
Balance as of December 31, 2016	—	95,676	(26,740)	—	68,936
Net income (loss)	**—**	**—**	**12,540**	**—**	**12,540**
Change in net unrealized capital gains and losses, net of taxes (benefits)	**—**	**—**	**18**	**—**	**18**
Change in net deferred income tax	**—**	**—**	**(5,094)**	**—**	**(5,094)**
Change in nonadmitted assets	**—**	**—**	**7,587**	**—**	**7,587**
Change in special surplus funds for ACA health insurer fee	**—**	**—**	**(21,352)**	**21,352**	**—**
Common stock issued to BCBS LA	**—**	**16,718**	**—**	**—**	**16,718**
Capital contribution from stockholders	**—**	**23,330**	**—**	**—**	**23,330**
Balance as of December 31, 2017	**$ —**	**$ 135,724**	**$ (33,041)**	**$ 21,352**	**$ 124,035**

Community Care Health Plan of Louisiana, Inc.

Statements of Cash Flow - Statutory Basis

	Year Ended December 31	
	2017	**2016**
	(In Thousands)	
Operating activities:		
Premiums collected	**$ 979,946**	$ 769,824
Investment income received	**4,101**	2,785
Claims and claims adjustment expenses paid	**(874,397)**	(643,253)
General administrative and miscellaneous expenses paid	**(90,594)**	(20,382)
Federal income taxes (paid) recovered	**(13,522)**	(2,989)
Net cash provided by (used in) operating activities	**5,534**	105,985
Investment activities:		
Proceeds from investments sold, matured or repaid	**28,232**	20,066
Cost of investments acquired	**(124,253)**	(25,014)
Net cash provided by (used in) investment activities	**(96,021)**	(4,948)
Financing or miscellaneous activities:		
Common stock issued to BCBS LA	**16,718**	—
Capital contribution from stockholders	**23,330**	20,000
Net transfers from (to) affiliates	**(9,770)**	(2,172)
Other	**(143)**	1,978
Net cash provided by (used in) financing or miscellaneous activities	**30,135**	19,806
Change in cash, (bank overdrafts), cash equivalents and short-term investments	**(60,352)**	120,843
Cash, (bank overdrafts), cash equivalents and short-term investments at beginning of year	**114,882**	(5,961)
Cash, (bank overdrafts), cash equivalents and short-term investments at end of year	**$ 54,530**	$ 114,882

See accompanying notes.

1. Nature of Operations and Significant Accounting Policies

Community Care Health Plan of Louisiana, Inc. (the "Company") is a Louisiana domiciled stock health maintenance organization ("HMO"), which is licensed in Louisiana. The Company is a prepaid capitated plan created primarily for an enrolled population comprised of beneficiaries of the Medicaid's Temporary Assistance for Needy Families ("TANF") as well as people with disabilities and specialized behavioral health ("BH") services. The Company serves children, families, seniors and people with disabilities through the BAYOU HEALTH program. The Company's current service areas are statewide. The Company operates as a licensee of the Blue Cross and Blue Shield Association ("BCBSA"). On November 15, 2016, AMERIGROUP Corporation ("AGP") sold the Company to Anthem Partnership Holding Company, LLC ("APHC"). At December 31, 2017, the Company is owned 80% by APHC, which is an indirect wholly-owned subsidiary of Anthem, Inc. ("Anthem"), a publicly traded company. In March 2017, the LDI approved the sale of 250 shares of the stock of the Company to Louisiana Health Service & Indemnity Company, d/b/a Blue Cross and Blue Shield of Louisiana ("BCBS LA"). BCBS LA received a 20% share of the Company in exchange for $16,718, which was paid on March 31, 2017. At December 31, 2017 the Company is 20% owned by BCBS LA, which is a Louisiana health insurance company that offers group and individual health insurance plans, life and disability insurance, and group voluntary products.

The Company was incorporated in 2009. A contract with the Louisiana Department of Health and Hospitals ("LA DHH") authorized and enabled the Company to manage healthcare services to eligible Medicaid recipients. The loss of this contract would have a material effect on the Company's operations. The Company began operations on February 1, 2012.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Louisiana Department of Insurance ("LDI"). The LDI has adopted the accounting policies found in the National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* ("NAIC SAP") as a component of prescribed accounting practices. For the years ended December 31, 2017 and 2016 there were no differences between the Company's statutory basis net income or capital and surplus under NAIC SAP and practices prescribed or permitted by the LDI.

Such practices vary from U.S. generally accepted accounting principles ("GAAP"). The more significant variances from GAAP, applicable to the Company, are as follows:

Investments: Investments in bonds are reported at amortized cost or fair value based on their NAIC rating. For GAAP, such fixed maturity investments are designated at purchase as available-for-sale and are reported at fair value with unrealized holding gains and losses, net of tax, reported as a separate component of capital and surplus.

In accordance with Statement of Statutory Accounting Principles ("SSAP") SSAP No. 43 Revised, *Loan-backed and Structured Securities* ("SSAP No. 43R"), other-than-temporary impairments ("OTTI") on loan-backed or structured securities are recorded when fair value of the security is less than its amortized cost basis at the balance sheet date and (1) the Company intends to sell the investment or (2) the Company does not have the intent and ability to retain the investment for the time sufficient to recover the amortized cost basis or (3) if the Company does not expect to recover the entire amortized cost basis of the security, even if it does not intend to sell the security and the Company has the intent and ability to hold. The condition in (2) above does not apply for GAAP.

Premiums receivable: Premiums receivable are recorded at the billed amount and reduced by any amounts not deemed collectible. Generally amounts aged ninety days and older are nonadmitted assets, with the exception of government receivables. For GAAP, these amounts are recorded at the billed amount and are reported net of a valuation allowance based upon historical collection trends and management's judgment on the collectability of these accounts.

Nonadmitted assets: Certain assets designated as nonadmitted, including deferred federal income taxes in excess of certain statutory limits, furniture and equipment, leasehold improvements, prepaid expenses, and certain health care and other receivable balances are excluded from the balance sheets by a direct charge to capital and surplus. These nonadmitted assets totaled $7,421 and $15,008 at December 31, 2017 and 2016, respectively. For GAAP, these amounts are carried as assets, net of a valuation allowance, if necessary.

Deferred income taxes: Statutory deferred tax assets ("DTA") are limited to an amount equal to the sum of: (1) federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year; (2) depending on the Company's Authorized Control Level ("ACL") Risk Based Capital ("RBC") ratio exclusive of the DTA, the lesser of (a) the amount of gross DTAs expected to be realized within three years after the application of (1) or 15% of surplus, if the ratio is greater than 300%, (b) the amount of gross DTAs expected to be realized within one year after the application of (1) or 10% of surplus, if the ratio is between 200 – 300%, or (c) if the ratio is below 200%, no DTA can be realized; (3) the amount of gross DTAs, after the application of (1) and (2), that can be offset against gross deferred tax liabilities ("DTL"). DTAs in excess of these limitations are nonadmitted.

Deferred taxes do not include amounts for state taxes. Changes in DTAs and DTLs are recognized as a separate component of gains and losses in surplus ("Change in net deferred income tax"). For GAAP, state income taxes are considered in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years, and a valuation allowance is established for deferred tax assets estimated to be unrealizable. Excluding the tax impact of unrealized investment gains and losses and certain other items, the change in deferred income taxes is recorded in the statements of operations.

Statements of cash flow: Cash, (bank overdrafts), cash equivalents and short-term investments in the statements of cash flow represent cash balances, and investments with initial maturities of one year or less. If in the aggregate the Company has a negative cash balance, it is reported as a negative asset and not as a liability. For GAAP, the corresponding captions of cash and cash equivalents include cash balances and investments with initial maturities of three months or less and negative cash balances are reported separately as liabilities and short-term investments.

Uninsured accident and health plans: The Company provides administrative services to various customers on an uninsured basis. Under these arrangements, the customer retains the risk of funding payments for health benefits provided, and the Company may be subject to credit risk of the customer from the time of the Company's claim payment until the Company receives the claim reimbursement. In accordance with SSAP No. 47, *Uninsured Plans*, these claim payments and subsequent reimbursements are excluded from the Company's statutory basis statements of operations, and administrative fees earned are deducted from general insurance expenses. For GAAP, these administrative fees are reported as revenue in the statements of operations.

The effects of the foregoing variances from GAAP on the accompanying statutory basis financial statements have not been determined but are presumed to be material.

Other significant accounting policies are as follows:

Use of Estimates

Preparation of statutory basis financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

Bonds not backed by loans are stated at amortized cost, with amortization of premium or discount calculated based on the modified scientific method, using lower of yield to call or yield to maturity. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions for loan-backed securities and structured securities are obtained from broker-dealer survey values or internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all loan-backed securities. Non-investment grade bonds are stated at the lower of cost or fair value as determined by the NAIC's Securities Valuation Office ("SVO").

The Company holds hybrid securities. These bonds generally combine elements of both debt securities and equity securities. Our current hybrid bond holdings do not contain embedded derivatives and are being accounted for in a manner consistent with our other bond holdings.

Unrealized gains and losses on non-investment grade bonds are reflected directly in unassigned surplus net of federal income taxes unless there is deemed to be an other-than-temporary decline in value, in which case the loss is charged to income. Realized gains and losses on investments sold are determined using the specific identification method and are included in net realized capital gains (losses), net of taxes. Investment income is not accrued on bonds with interest payments in default.

Short-term investments include investments with maturities of less than one year and more than three months at the date of acquisition and are reported at amortized cost, which approximates fair value. Cash equivalent investments include investments with maturities of less than or equal to three months at the date of acquisition and are reported at amortized cost, which approximates fair value. Non-investment grade short-term and cash equivalent investments are stated at the lower of amortized cost or fair value.

The Company participates in a securities lending program whereby marketable securities in its investment portfolio are transferred to independent brokers or dealers based on, among other things, their creditworthiness in exchange for collateral initially equal to at least 102% of the fair value of the securities on loan, and is thereafter maintained at a minimum of 100% of the fair value of the securities loaned. The fair value of the securities on loan to each borrower is monitored daily and the borrower is required to deliver additional collateral if the fair value of the collateral falls below 100% of the fair value of the securities on loan. The Company has no loaned portfolio securities with terms exceeding one year.

Furniture and Equipment

Furniture and equipment is capitalized and depreciated on a straight-line basis over its useful life. The net book value is charged in full to unassigned surplus as a nonadmitted asset. Depreciation expense in 2017 and 2016 was $219 and $511 , respectively. Accumulated depreciation at December 31, 2017 and 2016 was $1,299 and $2,188, respectively.

Health Care Receivables

Health care receivables represent amounts related to pharmacy rebate receivables and other health care related receivables other than premiums. Pharmacy rebate receivables are recorded when earned based upon actual rebate receivables and an estimate of receivables based upon current utilization of specific pharmaceuticals and provider contract terms. These health care receivables are subject to various admittance tests based on the nature of the receivable balance.

Unpaid Claims and Claims Adjustment Expenses

Unpaid claims and claims adjustment expenses include management's best estimate of amounts based on historical claim development patterns and certain individual case estimates. The established liability considers health benefit provisions, business practices, economic conditions and other factors that may materially affect the cost, frequency and severity of claims. Reserves for unpaid claims and claims adjustment expenses are based on assumptions and estimates, and while management believes such estimates are reasonable, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and changes in estimates are incorporated into current operating results.

There were no significant changes in methodologies and assumptions used in calculating the liability for unpaid losses and loss adjustment expenses.

Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated claims and claims adjustment expenses that have not been previously expensed in excess of the recorded unearned premium reserve and future premiums on existing policies. The Company does not use anticipated investment income as a factor in the premium deficiency reserve calculation. The Company did not record premium deficiency reserves as of December 31, 2017 and 2016.

Premiums

Premiums are recognized as revenue during the period in which the Company is obligated to provide service to members. Premium payments from contracted government agencies are based on eligibility lists produced by the government agencies. Adjustments to eligibility lists produced by the government agencies result from retroactive application of enrollment or disenrollment of members or classification changes between rate categories. The Company estimates the amount of retroactive premium owed to or from the government agencies each period and adjusts premium revenue accordingly. Expenses incurred in connection with acquiring insurance business are charged to operations as incurred.

Delays in approval of annual premium rate changes require that the Company defer the recognition of any increases to the period in which the premium rates become final. The value of the impact can be significant in the period in which it is recognized dependent on the magnitude of the premium rate increase, the membership to which it applies and the length of the delay between the effective date of the rate increase and the final contract date. Premium rate decreases are recognized in the period the change in premium rate becomes effective and the change in the rate is known, which may be prior to the period when the contract amendment affecting the rate is finalized.

At December 31, 2017 and 2016, the Company reported admitted assets of $95,405 and $85,637, respectively, in premium receivables. The receivables are not deemed to be uncollectible, therefore, no provision for uncollectible amounts have been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

Retrospectively Rated Contracts

The Company’s contract with LA DHH includes a provision for which premiums vary based on loss experience. The Company estimates accrued retrospective premium adjustments through the review of each retrospectively rated contract, comparing the claim development with that anticipated in the contract. Any adjustment made to the estimated liability as a result of a final settlement is included in current operations. The Company uses estimates to report in the statutory basis financial statements the aggregate policy reserve amounts for retrospectively rated contracts based on its underwriting experience; actuarial, tax, and accounting estimates and assumptions at the financial statement date and regulations and guidance available that is subject to change prior to settlement. Accordingly, the Company’s use of estimates and assumptions in the preparation of the statutory basis financial statements and related footnote disclosures may differ from actual results.

The amount of net premiums written by the Company for the years ended December 31, 2017 and 2016 that were subject to retrospective rating features, including medical loss ratio ("MLR") rebate regulations, was $989,714 and $785,342, which represented 100% of the total net premiums written in each year.

Federal Income Taxes

The Company participates in a tax sharing agreement with Anthem and its subsidiaries. Allocation of federal income taxes is based upon separate return calculations with credit for net losses that can be used on a consolidated basis. Intercompany income tax balances are settled based on the Internal Revenue Service ("IRS") due dates.

Health Insurer Fee

Affordable Care Act ("ACA") Section 9010 imposed a mandatory annual fee on health insurers that write certain types of health insurance on U.S. risks for each calendar year beginning on or after January 1, 2014. The annual fee is allocated to health insurers based on the ratio of the amount of an insurer's premium written during the preceding calendar year to the amount of health insurance for all U.S. health risk for those certain lines of business that is written during the preceding calendar year. This fee is non-deductible for income tax purposes. The health insurer fee is reported in operating expenses in the same year it is paid. The health insurer fee to be paid in the following year is segregated in special surplus funds until the beginning of the year in which it is to be paid. Payment of the health insurer fee was suspended for 2017 and resumed for 2018.

(Dollars In Thousands)

2. Investments

A summary of the Company's investments in bonds is as follows:

			Gross Unrealized Losses		
December 31, 2017	**Statement Value**	**Gross Unrealized Gains**	**Less Than 12 Months**	**12 Months or Greater**	**Fair Value**
States, territories and political subdivisions	**$ 66,199**	**$ 1,312**	**$ (270)**	**$ —**	**$ 67,241**
Industrial and miscellaneous	**65,222**	**940**	**(89)**	**(177)**	**65,896**
Loan-backed and structured securities	**36,431**	**108**	**(118)**	**(117)**	**36,304**
Total bonds	**$ 167,852**	**$ 2,360**	**$ (477)**	**$ (294)**	**$ 169,441**
December 31, 2016					
States, territories and political subdivisions	$ 20,516	$ 309	$ (180)	$ (22)	$ 20,623
Industrial and miscellaneous	38,868	614	(31)	(211)	39,240
Loan-backed and structured securities	12,123	8	(163)	(15)	11,953
Total bonds	$ 71,507	$ 931	$ (374)	$ (248)	$ 71,816

The statement and fair values of bonds at December 31, 2017 by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Statement Value	**Fair Value**
Due in one year or less	**$ 1,488**	**$ 1,491**
Due after one through five years	**37,796**	**38,296**
Due after five through ten years	**43,402**	**43,865**
Due after ten years	**48,735**	**49,485**
Loan-backed and structured securities	**36,431**	**36,304**
	$ 167,852	**$ 169,441**

Proceeds from sales of bonds during 2017 and 2016 were $20,757 and $14,919, respectively, resulting in realized gross gains of $435 and $250, and realized gross losses of $62 and $190, respectively.

(Dollars In Thousands)

Investments with a statement value of $1,016 and $1,513 were on deposit with the LDI at December 31, 2017 and 2016, respectively, and are included in cash equivalents on the balance sheet.

A significant judgment in the valuation of investments is the determination of when an other-than-temporary decline in value has occurred. The Company follows a consistent and systematic process for impairing securities that sustain other-than-temporary declines in value. The Company has established a committee responsible for the impairment review process. The decision to impair a security incorporates both quantitative criteria and qualitative information. The impairment review process considers a number of factors, including but not limited to (a) the length of time and the extent to which a security's fair value has been less than statement value; (b) the financial condition and near term prospects of the issuer; (c) the intent to sell and, for loan-backed and structured securities, the intent and ability of the Company to retain its investment for a period of time to allow for any anticipated recovery in value; (d) whether the debtor is current on interest and principal payments; and (e) general market conditions and industry or sector specific factors. For securities that are deemed to be other-than-temporarily impaired, the security is adjusted to its fair value (or its discounted cash flows for loan-backed and structured securities), and the resulting losses are recognized in net realized gains or losses in the statutory basis statements of operations. The new cost basis of the impaired securities is not increased for future recoveries in fair value. The Company recorded no charges for OTTI of securities for the year ended December 31, 2017. The Company recorded charges for OTTI of securities of $6 for the year ended December 31, 2016.

A summary of unaffiliated investments with unrealized losses along with the related fair value, aggregated by the length of time that investments have been in a continuous unrealized loss position, is as follows:

	December 31, 2017			December 31, 2016		
	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss
Bonds:						
Less than 12 months	**41**	**$ 55,645**	**$ (477)**	24	$ 14,395	$ (374)
12 months or greater	**5**	**6,038**	**(294)**	7	4,769	(248)
Total bonds	**46**	**$ 61,683**	**$ (771)**	31	$ 19,164	$ (622)

The Company's bond portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. Unrealized losses on bonds reported above were primarily caused by the effects of the interest rate environment and the widening of credit spreads on certain securities. The Company currently has the ability and intent to hold these securities until their full cost can be recovered. Therefore, the Company does not believe the unrealized losses represent an OTTI as of December 31, 2017 or 2016.

(Dollars In Thousands)

The Company is required to categorize its loan-backed and structured securities by the reason for which the Company recognized an OTTI during the years ended December 31, 2017 and 2016. The Company did not hold any loan-backed and structured securities for which OTTI were recognized at December 31, 2017 or 2016.

The Company's investment portfolio did not include loaned securities at December 31, 2017. The Company's investment portfolio included loaned securities with carrying values of $803 at December 31, 2016. The fair value of the loaned securities was $836 at December 31, 2016.

3. Fair Value

Assets and liabilities recorded at fair value in the statutory basis balance sheets would be categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

Level Input	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

(Dollars In Thousands)

The following table summarizes the assets and liabilities measured at fair value and held as of December 31, 2017 and 2016, respectively:

	Level I	Level II	Level III	Total	Net Asset Value ("NAV") Included in Level II
December 31, 2017					
Industrial and miscellaneous bonds	**$ —**	**$ 935**	**$ —**	**$ 935**	**$ —**
Total bonds	**—**	**935**	**—**	**935**	**—**
Industrial and miscellaneous money market funds	**57,376**	**—**	**—**	**57,376**	**—**
Total cash equivalent investments	**57,376**	**—**	**—**	**57,376**	**—**
Total assets at fair value	**$ 57.376**	**$ 935**	**$ —**	**$ 58,311**	**$ —**
December 31, 2016					
Industrial and miscellaneous bonds	$ —	$ 1,176	$ —	$ 1,176	$ —
Total bonds	—	1,176	—	1,176	—
Total assets at fair value	$ —	$ 1,176	$ —	$ 1,176	$ —

Fair values of bonds are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs, for the determination of fair value to facilitate fair value measurements and disclosures. Level II securities primarily include United States government securities, corporate securities, securities from states, municipalities and political subdivisions and residential mortgage-backed securities. Cash equivalents primarily consist of highly rated money market funds or bonds with original maturities of three months or less. Due to the high ratings and short-term nature of these investments, we designate all cash equivalents as Level I. For securities not actively traded, the third party pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. As the Company is responsible for the determination of fair value, the Company performs monthly analyses on the prices received from third parties to determine whether the prices are reasonable estimates of fair value. The Company's analyses include a review of month-to-month price fluctuations and, as needed, a comparison of pricing services' valuations for the identical security.

There were no securities measured at fair value using Level III inputs during the years ended December, 31, 2017 and 2016. There were no material transfers between levels during the years ended December 31, 2017 and 2016. The Company's policy is to recognize transfers between levels, if any, as of the beginning of the reporting period.

(Dollars In Thousands)

The Company did not recognize OTTI for the year ended December 31, 2017. The Company recognized $6 of OTTI for the year ended December 31, 2016, on securities that were not carried at fair value at December 31, 2016, or were not held as of December 31, 2016.

The following table summarizes the fair value of financial instruments by type:

December 31, 2017

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level I)	(Level II)	(Level III)	Not Practicable (Carrying Value)	Net Asset Value ("NAV") Included in Level II
Bonds	**$ 169,441**	**$ 167,852**	**$ —**	**$ 169,441**	**$ —**	**$ —**	**$ —**
Cash equivalents	**57,376**	**57,376**	**57,376**	**—**	**—**	**—**	**—**

December 31, 2016

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level I)	(Level II)	(Level III)	Not Practicable (Carrying Value)	Net Asset Value ("NAV") Included in Level II
Bonds	$ 71,816	$ 71,507	$ —	$ 69,259	$ 2,557	$ —	$ —
Short-term investments	6,306	6,306	6,306	—	—	—	—
Securities lending collateral	857	856	857	—	—	—	—

(Dollars In Thousands)

4. Unpaid Claims and Claims Adjustment Expenses

The following table provides a reconciliation of the beginning and ending balances for unpaid claims and claims adjustment expenses:

	2017	2016
Balances at January 1	**$ 121,557**	$ 53,203
Incurred (redundancies) related to:		
Current year	**882,707**	709,258
Prior years	**(47,092)**	(2,288)
Total incurred	**835,615**	706,970
Paid related to:		
Current year	**807,239**	588,896
Prior years	**74,046**	49,720
Total paid	**881,285**	638,616
Balances at December 31	**$ 75,887**	$ 121,557

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claim payments becomes known. This information is compared to the originally established year end liability. The negative amounts reported for incurred related to prior years' results from claims being settled for amounts less than originally estimated. This experience is primarily attributable to actual medical cost experience that differs from that assumed at the time the liability was established.

The ACA expansion population was effective July 1, 2016. As of December 31, 2016, because there was insufficient historical experience to develop reliable completion factor or incurred claim patterns, a target loss ratio methodology was used to set the reserves for this population. As the Medicaid contract included minimum MLR of 85% for this population, a target of 85% was used; favorable development from these levels would be offset by an increase in MLR rebate accruals included in aggregate policy reserves. With additional experience through 2017, claims developed lower than this target, leading to a decrease in unpaid claims, and an increase to MLR rebate accruals.

The Company took into account estimated anticipated subrogation and other recoveries in its determination of the liability for unpaid claims based on historical recovery patterns.

(Dollars In Thousands)

5. Federal Income Taxes

The Company has a current federal income tax recoverable (payable) of $2,673 and ($5,039) as of December 31, 2017 and 2016, respectively.

The components of net deferred tax assets (liabilities) at December 31 are as follows:

	2017		
	Ordinary	**Capital**	**Total**
Gross deferred tax assets	**$ 3,484**	**$ —**	**$ 3,484**
Statutory valuation allowance	**—**	**—**	**—**
Adjusted gross deferred tax assets	**3,484**	**—**	**3,484**
Gross deferred tax liabilities	**(1)**	**(19)**	**(20)**
Net deferred tax asset before admissibility test	**$ 3,483**	**$ (19)**	**$ 3,464**

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 *Income Taxes* ("SSAP No. 101") as of December 31, 2017 is:

Admitted pursuant to paragraph 11.a.	**$ 3,185**	**$ —**	**$ 3,185**
Admitted pursuant to paragraph 11.b.	**—**	**—**	**—**
Admitted pursuant to paragraph 11.c.	**20**	**—**	**20**
Admitted deferred tax asset	**3,205**	**—**	**3,205**
Deferred tax liability	**(1)**	**(19)**	**(20)**
Net admitted deferred tax asset	**3,204**	**(19)**	**3,185**
Nonadmitted deferred tax asset	**$ 279**	**$ —**	**$ 279**

	2016		
	Ordinary	**Capital**	**Total**
Gross deferred tax assets	$ 8,586	$ —	$ 8,586
Statutory valuation allowance	—	—	—
Adjusted gross deferred tax assets	8,586	—	8,586
Gross deferred tax liabilities	(2)	(17)	(19)
Net deferred tax asset before admissibility test	$ 8,584	$ (17)	$ 8,567

(Dollars In Thousands)

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 as of December 31, 2016 is:

	Ordinary	Capital	Total
Admitted pursuant to paragraph 11.a.	$ 7,794	$ —	$ 7,794
Admitted pursuant to paragraph 11.b.	—	—	—
Admitted pursuant to paragraph 11.c.	19	—	19
Admitted deferred tax asset	7,813	—	7,813
Deferred tax liability	(2)	(17)	(19)
Net admitted deferred tax asset	7,811	(17)	7,794
Nonadmitted deferred tax asset	$ 773	$ —	$ 773

The change in the amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 during 2017 is:

	Ordinary	Capital	Total
Admitted pursuant to paragraph 11.a.	$ (4,609)	$ —	$ (4,609)
Admitted pursuant to paragraph 11.b.	—	—	—
Admitted pursuant to paragraph 11.c.	1	—	1
Admitted deferred tax asset	(4,608)	—	(4,608)
Deferred tax liability	1	(2)	(1)
Net admitted deferred tax asset	(4,607)	(2)	(4,609)
Nonadmitted deferred tax asset	$ (494)	$ —	$ (494)

	2017	2016
Ratio percentage used to determine recovery period and threshold limitation amount	**385%**	236%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitations	**$ 120,850**	$ 61,141

(Dollars In Thousands)

The impact of tax planning strategies is as follows:

	2017		2016		Change	
	Ordinary	**Capital**	**Ordinary**	**Capital**	**Ordinary**	**Capital**
Adjusted gross deferred tax assets amount	**$ 3,484**	**$ —**	$ 8,586	$ —	$ (5,102)	$ —
Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	**0.00%**	**0.00%**	0.00%	0.00%	0.00%	0.00%
Net admitted adjusted gross deferred tax assets amount	**$ 3,205**	**$ —**	$ 7,813	$ —	$ (4,608)	$ —
Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	**0.00%**	**0.00%**	0.00%	0.00%	0.00%	0.00%

The Company's tax planning strategies do not include the use of reinsurance.

Current federal income taxes consist of the following major components:

	2017	**2016**	**Change**
Federal income taxes on operations	**$ 5,677**	$ 7,615	$ (1,938)
Federal income tax (benefit) on net capital gains (losses)	**134**	14	120
Federal income taxes	**$ 5,811**	$ 7,629	$ (1,818)

(Dollars In Thousands)

The components of deferred income taxes are as follows:

	December 31		
	2017	**2016**	**Change**
Deferred tax assets:			
Ordinary:			
Accrued future expenses	**$ —**	$ 61	$ (61)
Amortization	**141**	262	(121)
Accounts receivable	**2,326**	5,863	(3,537)
Claims discount reserve	**112**	$ 320	(208)
Fixed assets	**219**	672	(453)
Other insurance reserves	**656**	1,298	(642)
Prepaid expenses	**17**	32	(15)
Tenant allowance receivable	**13**	61	(48)
Other	**—**	17	(17)
Subtotal	**3,484**	8,586	(5,102)
Nonadmitted deferred tax assets	**(279)**	(773)	494
Admitted ordinary deferred tax assets	**3,205**	7,813	(4,608)
Deferred tax liabilities:			
Ordinary:			
Discount of coordination of benefits	**(1)**	(2)	1
Subtotal	**(1)**	(2)	1
Capital:			
Investments in securities	**(19)**	(17)	(2)
Subtotal	**(19)**	(17)	(2)
Deferred tax liabilities	**(20)**	(19)	(1)
Net admitted deferred tax asset (liability)	**$ 3,185**	$ 7,794	$ (4,609)

(Dollars In Thousands)

The changes in deferred tax assets and deferred tax liabilities are as follows:

	December 31		
	2017	**2016**	**Change**
Total deferred tax assets	**$ 3,484**	$ 8,586	$ (5,102)
Total deferred tax liabilities	**(20)**	(19)	(1)
Net deferred tax asset	**$ 3,464**	$ 8,567	(5,103)
Tax effect of unrealized gains (losses)			9
Change in net deferred income tax			$ (5,094)

On December 22, 2017, the federal government enacted a tax bill, H.R.1, *An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018*, or the Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act contains significant changes to corporate taxation, including, but not limited to, reducing the U.S. Federal corporate income tax rate from 35% to 21% and modifying or limiting many business deductions. At December 31, 2017, the Company estimated the effects on existing deferred tax balances. The Company remeasured deferred tax assets and liabilities based on the rates at which they are expected to be utilized in the future, which is generally 21%. However, the Company will continue to analyze certain aspects of the Tax Cuts and Jobs Act and refine the calculations, which could potentially affect the measurement of those balances or give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement of our deferred tax assets and liabilities was a net decrease of $2,309. This includes the components for change in net deferred income tax of $1,309, change in nonadmitted assets of $1,000, and change in net unrealized capital gains (losses) of $0.

(Dollars In Thousands)

The Company's income tax expense and change in deferred taxes differs from the amount obtained by applying the federal statutory rate of 35% for the year ended December 31 for the following reasons:

	2017	2016
Tax expense (benefit) computed using the federal statutory rate	**$ 6,423**	$ 1,530
ACA health insurer fee	**—**	4,534
Change in nonadmitted assets	**3,482**	(1,522)
Tax exempt and dividend received income net of proration	**(353)**	(147)
Tax Cuts and Jobs Act	**1,309**	—
Prior year true-up and adjustments	**—**	(31)
Other	**44**	45
Total	**$ 10,905**	$ 4,409
Federal income taxes (benefit)	**$ 5,811**	$ 7,629
Change in net deferred income taxes	**5,094**	(3,220)
Total statutory income taxes	**$ 10,905**	$ 4,409

At December 31, 2017, the Company has no operating loss carryforwards or tax credit carryforwards.

The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

	Ordinary	Capital	Total
2017	$ 5,329	$ 134	$ 5,463
2016	7,882	14	7,896
2015	N/A	294	294

The Company is included in the consolidated federal income tax return of its parent Anthem, along with other affiliates, as of December 31, 2017. Allocation of federal income taxes with affiliates subject to the tax sharing agreement is based upon separate income tax return calculations with credit for net losses that can be used on a consolidated basis. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes. Intercompany income tax balances are settled based on the IRS due dates.

The Company is a member of the IRS Compliance Assurance Process (“CAP”) program. The objective of CAP is to reduce taxpayer burden and uncertainty while assuring the IRS of the accuracy of tax returns prior to filing, thereby reducing or eliminating the need for post filing examinations. As of December 31, 2017, the examination of the 2017 tax year continues to be in process.

6. Health Insurer Fee

The Company had $946,071 of premiums written subject to assessment under ACA Section 9010 as of December 31, 2017 and no premiums written subject to assessment under ACA Section 9010 as of December 31, 2016 due to the 2017 suspension of this assessment. The Company paid no annual health insurance industry fee during 2017. The Company's portion of the annual health insurance industry fee paid during 2016 was $12,955 and is included in operating expenses. The Company's estimated portion of the annual Health Insurer Fee to be paid in 2018 is $21,352 and is segregated in special surplus funds on the balance sheet.

Total Adjusted Capital (“TAC”) and Authorized Control Level (“ACL”) were $124,035 and $31,373, respectively, as of December 31, 2017. Had the assessment, based upon 2017 premiums written, been accrued on December 31, 2017, TAC would have been reduced to $102,683, which would continue to exceed all capital and surplus requirements as described in Note 7.

7. Capital and Surplus

The LDI requires the Company to maintain a minimum surplus as set forth in the state statutes. In addition, the State of Louisiana has adopted RBC requirements as specified by the NAIC. Under those requirements, the amount of surplus to be maintained is determined based on various risk factors. The Company also is required to maintain certain capital and liquidity levels in conjunction with its BCBSA licensing. At December 31, 2017 and 2016, the Company’s capital and surplus exceeded all regulatory requirements.

Under Louisiana statutes, the Company is limited in the amount of dividends that can be declared without regulatory approval. Per Louisiana statute, an extraordinary dividend or distribution shall include any dividend or distribution of cash or other property, whose fair market value, together with that of other dividends or distributions made within the preceding twelve months, exceeds the lesser of: (i) Ten percent of the surplus of the insurer as regards policyholders as of the thirty-first day of December next preceding; or (ii) The net gain from operations of such insurer, not including realized capital gains, for the twelve-month period ending the thirty-first day of December next preceding, but shall not include pro rata distributions of any class of the insurer's own securities. In determining whether a dividend or distribution is extraordinary, an insurer, may carry forward net income from the previous two calendar years that has not already been paid out as dividends.

The carry forward shall be computed by taking the net income from the second and third preceding calendar years, not including realized capital gains, less dividends paid in the second and immediate preceding calendar years. The Company may not pay any dividends during 2018 without prior approval.

The portion of unassigned surplus (deficit) representing cumulative unrealized gains (losses) was $0 and ($18) at December 31, 2017 and 2016, respectively.

8. Leases

The Company leases office space and EDP equipment and other miscellaneous items under various non-cancelable operating leases. Related lease expense for 2017 and 2016 was $940 and $657, respectively.

At December 31, 2017, future lease payments for operating leases with initial or remaining noncancelable terms of one year or more consisted of the following: 2018, $886; 2019, $898; 2020, $645; and 2021, $422.

9. Contingencies

In March 2016, Anthem filed a lawsuit against Express Scripts, Inc., or Express Scripts, our vendor for pharmacy benefit management, or PBM, services, captioned *Anthem, Inc. v. Express Scripts, Inc*., in the U.S. District Court for the Southern District of New York. The lawsuit seeks to recover damages for pharmacy pricing that is higher than competitive benchmark pricing, damages related to operational breaches as well as various declarations under the pharmacy benefit management agreement, or PBM Agreement, between the parties. Our suit asserts that Express Scripts' pricing exceeds the competitive benchmark pricing required by the PBM Agreement by approximately $13,000,000 over the remaining term of the PBM Agreement, and by approximately $1,800,000 through the post-termination transition period. Further, we assert that Express Scripts' excessive pricing has caused us to lose existing customers and prevented us from gaining new business. In addition to the amounts associated with competitive benchmark pricing, we are seeking over $158,000 in damages associated with operational breaches incurred, together with a declaratory judgment that Express Scripts: (i) breached its obligation to negotiate in good faith and to agree in writing to new pricing terms; (ii) is required to provide competitive benchmark pricing to us through the term of the PBM Agreement; (iii) has breached the PBM Agreement, and that we can terminate the PBM Agreement either due to Express Scripts' breaches or because we have determined that Express Scripts' performance with respect to the delegated Medicare Part D prescription drug plans, functions has been unsatisfactory; and (iv) is required under the PBM Agreement to provide post-termination services, at competitive benchmark pricing, for one year following any termination. In

April 2016, Express Scripts filed an answer to the lawsuit disputing our contractual claims and alleging various defenses and counterclaims. Express Scripts contends that we breached the PBM Agreement by failing to negotiate proposed new pricing terms in good faith and that we breached the implied covenant of good faith and fair dealing by disregarding the terms of the transaction. In addition, Express Scripts is seeking declaratory judgments: (i) regarding the timing of the periodic pricing review under the PBM Agreement; (ii) that it has no obligation to ensure that we receive any specific level of pricing, that we have no contractual right to any change in pricing under the PBM Agreement and that its sole obligation is to negotiate proposed pricing terms in good faith; and (iii) that we do not have the right to terminate the PBM Agreement. In the alternative, Express Scripts claims that we have been unjustly enriched by its payment of $4,675,000 at the time of the PBM Agreement. We believe that Express Scripts' defenses and counterclaims are without merit. We filed a motion to dismiss Express Scripts' counterclaims. In March 2017, the court granted our motion to dismiss Express Scripts' counterclaims for (i) breach of the implied covenant of good faith and fair dealing, and (ii) unjust enrichment with prejudice. We intend to vigorously pursue our claims and defend against any counterclaims; however, the ultimate outcome cannot be presently determined.

Anthem and Express Scripts were named as defendants in a purported class action lawsuit filed in June 2016 in the Southern District of New York by three members of ERISA plans alleging ERISA violations captioned Karen Burnett, Brendan Farrell, and Robert Shullich, individually and on behalf of all others similarly situated v. Express Scripts, Inc. and Anthem, Inc. The lawsuit was then consolidated with a similar lawsuit that was previously filed against Express Scripts. A first amended consolidated complaint was filed in the consolidated lawsuit, which is captioned In Re Express Scripts/Anthem ERISA Litigation. The first amended consolidated complaint was filed by six individual plaintiffs against Anthem and Express Scripts on behalf of all persons who are participants in or beneficiaries of any ERISA or non-ERISA health care plan from December 1, 2009 to the present in which Anthem provided prescription drug benefits through a PBM Agreement with Express Scripts and who paid a percentage based co-insurance payment in the course of using that prescription drug benefit. As to the ERISA members, the plaintiffs allege that Anthem breached its duties under ERISA (i) by failing to adequately monitor Express Scripts' pricing under the PBM Agreement and (ii) by placing its own pecuniary interest above the best interests of Anthem insureds by allegedly agreeing to higher pricing in the PBM Agreement in exchange for the $4,675,000 purchase price for our NextRx PBM business. As to the non-ERISA members, the plaintiffs assert that Anthem breached the implied covenant of good faith and fair dealing implied in the health plans under which the non-ERISA members are covered by (i) negotiating and entering into the PBM Agreement with Express Scripts that was detrimental to the interests of such non-ERISA members, (ii) failing to adequately monitor the activities of Express Scripts, including failing to timely monitor and correct the prices charged by Express Scripts for prescription medications, and (iii) acting in Anthem's self-interests instead of the interests of the non-ERISA members when it accepted the

$4,675,000 purchase price for NextRx. Plaintiffs seek to hold Anthem and Express Scripts jointly and severally liable and to recover all losses suffered by the proposed class, equitable relief, disgorgement of alleged ill-gotten gains, injunctive relief, attorney's fees and costs and interest. In November 2016, we filed a motion to dismiss all of the claims brought against Anthem. In response, in March 2017, the plaintiffs filed a second amended consolidated complaint adding two self-insured accounts as plaintiffs and asserting an additional purported class of self-insured accounts. In April 2017, we filed a motion to dismiss the claims brought against Anthem. Our motion was granted without prejudice in January 2018. Anthem intends to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

In February 2015, Anthem reported that it was the target of a sophisticated external cyber-attack. The attackers gained unauthorized access to certain of Anthem's information technology systems and obtained personal information related to many individuals and employees, such as names, birthdays, health care identification/social security numbers, street addresses, email addresses, phone numbers and employment information, including income data. To date, there is no evidence that credit card or medical information, such as claims, test results or diagnostic codes, were targeted, accessed or obtained, although no assurance can be given that Anthem will not identify additional information that was accessed or obtained.

Upon discovery of the cyber-attack, Anthem took immediate action to remediate the security vulnerability and retained a cybersecurity firm to evaluate our systems and identify solutions based on the evolving landscape. Anthem has provided credit monitoring and identity protection services to those who have been affected by this cyber-attack. Anthem has continued to implement security enhancements since this incident. Anthem has incurred expenses subsequent to the cyber-attack to investigate and remediate this matter and expects to continue to incur expenses of this nature in the foreseeable future. Anthem recognizes these expenses in the periods in which they are incurred.

Actions have been filed in various federal and state courts and other claims have been or may be asserted against us on behalf of current or former members, current or former employees, other individuals, shareholders or others seeking damages or other related relief, allegedly arising out of the cyber-attack. Federal and state agencies, including state insurance regulators, state attorneys general, the Health and Human Services Office of Civil Rights and the Federal Bureau of Investigation, are investigating events related to the cyber-attack, including how it occurred, its consequences and our responses. In December 2016, the National Association of Insurance Commissioners, or NAIC, concluded its multistate targeted market conduct and financial exam. In connection with the resolution of the matter, the NAIC requested Anthem provide, and Anthem agreed to provide, a customized credit protection program, equivalent to a credit freeze, for Anthem's members who were under the age of eighteen on January 27, 2015. No fines or penalties were imposed on Anthem. Although Anthem is cooperating in these investigations, we may be subject to fines or other obligations, which may have an adverse effect on how Anthem operates its business and its results of operations. With respect to the civil actions, a motion to transfer was filed with the Judicial Panel on Multidistrict Litigation, or the Panel, in February 2015 and was subsequently heard by the Panel in May 2015. In June 2015, the Panel entered its order transferring the consolidated matter to the U.S. District Court for the Northern District of California, or the U.S. District Court. The U.S. District Court entered its case management order in September 2015. Anthem filed a motion to dismiss ten of the counts that were before the U.S. District Court. In February 2016, the U.S. District Court issued an order granting in part and denying in part our motion, dismissing three counts with prejudice, four counts without prejudice and allowing three counts to proceed. Plaintiffs filed a second amended complaint in March 2016, and Anthem subsequently filed a second motion to dismiss. In May 2016, the U.S. District Court issued an order granting in part and denying in part our motion, dismissing one count with prejudice, dismissing certain counts asserted by specific named plaintiffs with or without prejudice depending on their individualized facts, and allowing the remaining counts to proceed. In July 2016, plaintiffs filed a third amended complaint, which we answered in August 2016. Fact discovery was completed in December 2016. Plaintiffs filed their motion for class certification and trial plan in March 2017. Anthem filed its opposition to class certification, motions to strike the testimony of three of the plaintiffs' experts and trial plan in April 2017. Prior to those motions being heard, the parties agreed to settle plaintiffs' claims on a class-wide basis for a total settlement payment of $115 million and certain nonmonetary relief. In June 2017, plaintiffs filed a motion for preliminary approval of the settlement and a motion to continue all case deadlines. In July 2017, the U.S. District Court granted the motion to continue all case deadlines. The U.S. District Court issued an order of preliminary approval in August 2017. The U.S. District Court held a hearing on plaintiffs' motion for final approval and class counsel's fee petition in February 2018. The U.S. District Court has appointed a special master to review class counsel's fee petition and has rescheduled the final fairness hearing for April 2018. Three state court cases related to the cyber-attack are presently proceeding outside of this multidistrict litigation. Two of those cases have been stayed and a dispositive motion is pending with respect to the third. There remain open regulatory investigations into the incident that are not directly impacted by the multidistrict litigation settlement.

In July 2015, Anthem and Cigna Corporation, ("Cigna") announced that they entered into a Merger Agreement, pursuant to which Anthem would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice ("DOJ"), along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia ("District Court") seeking to block the merger. In February 2017, Cigna purported to terminate the Merger Agreement and commenced litigation against Anthem in the Delaware Court of Chancery ("Delaware Court") seeking damages, including the $1,850,000 termination fee pursuant to the terms of the Merger Agreement, and a declaratory judgment that its purported termination of the Merger Agreement was lawful, among other claims, which is captioned in Cigna Corp. v. Anthem Inc. Also in February

2017, Anthem initiated its own litigation against Cigna in the Delaware Court seeking a temporary restraining order to enjoin Cigna from terminating the Merger Agreement, specific performance compelling Cigna to comply with the Merger Agreement and damages, which is captioned Anthem Inc. v. Cigna Corp. In April 2017, the U.S. Circuit Court of Appeals for the District of Columbia affirmed the ruling of the District Court, which blocked the merger. In May 2017, after the Delaware Court denied our motion to enjoin Cigna from terminating the Merger Agreement, Anthem delivered to Cigna a notice terminating the Merger Agreement. The litigation in Delaware is ongoing. Anthem believes Cigna's allegations are without merit and intends to vigorously pursue its claims and defend against Cigna's allegations; however, the ultimate outcome of Anthem's litigation with Cigna cannot be presently determined.

The Company is involved in other pending and threatened litigation of the character incidental to the business transacted, arising out of its operations and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits and reviews and administrative proceedings include routine and special investigations by state insurance departments, state attorneys general, the U.S. Attorney General and Federal Agencies. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on The Company's business operations. The Company believes that any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on the Company's financial position or results of operations.

The Company has no other known contingencies.

10. Retirement Benefits

The Company participates in a deferred compensation plan sponsored by Anthem that covers certain employees once the participant reaches the maximum contribution amount for the Anthem 401(k) Plan (the "401(k) Plan"). The deferred amounts are payable according to the terms and subject to the conditions of the deferred compensation plan. Anthem allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation plan. The Company has no legal obligation for benefits under this plan.

The Company participates in the 401(k) Plan, sponsored by ATH Holding Company, LLC ("ATH Holding"), and covering substantially all employees. Voluntary employee contributions are matched by ATH Holding subject to certain limitations. ATH Holding allocates a share of the total costs of the plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

(Dollars In Thousands)

During 2017 and 2016, the Company was allocated the following costs or (credits) for these retirement benefits:

	2017	2016
Deferred compensation plan	**$ 29**	$ 24
Defined contribution plan	**1,015**	844

11. Uninsured Accident and Health Plans

The net gain (loss) from operations and total claim payment volume from administrative services only ("ASO") plans was:

	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
For the year ended December 31, 2017			
Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses	**$ (5,727)**	**$ —**	**$ (5,727)**
Total net other income or expenses (including interest paid to or received from plans)	**—**	**—**	**—**
Net gain (loss) from operations	**$ (5,727)**	**$ —**	**$ (5,727)**
Total claim payment volume	**$ 176,208**	**$ —**	**$ 176,208**
For the year ended December 31, 2016			
Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses	$ (3,872)	$ —	$ (3,872)
Total net other income or expenses (including interest paid to or received from plans)	—	—	—
Net gain (loss) from operations	$ (3,872)	$ —	$ (3,872)
Total claim payment volume	$ 138,663	$ —	$ 138,663

(Dollars In Thousands)

12. Health Care Receivables

Pharmaceutical rebate receivables consist of reasonably estimated and billed amounts. Amounts not collected within 90 days of the invoice or confirmation date are nonadmitted. Total admitted and nonadmitted pharmaceutical rebates receivables at December 31 are as follows:

	2017		2016	
	Admitted	**Nonadmitted**	**Admitted**	**Nonadmitted**
Pharmaceutical rebate receivables, reported in health care and other receivables	$ 537	$ 118	$ 806	$ 1,494
Total pharmaceutical rebate receivables	$ 537	$ 118	$ 806	$ 1,494

During 2017, the Company sold $2,108 of pharmaceutical rebate receivables without recourse to Blue Cross of California, an affiliated entity. The proceeds received by the Company represented the expected pharmaceutical rebates recoverable in 90 days or more, less a $11 discount fee.

Claim overpayment receivables consist of amounts that have been invoiced and meet the setoff conditions. Amounts that have not been invoiced and do not meet the setoff conditions are nonadmitted. Total admitted and nonadmitted claim overpayment receivables at December 31 are as follows:

	2017		2016	
	Admitted	**Nonadmitted**	**Admitted**	**Nonadmitted**
Claim overpayment receivables, reported in health care and other receivables	$ —	$ 5,998	$ —	$ 11,444
Total claim overpayment receivables	$ —	$ 5,998	$ —	$ 11,444

Other healthcare receivables at December 31 are as follows:

	2017		2016	
	Admitted	**Nonadmitted**	**Admitted**	**Nonadmitted**
Other healthcare receivables, reported in health care and other receivables	$ —	$ 409	$ —	$ 206
Total other healthcare receivables	$ —	$ 409	$ —	$ 206

13. Related Party Transactions

The Company has entered into administrative services agreements with its affiliated companies. Pursuant to these agreements, various administrative, management and support services are provided to or provided by the Company. The expenses related to these administrative management and support services are allocated to or allocated by the Company in an amount equal to the direct and indirect costs and expenses incurred in providing these services. Costs include expenses such as salaries, benefits, communications, advertising, consulting services, rent, utilities, accounting, underwriting, and product development, which support the operations of the Company. These costs are allocated based on various utilization statistics.

Net payments to affiliated companies pursuant to the above administrative service agreements were $78,313 and $66,017 in 2017 and 2016, respectively, and are included in operating expenses and claims adjustment expenses in the statutory basis statements of operations.

At December 31, 2017 and 2016, the Company reported $7,778 and $565 due from affiliates, respectively. At December 31, 2017, the Company reported no amounts due to affiliates. At December 31, 2016, the Company reported $2,557 due to affiliates. The receivable and payable balances represent intercompany transactions that will be settled in accordance with the settlement terms of the intercompany agreement.

At September 30, 2017, there was a $7,187 capital contribution from APHC. It was authorized on August 22, 2017 and paid on August 31, 2017. At December 31, 2017, there was additional $12,915 capital contribution from APHC. It was authorized on December 14, 2017 and paid on December 18, 2017. At December 31, 2017, there was additional $3,228 capital contribution from BCBS LA, which was paid on December 15, 2017.

At December 31, 2016 the Company received a $20,000 capital contribution from AGP. It was authorized on June 27, 2016 and paid on June 30, 2016.

Royalties charged to the Company for the year ended December 31, 2017 was $10,271, which is included in operating expenses in the accompanying statutory basis statements of operations. The royalty agreement is with the Company's parent, AGP. There were no royalties charged for the year ended December 31, 2016.

14. Subsequent Events

Management of the Company has evaluated all events occurring after December 31, 2017 through April 24, 2018, the date the financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. It was determined there were no events that require recognition or disclosure in the financial statements through the report date.

Supplementary Information - Statutory Basis

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Report of Independent Auditors on Supplementary Information

Board of Directors
Community Care Health Plan of Louisiana, Inc.

Our audits were conducted for the purpose of forming an opinion on the statutory basis financial statements as a whole. The accompanying supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

April 24, 2018

Community Care Health Plan of Louisiana, Inc.

Summary Investment Schedule - Statutory Basis

(Dollars In Thousands)

December 31, 2017

	Gross Investment Holdings		Admitted Assets Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage of Gross Investment Holdings	Amount	Securities Lending Reinvested Collateral Amount	Total	Percentage of Total Admitted Invested Assets
Bonds:						
States, territories and possessions general obligations	$ 7,133	3.2%	$ 7,133	$ —	$ 7,133	3.2%
Political subdivisions of states, territories and possessions and political subdivisions general obligations	18,417	8.3	18,417	—	18,417	8.3
Revenue and assessment obligations	40,649	18.3	40,649	—	40,649	18.3
Mortgage-backed securities (includes residential and commercial MBS):						
Pass-through securities:						
Issued by FNMA and FHLMC	3,347	1.5	3,347	—	3,347	1.5
CMOs and REMICs:						
Issued or guaranteed by GNMA, FNMA, FHLMC or VA	5,114	2.3	5,114	—	5,114	2.3
Other debt and other fixed income securities (excluding short-term):						
Unaffiliated domestic securities	77,916	35.0	77,916	—	77,916	35.0
Unaffiliated foreign securities	15,276	6.9	15,276	—	15,276	6.9
Receivables for securities	95	0.0	95	—	95	0.0
Cash, cash equivalents and short-term investments	54,530	24.5	54,530	—	54,530	24.5
Total invested assets	$ 222,477	100.0%	$ 222,477	$ —	$ 222,477	100.0%

Community Care Health Plan of Louisiana, Inc.

Investment Risks Interrogatories - Statutory Basis

(Dollars In Thousands)

December 31, 2017

1. The Company's total admitted assets as reported on Page 2 of the Annual Statement are: $ 333,685

2. Ten largest exposures to a single issuer/borrower/investment:

	Investment	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Citigroup Inc	Bonds	$ 6,545	2.0%
2.02	State of Hawaii	Bonds	6,207	1.9%
2.03	City of Bridgeport CT	Bonds	6,106	1.8%
2.04	CarMax Inc	Bonds	4,170	1.2%
2.05	Liberty Mutual Holding Co Inc	Bonds	3,486	1.0%
2.06	United States of America	Bonds	3,347	1.0%
2.07	Synchrony Financial	Bonds	3,322	1.0%
2.08	Penske Truck Leasing Co LP	Bonds	3,241	1.0%
2.09	AutoNation Inc	Bonds	3,226	1.0%
2.10	City of Houston TX	Bonds	3,213	1.0%

3. The Company's total admitted assets held in bonds by NAIC designation are:

	Bonds	Amount	Percentage of Total Admitted Assets
3.01	NAIC - 1	$ 114,429	34.3%
3.02	NAIC - 2	51,708	15.5%
3.03	NAIC - 3	1,715	0.5%
3.04	NAIC - 4	—	—
3.05	NAIC - 5	—	—
3.06	NAIC - 6	—	—

The Company has no investments in preferred stock at December 31, 2017.

(Dollars In Thousands)

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [X]

		Amount	Percentage of Total Admitted Assets
4.02	Total admitted assets held in foreign investments	$ 15,276	4.6%
4.03	Foreign-currency-denominated investments	—	—
4.04	Insurance liabilities denominated in that same foreign currency	—	—

5. Aggregate foreign investment exposure categorized by NAIC Sovereign rating:

		Amount	Percentage of Total Admitted Assets
5.01	Countries rated NAIC - 1	$ 15,276	4.6%
5.02	Countries rated NAIC - 2	—	—
5.03	Countries rated NAIC - 3 or below	—	—

6. Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating:

		Amount	Percentage of Total Admitted Assets
	Countries rated NAIC - 1		
6.01	Country: Cayman Islands	$ 11,119	3.3%
6.02	Country: Netherlands	1,445	0.4%
	Countries rated NAIC - 2		
6.03	Country:	—	—
6.04	Country:	—	—
	Countries rated NAIC - 3 or below		
6.05	Country:	—	—
6.06	Country:	—	—

7. The Company has no unhedged foreign currency exposure.

8. The Company has no unhedged foreign currency exposure.

9. The Company has no unhedged foreign currency exposure.

Community Care Health Plan of Louisiana, Inc.

Investment Risks Interrogatories - Statutory Basis (continued)

(Dollars In Thousands)

10. Ten largest non-sovereign (i.e.non-governmental) foreign issues:

	Issuer	NAIC Rating	Amount	Percentage of Total Admitted Assets
10.01	Madison Park Funding Ltd	1AM	$ 3,000	0.9%
10.02	Octagon Investment Partners Ltd	1AM	2,745	0.8%
10.03	Avery Point CLO Ltd	1AM	2,293	0.7%
10.04	KKR CLO Trust	1AM	2,021	0.6%
10.05	Cooperatieve Rabobank UA	1FE/2FE	1,445	0.4%
10.06	Mitsubishi UFJ Financial Group	1FE	999	0.3%
10.07	Apidos CLO	1FE	705	0.2%
10.08	Scentre Group	1AM	694	0.2%
10.09	Pentair PLC	1FE	515	0.2%
10.10	Magnetite CLO Ltd	1AM	355	0.1%

11. Assets held in Canadian investments are less than 2.5% of the total admitted assets.

12. Assets held in investments with contractual sales restrictions are less than 2.5% of the total admitted assets.

13. Assets held in equity interests are less than 2.5% of total admitted assets.

14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of total admitted assets.

15. Investments in general partnership interests are less than 2.5% of the total admitted assets.

16. The Company has no investments in mortgage loans.

17. The Company has no investments in mortgage loans.

18. The Company has no investments in real estate, other than property owned and occupied by the Company.

19. The Company has no potential exposure for mezzanine real estate loans.

(Dollars In Thousands)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year-end		At End of Each Quarter (Unaudited)		
		Amount	Percentage of Admitted Assets	1st qtr	2nd qtr	3rd qtr
20.01	Securities lending	$ —	—	$ 487	$ 1,137	$ 125
20.02	Repurchase agreements	—	—	—	—	—
20.03	Reverse repurchase agreements	—	—	—	—	—
20.04	Dollar repurchase agreements	—	—	—	—	—
20.05	Dollar reverse repurchase agreements	—	—	—	—	—

21. The Company held no admitted assets for warrants not attached to other financial instruments, options, caps and floors.

22. The Company held no admitted assets with potential exposure for collars, swaps and forwards.

23. The Company held no admitted assets with potential exposure for futures contracts.

Note-Basis of Presentation

The accompanying supplemental schedules present selected statutory basis financial data as of December 31, 2017 and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual,* and agrees to or is included in the amounts reported in Community Care Health Plan of Louisiana, Inc.'s 2017 Annual Statement as filed with the Louisiana Department of Insurance.

Captions or amounts that are not applicable have been omitted.