Financial Statements and Supplementary Information - Statutory Basis

Community Care Health Plan of Louisiana, Inc.

Years Ended December 31, 2016 and 2015
With Reports of Independent Auditors

Community Care Health Plan of Louisiana, Inc.

Financial Statements and Supplementary Information – Statutory Basis

Years ended December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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 27, 2017

Community Care Health Plan of Louisiana, Inc.

Balance Sheets – Statutory Basis

	December 31	
	2016	**2015**
	(In Thousands)	
Admitted assets		
Cash and invested assets:		
Cash, (bank overdrafts), cash equivalents and short-term investments	**$ 114,882**	$ (5,961)
Bonds	**71,507**	67,242
Receivable for securities	**42**	–
Securities lending collateral	**856**	657
Total cash and invested assets	**187,287**	61,938
Accrued investment income	**676**	625
Premiums receivable	**85,637**	70,119
Net deferred tax asset	**7,794**	4,565
Receivable from affiliates	**565**	18
Health care and other receivables	**806**	626
Other assets	**1**	–
Total admitted assets	**$ 282,766**	$ 137,891
Liabilities and capital and surplus		
Liabilities:		
Unpaid claims and claims adjustment expenses	**$ 121,557**	$ 53,203
Accounts payable and accrued expenses	**41,075**	8,150
Current federal income tax payable	**5,039**	398
Remittances and items not allocated	**2,399**	2,166
Payable to affiliates	**2,557**	4,182
Payable for securities lending	**856**	657
Liability for amounts held under uninsured plans	**38,239**	15,729
Other liabilities	**2,108**	161
Total liabilities	**213,830**	84,646
Capital and surplus:		
Common stock, $.01 par value: 1,000 shares authorized, issued and outstanding	**–**	–
Additional paid-in surplus	**95,676**	75,676
Unassigned surplus (deficit)	**(26,740)**	(33,190)
Special surplus funds	**–**	10,759
Total capital and surplus	**68,936**	53,245
Total liabilities and capital and surplus	**$ 282,766**	$ 137,891

See accompanying notes.

Community Care Health Plan of Louisiana, Inc.

Statements of Operations – Statutory Basis

	Year ended December 31 2016	2015
	(In Thousands)	
Premium income	**$ 785,342**	$ 506,311
Benefits and expenses:		
Claims and claims adjustment expenses	**706,970**	467,715
Operating expenses	**76,326**	43,277
Change in reserves for accident and health contracts	**–**	(1,147)
Total benefits and expenses	**783,296**	509,845
Net underwriting gain (loss)	**2,046**	(3,534)
Investment gains (losses):		
Net investment income	**2,273**	2,179
Net realized capital gains (losses), net of tax (benefit)	**40**	549
Total net investment gains (losses)	**2,313**	2,728
Income (loss) before federal income taxes	**4,359**	(806)
Federal income tax (benefit)	**7,615**	3,080
Net income (loss)	**$ (3,256)**	$ (3,886)

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, 2015	$ –	$ 60,676	$ (21,224)	$ 8,097	$ 47,549
Net income (loss)	–	–	(3,886)	–	(3,886)
Change in unrealized capital gains and losses, net of tax (benefit)	–	–	(1,034)	–	(1,034)
Change in net deferred income tax	–	–	2,669	–	2,669
Change in nonadmitted assets	–	–	(7,053)	–	(7,053)
Capital contribution from parent	–	15,000	–	–	15,000
Change in special surplus funds for ACA health insurer fee	–	–	(2,662)	2,662	–
Balance as of December 31, 2015	–	75,676	(33,190)	10,759	53,245
Net income (loss)	**–**	**–**	**(3,256)**	**–**	**(3,256)**
Change in unrealized capital gains and losses, net of tax (benefit)	**–**	**–**	**43**	**–**	**43**
Change in net deferred income tax	**–**	**–**	**3,220**	**–**	**3,220**
Change in nonadmitted assets	**–**	**–**	**(4,316)**	**–**	**(4,316)**
Capital contribution from parent	**–**	**20,000**	**–**	**–**	**20,000**
Change in special surplus funds for ACA health insurer fee	**–**	**–**	**10,759**	**(10,759)**	**–**
Balance as of December 31, 2016	$ –	**$ 95,676**	**$ (26,740)**	**$ –**	**$ 68,936**

See accompanying notes.

Community Care Health Plan of Louisiana, Inc.

Statements of Cash Flow – Statutory Basis

	Year ended December 31	
	2016	**2015**
	(In Thousands)	
Operating activities:		
Premiums collected	**$ 769,824**	$ 445,658
Investment income received	**2,785**	2,699
Claims and claims adjustment expenses paid	**(643,253)**	(453,224)
General administrative and miscellaneous expenses paid	**(20,382)**	(34,897)
Federal income taxes (paid) recovered	**(2,989)**	262
Net cash provided by (used in) operating activities	**105,985**	(39,502)
Investment activities:		
Proceeds from investments sold, matured or repaid	**20,066**	46,344
Cost of investments acquired	**(25,014)**	(28,988)
Net cash provided by (used in) investment activities	**(4,948)**	17,356
Financing or miscellaneous activities:		
Capital contribution from parent	**20,000**	15,000
Net transfers from (to) affiliates	**(2,172)**	3,558
Other	**1,978**	(2,788)
Net cash (used in) provided by financing or miscellaneous activities	**19,806**	15,770
Change in cash, (bank overdrafts), cash equivalents and short term investments	**120,843**	(6,376)
Cash, (bank overdrafts), cash equivalents and short-term investments at beginning of year	**(5,961)**	415
Cash, (bank overdrafts), cash equivalents and short-term investments at end of year	**$ 114,882**	$ (5,961)

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 loss of the Medicaid contract with Louisiana Department of Health and Hospitals ("LA DHH") would have a material effect on Company's operations.

On November 15, 2016, AMERIGROUP Corporation ("AGP") sold the Company to Anthem Partnership Holding Company, LLC ("APHC"). Both APHC and AGP are indirect wholly-owned subsidiaries of Anthem, Inc. ("Anthem"), a publicly traded company. On November 14, 2016, AMERIGROUP Louisiana, Inc. changed its name to Community Care Health Plan of Louisiana, Inc. in preparation for the creation of a Medicaid joint venture with Blue Cross Blue Shield Louisiana ("BCBS Louisiana"). The joint venture transactions closed on March 31, 2017 with BCBS Louisiana purchasing 20% of the Company. The Company will operate as a licensee of the Blue Cross Blue Shield Association ("BCBSA"). The Company will continue to do business under the Amerigroup tradename until September 1, 2017 when the market facing tradename will change to Healthy Blue.

On July 24, 2015, the Company's ultimate parent company, Anthem, and Cigna Corporation ("Cigna") entered into an Agreement and Plan of Merger dated as of July 23, 2015, by and among Anthem, Cigna and Anthem Merger Sub Corp., a Delaware corporation and a direct wholly-owned subsidiary of Anthem, pursuant to which Anthem will acquire all outstanding shares of Cigna, or the Acquisition. On July 21, 2016, the U.S. Department of Justice, or DOJ, along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia seeking to block the Acquisition. On January 18, 2017, Anthem provided notice to Cigna that Anthem had elected to extend the termination date under the Merger Agreement from January 31, 2017 until April 30, 2017. Following the conclusion of the trial, the Court ruled in favor of the DOJ, on February 8, 2017, and Anthem promptly filed notice that Anthem would appeal the Court's ruling. On February 14, 2017, Cigna purported to terminate the Merger Agreement and commenced litigation against Anthem in the Delaware Court of Chancery, or Delaware Court, seeking damages and a declaratory judgment that its purported termination of the Merger Agreement was lawful, among other claims. Anthem believes Cigna's allegations are without merit. Also on February 14, 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. On February 15, 2017, the Delaware Court granted Anthem's motion for a temporary restraining order and issued an order enjoining Cigna from terminating the Merger Agreement. The temporary restraining order became effective immediately and will remain in place pending any further order from the Delaware Court. Anthem intends to vigorously defend the Acquisition in both the Circuit Court and the Delaware Court and remains committed to completing the Acquisition as soon as practicable.

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, 2016 and 2015, there were no differences between the Company's net income and statutory basis 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.

For statutory purposes, all single class and multi-class mortgage-backed/asset-backed securities, such as collateralized mortgage obligations ("CMOs"), where it is determined that a decline in fair value is other-than-temporary because the Company intends to sell the security or has assessed that it does not have the intent and ability to retain the investments in the security for a period of time sufficient to recover the amortized cost basis, the amortized cost basis is written down to fair value as a realized loss in the statements of income. If deemed other-than-temporarily impaired as the Company does not expect to recover the amortized cost basis even if it did not intend to sell the security and the Company has the intent and ability to hold the security, the amortized cost basis is written down to the present value of future cash flows as a realized loss in the statements of income. For impaired bonds not backed by other assets, an other-than-temporary impairment ("OTTI") is considered to have occurred if it is probable that the Company will be unable to collect all amounts due according to the instrument's contractual terms in effect at the date of acquisition. A decline in fair value that is other-than-temporary includes situations where the Company has made a decision to sell a security prior to its maturity at an amount below its carrying value. If it is determined that a decline in the fair value of a bond is other-than-temporary, an impairment loss is recognized as a realized loss in the statements of income equal to the entire difference between the bond's carrying value and its fair value.

For GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets, such as CMOs, mortgage-backed securities, bonds and asset-backed securities, other than high credit quality securities, whose decline in fair value is determined to be other-than-temporary, the cost basis of the security is written down to the fair value if the Company intends to sell the security or it is more likely than not that the Company will have to sell the security prior to recovery. For impaired fixed maturity securities that the Company does not intend to sell or it is more likely than not that the Company will not have to sell such securities, but the Company expects that it will not fully recover the amortized cost basis, the credit component of the OTTI is recognized in other-than-temporary losses in the income statements, and the non-credit component of the OTTI is recognized in other comprehensive income. Furthermore, unrealized losses entirely caused by non-credit factors related to fixed maturity securities for which the Company expects to fully recover the amortized cost basis continue to be recognized in accumulated other comprehensive income. Furthermore, unrealized losses entirely caused by non-credit factors related to fixed maturity securities for which the Company expects to fully recover the amortized cost basis continue to be recognized in accumulated other comprehensive income.

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 net deferred tax assets in excess of certain statutory limits, 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 $15,008 and $10,692 at December 31, 2016 and 2015, respectively. For GAAP, these amounts are carried as assets, net of a valuation allowance, if necessary.

Deferred income taxes: Deferred tax assets are reduced by a statutory valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Adjusted gross deferred tax assets are separated by character (ordinary and capital) and admitted in an amount equal to the sum of 1) the amount of 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 applicable carryback period, plus 2) based on RBC thresholds the lesser of the remaining adjusted gross deferred tax assets expected to be realized within the applicable period of the balance sheet date or an amount no greater than the applicable percentage of capital and surplus excluding any net deferred tax assets, electronic data processing ("EDP") equipment and operating software and any net positive goodwill, plus 3) the amount of remaining adjusted gross deferred tax assets that can be offset against existing gross deferred tax liabilities after consideration of the reversal patterns of temporary differences. The remaining deferred tax asset is nonadmitted.

Deferred taxes do not include amounts for state taxes. Changes in deferred income taxes are recorded as adjustments to capital and surplus. 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.

Uninsured accident and health plans: The Company provides administrative services to various customers on an uninsured basis. Under this arrangement, 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 Statement of Statutory Accounting Principles ("SSAP") No. 47, *Uninsured Plans*, these claim payments and subsequent reimbursements are excluded from the Company's statutory basis statements of income, 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"). Common stocks of unaffiliated companies are stated at fair value as determined by various third-party pricing sources.

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.

Unrealized gains and losses on stocks and 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 gains (losses), net of tax. 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.

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 2016 and 2015 was $511 and $434, 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.

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, which is included in aggregate policy reserves in the balance sheets. The Company did not record a premium deficiency reserve as of December 31, 2016 or 2015.

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.

Retrospectively Rated Contracts

The Company’s contract with the 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 incurred and unpaid liability 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.

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 due dates.

Health Insurer Fee

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 nondeductible 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 has been suspended for 2017 and is currently scheduled to resume for 2018 and beyond.

(Dollars in Thousands)

2. Investments

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

December 31, 2016	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses: Less Than 12 Months	Gross Unrealized Losses: 12 Months or Greater	Fair Value
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**

December 31, 2015	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses: Less Than 12 Months	Gross Unrealized Losses: 12 Months or Greater	Fair Value
States, territories and political subdivisions	$ 21,491	$ 604	$ (25)	$ (20)	$ 22,050
Industrial and miscellaneous	34,995	79	(640)	(198)	34,236
Loan-backed and structured securities	10,756	–	(44)	(43)	10,669
Total bonds	$ 67,242	$ 683	$ (709)	$ (261)	$ 66,955

The statement and fair values of bonds at December 31, 2016, 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	**$ 228**	**$ 228**
Due after one through five years	**21,366**	**21,574**
Due after five through ten years	**27,322**	**27,795**
Due after ten years	**10,468**	**10,267**
Loan-backed and structured securities	**12,123**	**11,952**
	$ 71,507	**$ 71,816**

Proceeds from sales of bonds during 2016 and 2015 were $14,919 and $25,253, respectively, resulting in realized gross gains of $250 and $232 and realized gross losses of ($190) and ($664), respectively.

Investments with a statement value of $1,513 and $1,010 were on deposit with the LDI at December 31, 2016 and 2015, respectively.

(Dollars in Thousands)

The Company had no investments in unaffiliated common stocks at December 31, 2016. Proceeds from sales of unaffiliated common stocks during 2015 were $14,713. The Company realized gross gains of $1,275 and there were no realized gross losses during 2015.

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 charges for OTTI of securities of $6 for the year ended December 31, 2016. The Company recorded no charges for OTTI of securities for the year ended December 31, 2015.

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, 2016			**December 31, 2015**		
	Number of Securities	**Fair Value**	**Gross Unrealized Loss**	**Number of Securities**	**Fair Value**	**Gross Unrealized Loss**
Bonds:						
Less than 12 months	**24**	**$ 14,395**	**$ (374)**	47	$ 28,049	$ (709)
12 months or greater	**7**	**4,769**	**(248)**	9	4,903	(261)
Total bonds	**31**	**$ 19,164**	**$ (622)**	56	$ 32,952	$ (970)

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. Unrealized losses on stocks result from normal market fluctuations and are considered temporary. 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, 2016 or 2015.

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, 2016 and 2015. The Company did not hold any loan backed and structured securities for which OTTI were recognized at December 31, 2016 or 2015.

The Company's investment portfolio included loaned securities with carrying values of $803 and $802 at December 31, 2016 and 2015, respectively. The fair value of the loaned securities was $836 and $641 at December 31, 2016 and 2015, respectively.

(Dollars in Thousands)

The Company reinvests the collateral received under the securities lending program. The aggregate amount of cash collateral reinvested at December 31, 2016, categorized by the contractual maturity of the investment, is as follows:

	Amortized Cost	Fair Value
30 days or less	**$ 415**	**$ 416**
Subtotal	**415**	**416**
Securities received	**441**	**441**
Total collateral reinvested	**$ 856**	**$ 857**

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.

The following table summarizes the assets and liabilities measured at fair value and held as of December 31, 2016 and 2015, respectively:

	Level I	Level II	Level III	Total
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**
December 31, 2015				
Industrial and miscellaneous bonds	$ –	$ 298	$ –	$ 298
Total bonds	–	298	–	298
Total assets at fair value	$ –	$ 298	$ –	$ 298

Fair values of fixed maturity securities 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. United States government securities represent Level I securities, while Level II securities primarily include corporate securities, securities from states, municipalities and political subdivisions and residential mortgage-backed securities. 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.

(Dollars in Thousands)

Fair values of equity securities are generally designated as Level I and are based on quoted market prices. For certain equity securities, quoted market prices for the identical security are not always available and the fair value is estimated by reference to similar securities for which quoted prices are available. These securities are designated as Level II.

The Company's policy is to recognize transfers between levels, if any, as of the beginning of the reporting period. There were no transfers between levels during the years ended December 31, 2016 and 2015.

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 Company did not recognize OTTI for the year ended December 31, 2015.

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

December 31, 2016

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

December 31, 2015

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level I)	(Level II)	(Level III)	Not Practicable (Carrying Value)
Bonds	$ 66,955	$ 67,242	$ –	$ 64,402	$ 2,553	$ –
Short-term investments	4,205	4,205	4,205	-	–	–
Cash equivalents	4,000	4,000	4,000	–	–	–
Securities lending collateral	658	657	658	–	–	–

(Dollars in Thousands)

4. Claims and Claims Adjustment Expenses

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

	2016	2015
Balances at January 1	**$ 53,203**	$ 31,737
Incurred (redundancies) related to:		
Current year	**709,258**	466,156
Prior years	**(2,288)**	1,559
Total incurred	**706,970**	467,715
Paid related to:		
Current year	**588,896**	413,033
Prior years	**49,720**	33,216
Total paid	**638,616**	446,249
Balances at December 31	**$ 121,557**	$ 53,203

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. Positive amounts reported for incurred related to prior years result from claims being settled for amounts greater 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 Company took into account estimated anticipated subrogation and other recoveries in its determination of the liability for unpaid claims based on historical recovery patterns.

5. Retrospectively Rated Contracts and Contracts Subject to Redetermination

The amount of net premiums written by the Company in 2016 and 2015 that was subject to retrospective rating features, including MLR rebate regulations, was $785,342 and $506,311 respectively, which represented 100% of the total net premiums written in each year.

6. Federal Income Taxes

The Company has a federal income tax payable of $5,039 and $398 as of December 31, 2016 and 2015, respectively.

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

	2016		
	Ordinary	**Capital**	**Total**
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 *Income Taxes* - ("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**	**$ 0**	**$ 773**

	2015		
	Ordinary	**Capital**	**Total**
Gross deferred tax assets	$ 5,349	$ 23	$ 5,372
Gross deferred tax liabilities	(2)	–	(2)
Net deferred tax asset before admissibility test	$ 5,347	$ 23	$ 5,370

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 as of December 31, 2015 is:

	Ordinary	Capital	Total
Admitted pursuant to paragraph 11.a	$ 4,358	$ 20	$ 4,378
Admitted pursuant to paragraph 11.b	188	–	188
Admitted pursuant to paragraph 11.c	1	–	1
Admitted deferred tax asset	4,547	20	4,567
Deferred tax liability	(2)	–	(2)
Net admitted deferred tax asset	4,545	20	4,565
Nonadmitted deferred tax asset	$ 802	$ 3	$ 805

The change in the amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 during 2016 is:

	Ordinary	Capital	Total
Admitted pursuant to paragraph 11.a	$ 3,436	$ (20)	$ 3,416
Admitted pursuant to paragraph 11.b	(188)	–	(188)
Admitted pursuant to paragraph 11.c	18	–	18
Admitted deferred tax asset	3,266	(20)	3,246
Deferred tax liability	–	(17)	(17)
Net admitted deferred tax asset	3,266	(37)	3,229
Nonadmitted deferred tax asset	$ (29)	$ (3)	$ (32)

(Dollars in Thousands)

	2016	2015
Ratio percentage used to determine recovery period and threshold limitation amount	**236%**	280%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitations	**$ 61,141**	$ 48,680

The impact of tax planning strategies is as follows:

	2016		2015		Change	
	Ordinary	**Capital**	**Ordinary**	**Capital**	**Ordinary**	**Capital**
Adjusted gross deferred tax assets amount	**$ 8,586**	**$ –**	$ 5,349	$ 23	$ 3,237	$ (23)
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	**$ 7,813**	**$ –**	$ 4,547	$ 20	$ 3,266	$ (20)
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:

	2016	2015	Change
Federal income taxes on operations	**$ 7,615**	$ 3,080	$ 4,535
Federal income tax expense on net capital gains	**14**	294	(280)
Federal income taxes	**$ 7,629**	$ 3,374	$ 4,255

(Dollars in Thousands)

The components of deferred income tax at December 31 are as follows:

	December 31		
	2016	**2015**	**Change**
Deferred tax assets:			
Ordinary:			
Accrued future expenses	**$ 61**	$ –	$ 61
Amortization	**262**	289	(27)
Accounts receivable	**5,863**	3,399	2,464
Claims discount reserve	**320**	149	171
Fixed assets	**672**	656	16
Other insurance reserves	**1,298**	801	497
Prepaid expenses	**32**	18	14
Tenant allowance receivable	**61**	37	24
Other	**17**	–	17
Subtotal	**8,586**	5,349	3,237
Nonadmitted deferred tax assets	**(773)**	(802)	29
Admitted ordinary deferred tax assets	**7,813**	4,547	3,266
Capital:			
Investments in securities	**–**	23	(23)
Subtotal	**–**	23	(23)
Nonadmitted deferred tax assets	**–**	(3)	3
Admitted capital deferred tax assets	**–**	20	(20)
Admitted deferred tax assets	**7,813**	4,567	3,246
Deferred tax liabilities:			
Ordinary:			
Discount of coordination of benefits	**(2)**	(2)	–
Subtotal	**(2)**	(2)	–
Capital:			
Investments in securities	**(17)**	–	(17)
Subtotal	**(17)**	–	(17)
Deferred tax liabilities	**(19)**	(2)	(17)
Net admitted deferred tax asset	**$ 7,794**	$ 4,565	$ 3,229

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

	December 31		
	2016	**2015**	**Change**
Total deferred tax assets	**$ 8,586**	$ 5,372	$ 3,214
Total deferred tax liabilities	**(19)**	(2)	(17)
Net deferred tax asset	**$ 8,567**	$ 5,370	3,197
Tax effect of unrealized gains (losses)			23
Change in net deferred income tax			$ 3,220

(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:

	2016	2015
Tax expense (benefit) computed using federal statutory rate	**$ 1,530**	$ (179)
ACA health insurer fee	**4,534**	3,256
Change in nonadmitted assets	**(1,522)**	(2,246)
Tax exempt and dividend income net of proration	**(147)**	(207)
Prior year true-up and adjustments	**(31)**	7
Other	**45**	74
Total	**$ 4,409**	$ 705
Federal income taxes (benefit)	**$ 7,629**	$ 3,374
Change in net deferred income taxes	**(3,220)**	(2,669)
Total statutory income taxes	**$ 4,409**	$ 705

At December 31, 2016, 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
2016	$ 7,535	$ 14	$ 7,549
2015	2,980	294	3,274
2014	N/A	42	42

The Company is included in the consolidated federal income tax return of their parent Anthem, Inc., along with other affiliates, as of December 31, 2016. 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 Internal Revenue Service 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, 2016, the examination of the 2016 tax year continues to be in process.

7. Health Insurer Fee

The Company had $506,292 of premiums written subject to assessment under ACA Section 9010 as of December 31, 2015 and no premiums written subject to assessment under ACA Section 9010 as of December 31, 2016 due to the 2017 suspension of this assessment. Because no health insurer fee is to be paid in 2017, no funds have been segregated in special surplus funds for the health insurer fee at December 31, 2016. The Company's portion of the annual health insurance industry fee paid during 2016 was $12,955 and is include in operating expenses.

8. Capital and Surplus

The LDI requires the Company to maintain a minimum statutory capital and surplus as set forth in the State of Louisiana ("the State") statutes. In addition, the State has adopted RBC requirements as specified by the NAIC. Under those requirements, the amount of surplus to be maintained is determined based on the various risk factors. At December 31, 2016 and 2015, the Company's capital and surplus exceeded all regulatory requirements.

Under Louisiana Statute 22:704, 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, if such insurer is a life insurer, or the net income, if such insurer is not a life 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, other than a life 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.

Within the limitations above, the Company may not pay any dividends during 2017 without prior approval.

The portion of unassigned surplus representing cumulative unrealized losses, net of tax, was ($18) and ($61) as December 31, 2016 and 2015, respectively.

9. Leases

The Company leases office space and EDP equipment and other miscellaneous items under various non-cancelable operating leases. Related lease expense for 2016 and 2015 was $657 and $487, respectively.

At December 31, 2016, future lease payments for operating leases with initial or remaining noncancelable terms of one year or more consisted of the following: 2017, $939; 2018, $916; 2019, $934; 2020, $660; and 2021, $422.

10. Contingencies

In March 2016, Anthem filed a lawsuit against its vendor for pharmacy benefit management ("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 and seeks various declarations under the PBM agreement between the parties. Anthem's suit asserts that Express Scripts, Inc.'s ("Express Scripts") current pricing exceeds the competitive benchmark pricing required by the PBM agreement over the remaining term of the PBM agreement and through the post-termination transition period. Further, Anthem believes that Express Scripts' excessive pricing has caused Anthem to lose existing customers and prevented the Company from gaining new business. In addition to the amounts associated with competitive benchmark pricing, Anthem is seeking damages associated with operational breaches incurred to date, together with a declaratory judgment that Express Scripts: (1) breached its obligation to negotiate in good faith and to agree in writing to new pricing terms; (2) is required to provide competitive benchmark pricing to Anthem through the term of the PBM agreement; (3) has breached the PBM agreement, and that Anthem can terminate the PBM agreement either due to Express Scripts' breaches or because Anthem has determined that Express Scripts' performance with respect to the delegated Medicare Part D functions has been unsatisfactory; and (4) 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 Anthem's contractual claims and alleging various defenses and counterclaims. Express Scripts contends that Anthem breached the PBM agreement by failing to negotiate proposed new pricing terms in good faith and that Anthem 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: (1) regarding the timing of the periodic pricing review under the PBM agreement; (2) that it has no obligation to ensure that Anthem receives any specific level of pricing, that Anthem has 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 (3) that Anthem does not have the right to terminate the PBM agreement. In the alternative, Express Scripts claims that Anthem has been unjustly enriched by its payment of $4.675 billion at the time of the PBM agreement. Anthem believes that Express Scripts' defenses and counterclaims are without merit. Anthem filed a motion to dismiss Express Script's counterclaims, which is pending. Anthem intends to vigorously pursue these claims and defend against any counterclaims; however, the ultimate outcome cannot be presently determined.

Anthem and Express Scripts were also 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 vs. 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 bases on 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 trading off the best interests of Anthem insureds for its own pecuniary interest by allegedly agreeing to higher pricing in the PBM agreement in exchange for the $4.675 billion purchase price for Anthem's 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 the 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 billion 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. Anthem filed a motion to dismiss all of the claims brought against Anthem, which is pending. Express Scripts filed a motion to transfer the case to a federal court in Missouri and Anthem intends to oppose this transfer. 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 its systems and identify solutions based on the evolving landscape. Anthem is providing 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 will recognize 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 Anthem 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 Anthem's responses. The NAIC's multistate targeted market conduct and financial exam was concluded in December 2016. As part of the resolution, the NAIC asked and Anthem has agreed to provide a customized credit protection program functionally equivalent to a credit freeze for minors who were under the age of 18 on January 27, 2015. No fines or penalties were issued. Although Anthem is cooperating in these investigations, Anthem may be subject to fines or other obligations, which may have an adverse effect on how Anthem operates its business and on its results of operations. With respect to the civil actions, a motion to transfer was filed with the Judicial Panel on Multidistrict Litigation 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. The U.S. District Court entered its case management order in September 2015. Anthem filed a motion to dismiss ten of the counts that are before the U.S. District Court. In February 2016, the 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 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 Anthem answered in August 2016. Fact discovery was completed in December 2016. There remain two state court cases that are presently proceeding outside of the Multidistrict Litigation.

Anthem has contingency plans and insurance coverage for certain expenses and potential liabilities of this nature. While a loss from these matters is reasonably possible, Anthem cannot reasonably estimate a range of possible losses because the investigation into the matter is ongoing, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved.

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.

At December 31, 2016 and 2015, the Company reported admitted assets of $85,637 and $70,119, respectively, in premiums receivable and amounts receivable from uninsured plans. Based upon Company experience, receivables from the government have been fully collected; therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

The Company has no other known contingencies.

11. Retirement Benefits

The Company participates in various deferred compensation plans sponsored by Anthem that cover certain employees. The deferred amounts are payable according to the terms and subject to the conditions of said deferred compensation agreements. Anthem allocates a share of the total costs of these plans to the Company based on the number of allocated employees participating in the plans. The Company has no legal obligation for benefits under these plans.

(Dollars in Thousands)

The Company participates in the Anthem 401(k) Retirement Savings Plan, a defined contribution plan, sponsored by 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.

During 2016 and 2015, the Company was allocated the following costs for these retirement benefits:

	2016	2015
Deferred compensation plans	$ 24	$ 20
Defined contribution plan	844	667

12. Uninsured Accident and Health Plans

The net loss from operations and total claims 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, 2016			
Net reimbursement for administrative expenses (including administrative fees) less than actual expenses	**$ (3,872)**	**–**	**$ (3,872)**
Total net other income or expenses (including interest paid to or received from plans)	**–**	**–**	**–**
Net loss from operations	**(3,872)**	**–**	**(3,872)**
Total claim payment volume	**$ 138,663**	**$ –**	**$ 138,663**
For the year ended December 31, 2015			
Net reimbursement for administrative expenses (including administrative fees) less than actual expenses	$ (4,536)	–	$ (4,536)
Total net other income or expenses (including interest paid to or received from plans)	–	–	–
Net loss from operations	(4,536)	–	(4,536)
Total claim payment volume	$ 133,406	$ –	$ 133,406

13. Health Care Receivable

Pharmaceutical rebate receivables of $806 and $626 were admitted at December 31, 2016 and 2015, respectively. Pharmaceutical rebate receivables are reported in health care and other 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. Pharmaceutical rebate receivables of $1,494 and $988 were nonadmitted at December 31, 2016 and 2015, respectively.

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. Claim overpayment receivables and other health care receivables of $11,650 and $7,698 were nonadmitted as of December 31, 2016 and 2015, respectively.

14. 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 $66,017 and $53,804 in 2016 and 2015, respectively, and are included in operating expenses and claims adjustment expenses in the statutory basis statements of operations.

At December 31, 2016 and 2015, the Company reported $565 and $18 due from affiliates and $2,557 and $4,182 due to affiliates, respectively. The receivable and payable balances represent intercompany transactions that are settled within the terms of the management and services agreement.

For the year ended 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. For the year ended December 31, 2015, the Company received a $15,000 capital contribution from AGP. It was authorized on September 28, 2015 and paid on September 30, 2015.

15. Subsequent Events

Management of the Company has evaluated all events occurring after December 31, 2016 through April 27, 2017, the date the financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. As discussed in Note 1, BCBS Louisiana purchased 20% of the Company on March 31, 2017. It was determined there were no other events that require recognition or disclosure in the financial statements through the report date.

Supplementary Information

Building a better
working world

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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 27, 2017

Community Care Health Plan of Louisiana, Inc.

Summary Investment Schedule – Statutory Basis

(Dollars in Thousands)

December 31, 2016

	Gross Investment Holdings		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:						
U.S. treasury securities	$ –	0.0 %	$ –	441	$ 441	0.2 %
Securities issued by states, territories, and possessions and political subdivisions in the U.S.:						
States, territories and possessions general obligations	614	0.3	614	–	614	0.3
Political subdivisions of states, territories and possessions and political subdivisions general obligations	4,613	2.5	4,613	–	4,613	2.5
Revenue and assessment obligations	15,289	8.2	15,289	–	15,289	8.2
Mortgage-backed securities						
Pass-through securites:						
All other	–	0.0	–	387	387	0.2
CMOs and REMICs:						
Issued or guaranteed by GNMA, FNMA, FHLMC or VA	6,694	3.6	6,694	–	6,694	3.6
Other debt and other fixed income securities (excluding short-term):						
Unaffiliated domestic securities	36,326	19.3	36,326	28	36,354	19.4
Unaffiliated foreign securities	7,971	4.3	7,971	–	7,971	4.3
Receivables for securities	42	0.0	42		42	0.0
Securities lending collateral	856	0.5	856	XXX	XXX	XXX
Cash, cash equivalents, and short-term investments	114,882	61.3	114,882	–	114,882	61.3
Total invested assets	$ 187,287	100.0 %	$ 187,287	$ 856	$ 187,287	100.0 %

Community Care Health Plan of Louisiana, Inc.

Investment Risks Interrogatories – Statutory Basis

(Dollars in Thousands)

December 31, 2016

1. The Company's total admitted assets as reported on Page 2 of the Annual Statement are: $ 282,766

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

	Investment	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	General Motors Company	Bond	$ 3,040	1.1 %
2.02	SPS Servicer Advance Receivables	Bond	2,555	0.9
2.03	CSAIL Commercial Mortgage	Bond	2,003	0.7
2.04	Michigan Finance Authority	Bond	1,891	0.7
2.05	City of Chicago IL	Bond	1,837	0.6
2.06	Wells Fargo Commercial Mortgage	Bond	1,812	0.6
2.07	State of Hawaii	Bond	1,687	0.6
2.08	Protective Life Global Fund	Bond	1,499	0.5
2.09	Cooperatieve Centrale Raiffeis	Bond	1,446	0.5
2.10	BHP Billiton Ltd	Bond	1,431	0.5

3. The Company's total admitted assets held in bonds (including short-term investments and cash equivalents of $6,306), by NAIC designation are:

	Bonds	Amount	Percentage of Total Admitted Assets
3.01	NAIC - 1	$ 51,906	18.4 %
3.02	NAIC - 2	24,203	8.6
3.03	NAIC - 3	1,704	0.6
3.04	NAIC - 4	–	–
3.05	NAIC - 5	–	–

The Company held no investments in preferred stock as of December 31, 2016.

Community Care Health Plan of Louisiana, Inc.

Investment Risks Interrogatories – Statutory Basis (continued)

(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	$ 7,971	2.8 %
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 designation:

		Amount	Percentage of Total Admitted Assets
5.01	Countries rated NAIC-1	$ 7,971	2.8 %
5.02	Countries rated NAIC-2	–	–
5.03	Countries rated NAIC-3 or below	–	–

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		Amount	Percentage of Total Admitted Assets
	Countries rated NAIC-1:		
6.01	Country: Australia	$ 2,124	0.8 %
6.02	Country: Cayman Islands	1,784	0.6
	Countries rated NAIC-2:		
6.03	Country:	–	–
6.04	Country:	–	–
	Countries rated NAIC-3:		

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.

Investment Interrogatories – Statutory Basis (continued)

(Dollars in Thousands)

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

	Issuer	NAIC Designation	Amount	Percentage of Total Admitted Assets
10.01	Cooperatieve Centrale Rai	1FE/2FE	$ 1,446	0.5 %
10.02	BHP Billiton Ltd	1FE	1,431	0.5
10.03	Pentair PLC	2FE	1,050	0.4
10.04	Apidos CDO	1AM	1,000	0.4
10.05	Mitsubishi UFJ Financial	1FE	998	0.4
10.06	Scentre Group	1FE	693	0.2
10.07	Cent CLO	1AM	429	0.2
10.08	Magnetite CLO Ltd	1AM	355	0.1
10.09	Standard Chartered PLC	1FE	275	0.1
10.10	Sompo Japan Nipponkoa Hol	1FE	230	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 in equity interest 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.

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

		At Year-End		Amount at End of Each Quarter (Unaudited)		
		Amount	Percentage of Total Admitted Assets	1st Quarter	2nd Quarter	3rd Quarter
20.01	Securities lending	$ 803	0.3 %	$ 2,087	$ 1,016	$ 240
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.

Community Care Health Plan of Louisiana, Inc.

Note to Supplementary Information – Statutory Basis

(Dollars in Thousands)

December 31, 2016

Note—Basis of Presentation

The accompanying supplemental schedules present selected statutory basis financial data as of December 31, 2016 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 2016 Annual Statement as filed with the Louisiana Department of Insurance.

Captions or amounts that are not applicable have been omitted.