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Reply to:  
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RECEIVED

MAY 07 2012

**Via Email and Overnight Courier**

April 30, 2012

INSURANCE COMMISSIONER  
COMPANY SUPERVISION

Mr. Sukalyan Ghosh, CFE  
Insurance Financial Analyst  
Financial Regulation Section - 4  
Department of Consumer and  
Business Services  
350 Winter Street, N.E., Room 440  
Salem, OR 97309-0405

Mr. Cliff Larson  
Senior Financial Analyst Supervisor  
Idaho Department of Insurance  
700 W. State Street, 3rd Floor  
Boise, ID 83720

Mr. Daniel Applegarth  
Assistant Chief Examiner  
Utah State Insurance Department  
State Office Building, Room 3110  
Salt Lake City, UT 84114

Mr. Ronald J. Pastuch  
Holding Company Manager  
Company Supervision Division  
Office of Insurance Commissioner  
5000 Capitol Boulevard  
Tumwater, WA 98501

**Re: 2011 Annual Holding Company Statement**

Dear Mr. Ghosh, Mr. Larson, Mr. Applegarth, and Mr. Pastuch:

On behalf of Cambia Health Solutions, Inc. and the affiliated insurers within its holding company system, enclosed are two copies each of the consolidated Cambia holding company statement for 2011.

If you have any questions or concerns, please feel free to contact Kerry Barnett, as indicated on the form, or me.

Sincerely,

**LISA T. MURPHY**  
Director, Corporate Legal Services  
& Senior Associate General Counsel

cc: Kerry E. Barnett

Enclosures

100 SW Market Street, P.O. Box 1271, Portland, OR 97207-1271

**HEALTH CARRIER HOLDING COMPANY SYSTEM  
ANNUAL REGISTRATION STATEMENT**

**FORM B**

Filed with the Insurance Commissioners of the States of:  
Idaho, Oregon, Utah, and Washington

By

**CAMBIA HEALTH SOLUTIONS, INC.**

On Behalf of the Following Health Carriers:

<u>Name:</u>	<u>Address:</u>
1. Regence BlueShield (Regence Washington)	1800 Ninth Avenue Seattle, Washington 98101
a. Asuris Northwest Health (ANH)	North 1121 Argonne Street, Suite 220 Spokane, Washington 99212
b. Commencement Bay Life Insurance Company (CBL)	1800 Ninth Avenue Seattle, Washington 98101
2. Regence BlueCross BlueShield of Oregon (Regence Oregon)	100 SW Market Street Portland, Oregon 97201
a. Regence HMO Oregon (RHO)	201 High Street SE Salem, Oregon 97308
b. Regence Health Maintenance of Oregon, Inc. (RHMO)	100 SW Market Street Portland, Oregon 97201
c. LifeMap Assurance Company (LifeMap)	100 SW Market Street Portland, Oregon 97201
3. Regence BlueCross BlueShield of Utah (Regence Utah)	2890 East Cottonwood Parkway Salt Lake City, Utah 84121
a. HealthWise	2890 East Cottonwood Parkway Salt Lake City, Utah 84121
4. Regence BlueShield of Idaho, Inc. (Regence Idaho)	1602 21st Avenue Lewiston, Idaho 83501

Reporting Period for This Statement: 2011

Date of This Filing: April 30, 2012

Individual to whom Notices and Correspondence concerning this Statement should be addressed:

Kerry E. Barnett  
Group Executive Vice President, Corporate Services  
and Chief Legal Officer  
Cambia Health Solutions, Inc.  
200 SW Market Street, Suite 1500  
Portland, Oregon 97201  
(503) 276-1814

## **ITEM 1. IDENTITY AND CONTROL OF REGISTRANT**

The identity and control of Cambia Health Solutions, Inc. (Cambia) holding company is described below. The identity and control of affiliated insurers is attached as Exhibit A.

### Home Office Address

100 SW Market Street  
Portland, Oregon 97201

### Principal Executive Office Address

200 SW Market Street, Suite 1500  
Portland, Oregon 97201

### Date Affiliate became subject to Holding Company System

Please see the description below.

### Method of Acquisition and Maintenance of Control

Cambia was initially incorporated as ENTRUST on April 17, 1995. It changed its name to The Benchmark Group on May 25, 1995, to The Regence Group on April 1, 1997, and to Cambia Health Solutions, Inc. effective November 4, 2011. It is an Oregon nonprofit public benefit corporation without members and is authorized to do business in Washington, Idaho, Utah, Louisiana, and California.

Cambia is the sole member of Regence BlueCross BlueShield of Oregon (Regence Oregon), Regence BlueShield (Regence Washington), and Regence BlueCross BlueShield of Utah (Regence Utah). As sole member, Cambia has authority to approve elections to the governing Boards of these three affiliated corporations and to discharge members of their governing Boards at any time, with or without cause. Further, Cambia has approval authority over actions of the three governing Boards going to such fundamental matters as merger, dissolution, or sales not in the ordinary course of business. In addition, Cambia manages Regence BlueShield of Idaho, Inc. (Regence Idaho) under terms of a 20-year Management and Administrative Services Agreement, which has been approved by the Idaho Insurance Commissioner.

## ITEM 2. ORGANIZATIONAL CHART

See the attached Exhibit B, Cambia Organizational Chart.

## ITEM 3. THE ULTIMATE CONTROLLING PERSON

(a) Name

The name of the ultimate controlling person, "The Regence Group," changed on November 4, 2011 to "Cambia Health Solutions, Inc."

(b) Home Office Address

100 SW Market Street  
Portland, Oregon 97201

(c) Principal Executive Office

200 SW Market Street, Suite 1500  
Portland, Oregon 97201

(d) Organizational Structure

Nonprofit public benefit corporation organized under the Oregon Nonprofit Corporation Act, ORS Chapter 65.

(e) Principal Business

Non-insurer holding company established to administer the Cambia holding company system.

(f) N/A.

(g) Nonprofit Corporation Members and Directors

Cambia is a nonprofit organization organized without stock and without members, governed by a self-perpetuating board of directors. Under the terms of affiliation between Cambia and its four affiliated health plans, each of the plans has a contractual right to representation on Cambia's board of directors.

(h) Pending Court Proceedings for Reorganization or Liquidation

None.

#### ITEM 4. BIOGRAPHICAL INFORMATION

A current list of Cambia Executive Officers and Directors is attached as Exhibit C. To the best of my information and belief, none of the Cambia directors or officers has been convicted of any crimes, other than minor traffic violations, during the past ten years.

#### ITEM 5. TRANSACTIONS AND AGREEMENTS

(a) Loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the registrant or of the registrant by its affiliates

(1) Cambia is in receipt of loans from each of its four primary affiliates as follows:

<i>Affiliate</i>	<i>Amount</i>	<i>Date of Transaction</i>
• RCBBSO	\$ 1,640,000	June 30, 1995
• RBS	1,820,000	June 30, 1995
• RBSI	540,000	June 1, 1995
• RBCBSU	1,125,000	August 1, 1997

Each loan is for a term of 20 years and carries interest compounded annually at the prime rate for standard commercial loans.

(b) Purchases, sales or exchanges of assets between affiliates

The following purchases, sales, or exchanges of assets between Cambia affiliates occurred in 2011, and, as applicable, the cost was allocated pursuant to the administrative services agreements identified in Item 5(e)(1)(i) and (ii).

- (1) In January 2011, Cambia renewed its system-wide comprehensive Directors and Officers, Managed Care, and Errors and Omissions liability insurance. The premiums for this coverage were allocated as follows: Cambia – \$171,566; Regence Washington – \$849,142; Regence Oregon – \$496,473; Regence Idaho – \$150,658; and Regence Utah – \$288,079.
- (2) Each of the four Regence affiliate plans entered into “Regence” Service Mark and Trade Name License Agreements effective October 1, 1999, under which the affiliate plans are charged an annual license fee for use of the “Regence” mark in their corporate names. The fee is calculated at \$.30 per medical member on the annual renewal date. The fees paid by the affiliate plans for 2011 were as follows: Regence Washington – \$321,000; Regence Oregon – \$216,000; Regence Idaho – \$52,000; and Regence Utah – \$101,000.

- (3) During 2011, Cambia purchased software assets and incurred costs related to internally-customized software projects, and then allocated the assets to each of the four affiliate plans in exchange for cash. These projects mainly related to a multi-year, enterprise-wide system implementation and process improvement program. Portions of these projects, and others, were transferred to the affiliate plans for cash. The total of these transfers was \$38,351,000, broken down as follows: Regence Washington – \$16,169,000, Regence Oregon – \$12,265,000, Regence Idaho – \$3,363,000, and Regence Utah – \$6,554,000.

(c) Transactions between affiliates not in the ordinary course of business

None

(d) Guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the registrant's business

- (1) Regence Oregon guarantees a promissory note on behalf of 200 Market Limited Partnership, a 50% owned joint venture.
- (2) Regence Oregon has insolvency agreements with RHO, RHMO, and LifeMap.

(e) Management agreements, service contracts and all cost-sharing arrangements

(1) Cambia

- (i) Cambia manages Regence Idaho under terms of a 20-year Management and Administrative Services Agreement.
- (ii) In December 2007, Cambia entered into an administrative services agreement with Regence Oregon, Regence Utah, and Regence Washington.
- (iii) Under the agreements mentioned in Item 5(e)(1)(i) and (ii), Cambia affiliates reimburse expenses incurred at the Cambia level. Depending upon the type of expenses involved, they are allocated to the Regence affiliates using cost center surveys and objective statistical measures, as further described in the agreements.

During 2011, Cambia allocated \$334,702,000 in expenses to its affiliates as follows: Regence Washington – \$144,138,000; Regence Oregon – \$106,696,000; Regence Idaho – \$28,101,000; and Regence Utah – \$55,767,000.

- (iv) Cambia and LifeMap have a cost-sharing agreement based on LifeMap's actual expenses for the prior year and forecasted increase in the current year's budget. This flat-rate fee is for services provided to LifeMap, for example, in the way of legal, financial, human resources, underwriting,

executive and information technology services. This fee can be adjusted in June of the current operating year if LifeMap projects a material gain or loss difference forecasted for the remainder of the year. In 2011, LifeMap's fee total was \$2,489,631.

- (v) Cambia and Regence Rx, Inc. have an administrative services agreement, entered into as of July 1, 2005, under which Cambia provides certain administrative services on behalf of Regence Rx, Inc.

(2) Regence Washington

- (i) Regence Washington provides and maintains the computer software claims system (referred to as the FEP shared system) on behalf of Cambia for administration of the federal employee health benefit plan. Each Cambia affiliate plan shares in Regence Washington's cost of maintaining and administering the FEP shared system, which processes claims of federal employees, retirees, and family members within the Cambia states. In 2011, \$1,399,000 was allocated from Regence Washington to the three other Cambia affiliate plans to maintain this system, broken down as follows: \$639,000 was allocated to Regence Oregon; \$712,000 was allocated to Regence Utah; and \$48,000 was allocated to Regence Idaho.
- (ii) Regence Washington provides various services to Commencement Bay Life Insurance Company (CBL). For 2011, Regence Washington provided services to CBL amounting to \$14,000. CBL presently is inactive.
- (iii) LifeMap entered into an administrative services agreement with Asuris Northwest Health effective October 3, 2011.
- (iv) Regence Washington entered into a pharmacy benefit management agreement with Regence Rx, Inc., a wholly-owned subsidiary of Cambia, effective January 1, 2012.

(3) Regence Oregon

- (i) Regence Oregon has agreements with both RHO and RHMO to provide ongoing management and other services. RHO and RHMO are inactive licensed corporate entities. In addition, RHO provides administrative services for Regence Oregon managed care plans that are funded pursuant to risk sharing arrangements. Regence Oregon compensates RHO for these services.
- (ii) Regence Oregon and LifeMap have a management agreement entered into on October 1, 1988, which requires Regence Oregon to provide services in the areas of marketing, personnel benefits, and office services. LifeMap pays Regence Oregon each month for these services based upon a flat rate.

- (iii) RHO and RHMO have an ongoing management agreement between them entered into on January 1, 1989, which requires RHO to provide the same comprehensive services for RHMO as Regence Oregon does for RHO and under the same compensation arrangement. RHO and RHMO are still licensed corporate entities but presently are inactive.
  - (iv) Regence Oregon and Regence Idaho have an agreement for Regence Idaho to process Medicare supplement, major medical drug, and professional electronic claims on behalf of Regence Oregon. Regence Oregon reimburses Regence Idaho an administrative fee per claim on a monthly basis.
  - (v) Regence Oregon's government programs division in Salem, Oregon, processes Medicare Advantage claims for each of the four Cambia affiliate plans and ANH, to consolidate expertise and experience. This is done under the administrative services agreements identified in Item 5(e)(1)(i) and (ii), and, pursuant to those agreements, the cost is included in the Cambia allocations to each of the affiliate plans.
  - (vi) Regence Oregon entered into a Master Sales Dealer Agreement with Regence BlueCross BlueShield of Oregon on May 9, 2011, whereby Regence BlueCross BlueShield of Oregon receives compensation for selling Kinetix Living Corp. products to employer groups.
  - (vii) Regence Oregon entered into a pharmacy benefit management agreement with Regence Rx, Inc., a wholly-owned subsidiary of Cambia, effective January 1, 2012.
- (4) Regence Utah
- (i) Regence Utah has an agreement with ValueCare to create a single investment pool between these entities. The objective of this investment pool is to provide the opportunity for a greater return on investments. The investment gains and losses are allocated back to each entity pro rata according to its initial contribution to the pool.
  - (ii) Regence Utah has operating agreements with each of HealthWise, ValueCare, and Group Services, Inc., which establish that Regence Utah will provide support services, such as marketing, advertising, printing, computer, accounting, and legal services. In return, Regence Utah has access to, and may utilize the services of, the affiliates subject to the terms and conditions of the operating agreements.
  - (iii) A lease agreement exists between RBCSU Realty, LLC, as Landlord and Regence Utah, as Tenant, a copy of which was given to the Utah Insurance Department on October 2, 1997, pertaining to certain real property located at 2890 East Cottonwood Parkway, Salt Lake City, Utah.



- (iv) Regence Utah and Regence Idaho are members of The Regence Caring Foundation for Children, Inc., a Utah nonprofit corporation, which is a 501(c)(3) tax-exempt organization. The Regence Caring Foundation for Children, Inc. provides free dental care to uninsured children within Utah and Idaho. Each entity donates money, raises money from the public, and donates administrative services to benefit eligible uninsured children in their respective State.
- (v) Regence Utah and Regence Idaho entered into a joint enterprise agreement on January 1, 2012 permits Regence Idaho and Regence Utah to enter into a contract with the Centers for Medicare and Medicaid Services (“CMS”) to offer Medicare Part D pharmacy benefit plans to residents in Utah and Idaho.
- (vi) Regence Utah entered into a pharmacy benefit management agreement with Regence Rx, Inc., a wholly-owned subsidiary of Cambia, effective January 1, 2012.

(5) Regence Idaho

- (i) Regence Idaho has an agreement with The Regence Caring Foundation for Children, Inc. to provide services for individuals residing in Idaho, similar to the Utah agreement described in Item 5(e)(4)(iv), above.
- (ii) Regence Idaho and Regence Utah entered into a joint enterprise agreement on January 1, 2012 permits Regence Idaho and Regence Utah to enter into a contract with the Centers for Medicare and Medicaid Services (“CMS”) to offer Medicare Part D pharmacy benefit plans to residents in Utah and Idaho.
- (iii) Regence Idaho entered into a pharmacy benefit management agreement with Regence Rx, Inc., a wholly-owned subsidiary of Cambia, effective January 1, 2012.

(f) Reinsurance agreements

- (1) Regence Oregon reinsures stop-loss policies underwritten by LifeMap for Regence Oregon’s self-funded administrative arrangements.
- (2) Regence Utah reinsures HealthWise where a HealthWise member’s aggregate claims for the calendar year exceed \$50,000.
- (3) Regence Oregon assumes 100% of the liability for benefits due under ANH Medicare Script (Medicare Part D stand-alone prescription drug plan) policies issued to individuals in the state of Oregon.

(4) Regence Oregon reinsures Institution Fund Services for RHO and RHMO pursuant to Reinsurance Agreements dated October 22, 1993.

(g) Dividends and other distributions to shareholders

(1) Regence Oregon made a \$56,000,000 ordinary distribution to Cambia Health Solutions, Inc., its sole member, on December 22, 2011.

(2) Regence Utah made a \$6,000,000 ordinary distribution to Cambia Health Solutions, Inc., its sole member, on February 29, 2012.

(h) Consolidated tax allocation agreements

On September 20, 2000, Cambia and its eligible affiliates and subsidiaries entered into a Consolidated Federal Income Tax Agreement setting forth the arrangement to allocate consolidated tax liability among the parties. The agreement apportions the tax liability of the parties during consolidated return years as prescribed in Treasury Regulation Sections 1.1502-2 and 1.1502-79.

(i) Any pledge of the registrant's stock or of the stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system

None.

## ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

(a) Criminal prosecutions or administrative proceedings by any government agency or authority which may be relevant to the trustworthiness of any party thereto.

None.

(b) Proceedings which may have a material effect upon the solvency or capital structure of the ultimate holding company including, but not necessarily limited to, bankruptcy, receivership or other corporate reorganizations.

None.

## ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

The registrant hereby states that it has not entered into separate transactions with persons within the registrant's holding company system since the filing of the prior year's annual registration statement, the purpose of which is to avoid statutory threshold amounts that would have required the commissioner's prior approval or reporting to the commissioner.

For Washington only – Regence BlueShield hereby states that it has not entered into separate transactions with persons within the health carrier's holding company system which in

the aggregate amount exceed the statutory threshold amounts which would have required the commissioner's prior approval or reporting to the commissioner.

**ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS**

An audited financial statement of Cambia for the year ending December 31, 2011, with Report of Independent Auditors, is attached as Exhibit D, incorporated by reference.


**ITEM 9. FORM C REQUIRED**

Attached as Exhibit E is Form C, Summary of Registration Statement, submitted concurrent with this Registration Statement.

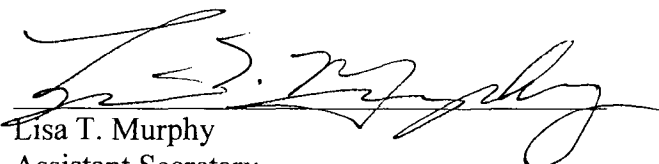
**ITEM 10. SIGNATURE AND CERTIFICATION**

Pursuant to the respective holding company registration requirements, the registrant has caused this annual registration statement to be duly signed on its behalf in the City of Portland and State of Oregon on the 30th day of April, 2012.

**CAMBIA HEALTH SOLUTIONS, INC.**

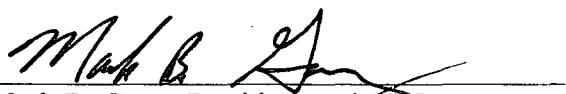
By:   
Mark B. Ganz, President and CEO

Attest:

  
Lisa T. Murphy  
Assistant Secretary

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached annual registration statement dated April 30, 2012, for and on behalf of Cambia Health Solutions, Inc.; that he is the President and CEO of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

By:   
Mark B. Ganz, President and CEO

## **LIST OF EXHIBITS**

Exhibit A – Identity and Control of Affiliated Insurers

Exhibit B – Cambia Health Solutions, Inc. Organization Chart

Exhibit C – Officers and Directors of Cambia Health Solutions, Inc.

Exhibit D – Cambia Health Solutions, Inc. Audited Financial Statements

Exhibit E – Form C, Summary of Registration Statement

## EXHIBIT A

### IDENTITY AND CONTROL OF AFFILIATED INSURERS

The following insurers are part of the holding company system:

**1. Regence BlueCross BlueShield of Oregon (Regence Oregon) and its subsidiaries**

Home Office Address

100 SW Market Street  
Portland, Oregon 97201

Principal Executive Offices Address

100 SW Market Street  
Portland, Oregon 97201

Date Affiliate became subject to Holding Company System

Regence BlueCross BlueShield of Oregon System: March 1, 1983  
Cambia Health Solutions, Inc. System: June 1, 1995

Method of Acquisition and Maintenance of Control

**Name Change History:** Oregon Physicians' Service (OPS) merged into Northwest Hospital Association (dba Blue Cross of Oregon) effective March 1, 1983, and the name of the surviving corporation was changed to Blue Cross and Blue Shield of Oregon; the corporation changed its name to Regence BlueCross BlueShield of Oregon effective April 1, 1997.

Cambia Health Solutions, Inc. (Cambia) became the sole member of Regence Oregon pursuant to a Plan and Agreement of Affiliation effective June 1, 1995. As sole member, Cambia has the authority to approve or disapprove elections to the governing board of Regence Oregon and to discharge members of its governing board at any time, with or without cause. Further, Cambia has approval authority over actions of the board going to such fundamental matters as merger, dissolution, or sales not in the ordinary course of business.

**A. Regence HMO Oregon (RHO)**

Home Office Address

201 High Street SE  
Salem, Oregon 97308

Principal Executive Offices Address

100 SW Market Street  
Portland, Oregon 97201

Date Affiliate became subject to Holding Company System  
Regence BlueCross BlueShield of Oregon System: November 10, 1988  
Cambia Health Solutions, Inc. System: June 1, 1995

Method of Acquisition and Maintenance of Control by RBCBSO

**Name Change History:** Originally incorporated as Capitol Health Care, Inc., on November 11, 1976; changed its name to HMO Oregon on November 1, 1993, and then changed its name to Regence HMO Oregon on April 1, 1997.

Regence Oregon became the only member of RHO pursuant to a Plan and Agreement of Acquisition dated March 9, 1988, and Articles of Acquisition dated October 28, 1988. The consideration for the acquisition was a \$2,000,000 loan to RHO, a line of credit in the sum of \$5,000,000 and transfer of ownership by RBCBSO to RHO of its wholly owned subsidiary, Regence Health Maintenance of Oregon, Inc. (RHMO), together with financial and capitalization assurances on behalf of RHMO.

As the only member of RHO, only Regence Oregon has the authority to appoint its board Chair and to approve the nominations of directors, all who serve at the pleasure of Regence Oregon, to approve the annual corporate plan and budget, to approve any product line and service line changes and to approve amendments to the Articles of Incorporation and Bylaws of RHMO. Further, as member, Regence Oregon has approval authority over actions of the board going to such fundamental matters as merger, dissolution, or sales not in the ordinary course of business.

RHO is still a licensed corporate entity but presently is inactive.

**B. Regence Health Maintenance of Oregon, Inc. (RHMO)**

Home Office Address  
100 SW Market Street  
Portland, Oregon 97201

Principal Executive Offices Address  
100 SW Market Street  
Portland, Oregon 97201

Date Affiliate became subject to Holding Company System  
Regence BlueCross BlueShield of Oregon System: November 27, 1985  
Cambia Health Solutions, Inc. System: June 1, 1995

Method of Acquisition and Maintenance of Control by RBCBSO

**Name Change History:** Originally incorporated as Network Health Plan, Inc., on November 27, 1985; changed name to Health Maintenance of Oregon, Inc., on

September 11, 1986; changed name to Regence Health Maintenance of Oregon, Inc. on September 8, 1997.

Regence Oregon originally organized and incorporated RHMO and owned 100 percent of its voting securities. These securities were subsequently transferred to RHO's wholly owned subsidiary Capitol Health Care Management, Inc., as part of Regence Oregon's acquisition of RHO on November 10, 1988. Regence Oregon retains control of RHMO through its control of RHO, owner of Capitol Health Care Management, Inc.

RHMO is still a licensed corporate entity but presently is inactive.

**C. LifeMap Assurance Company (LifeMap)**

Home Office Address

100 SW Market Street  
Portland, Oregon 97201

Principal Executive Offices Address

100 SW Market Street  
Portland, Oregon 97201

Date Affiliate became subject to Holding Company System

Regence BlueCross BlueShield of Oregon System: March 1, 1983  
Cambia Health Solutions, Inc. System: June 1, 1995

Method of Acquisition and Maintenance of Control by RBCBSO

**Name Change History:** Originally organized by OPS as Medical Health Company (MHC) on March 9, 1964, as a hospital association; name changed to Greater Northwest Insurance Company (GNI) on November 16, 1982, and became licensed as a health and life insurance company; name changed to Oregon Pacific States Insurance (OPSI) company on April 24, 1984; name changed to Regence Life and Health Insurance Company on April 1, 1997; name changed to LifeMap Assurance Company on February 1, 2012.

OPS initially organized MHC in the early 1960s as a wholly owned subsidiary. In 1982, MHC was licensed as a health care service contractor and its name was changed first to GNI, then to OPSI. On December 17, 1982, OPSI was issued an Oregon Certificate of Authority to do business as a life and health insurance company and surrendered its Certificate of Authority to do business as a health care service contractor. RBCBSO acquired all the stock of LifeMap when NHS and OPS merged on March 1, 1983.

Effective April 2, 1999, the insurance agency business of the four Cambia affiliate plans was combined by merging three out-of-state insurance agency subsidiaries into

the LifeMap subsidiary, Regence Coordinated Services, Inc. In consideration for the transaction, each of the affiliate plans received shares of LifeMap stock. In 2008, Regence Oregon sold 16,795 shares of LifeMap stock to Regence Washington for \$26,946,000. After the transaction, Regence Washington is a majority stockholder of LifeMap with 75% of the corporation's stock. The remaining Cambia affiliate percentages changed as follows: Regence Oregon – 11%; Regence Idaho – 2%; and Regence Utah – 12%.

**2. Regence BlueShield (Regence Washington) and its subsidiaries**

Home Office Address

1800 Ninth Avenue  
Seattle, Washington 98101

Principal Executive Offices Address

1800 Ninth Avenue  
Seattle, Washington 98101

Date Registrant became subject to the Holding Company System

June 1, 1995

Method of Acquisition and Maintenance of Control

Pursuant to a Plan and Agreement of Affiliation effective June 1, 1995, Cambia became the sole member of Regence Washington. As a Washington membership nonprofit corporation, control of Regence Washington is exercised through Regence Washington's membership interests. Cambia maintains control of Regence Washington by reason of its continued holding of all membership interests in Regence Washington.

**A. Asuris Northwest Health (ANH)**

Home Office Address

North 1121 Argonne Street, Suite 220  
Spokane, Washington 99212

Principal Executive Offices Address

1800 Ninth Avenue  
Seattle, Washington 98101

Date Registrant became subject to the Holding Company System

June 1, 1995.

Method of Acquisition and Maintenance of Control

ANH, formerly known as Northwest Health, was incorporated as a nonprofit membership corporation in 1933 under the name Walla Walla Valley Medical



Service Corporation. ANH was acquired by Regence Washington in November 1994. ANH automatically became a member of the holding company system by reason of Regence Washington's affiliation with Cambia on June 1, 1995. As a Washington membership nonprofit corporation, control of ANH is exercised through ANH's membership interests. Regence Washington maintains control of ANH by reason of its continued holding of all membership interests in ANH. In September 2002, Regence Northwest Health changed its name to ANH.

**B. Commencement Bay Life Insurance Company (CBL)**

Home Office Address

1800 Ninth Avenue  
Seattle, Washington 98101

Principal Executive Offices Address

1800 Ninth Avenue  
Seattle, Washington 98101

Date Registrant became subject to the Holding Company System

September 1, 1992

Method of Acquisition and Maintenance of Control

CBL was formed and incorporated by, and is controlled by, its sole shareholder, Regence Washington.

**3. Regence BlueCross BlueShield of Utah (Regence Utah) and its subsidiary**

Home Office Address

2890 East Cottonwood Parkway  
Salt Lake City, Utah 84121

Principal Executive Offices Address

2890 East Cottonwood Parkway  
Salt Lake City, Utah 84121

Date Affiliate became subject to Holding Company System

BlueCross BlueShield of Utah System: December 28, 1981  
Cambia Health Solutions, Inc. System: August 1, 1997

Method of Acquisition and Maintenance of Control

**Name Change History:** Blue Cross of Utah and Blue Shield of Utah merged into BlueCross BlueShield of Utah effective December 28, 1981; name of the corporation changed to Regence BlueCross BlueShield of Utah effective August 1, 1997.

Cambia became the sole member of Regence Utah pursuant to a Plan and Agreement of Affiliation effective July 28, 1997.

**A. HealthWise**

Home Office Address

2890 East Cottonwood Parkway  
Salt Lake City, Utah 84121

Principal Executive Offices Address

2890 East Cottonwood Parkway  
Salt Lake City, Utah 84121

Date Affiliate became subject to Holding Company System

BlueCross BlueShield of Utah System: August 10, 1982  
Cambia Health Solutions, Inc. System: August 1, 1997

Method of Acquisition and Maintenance of Control by RBCBSU

**Name Change History:** Incorporated as HealthWise on August 10, 1982.  
Regence Utah owns all HealthWise stock.

**4. Regence BlueShield of Idaho, Inc. (Regence Idaho)**

Home Office Address

1602 21st Avenue  
Lewiston, Idaho 83501

Principal Executive Offices Address

1602 21st Avenue  
Lewiston, Idaho 83501

Date Registrant became subject to the Holding Company System

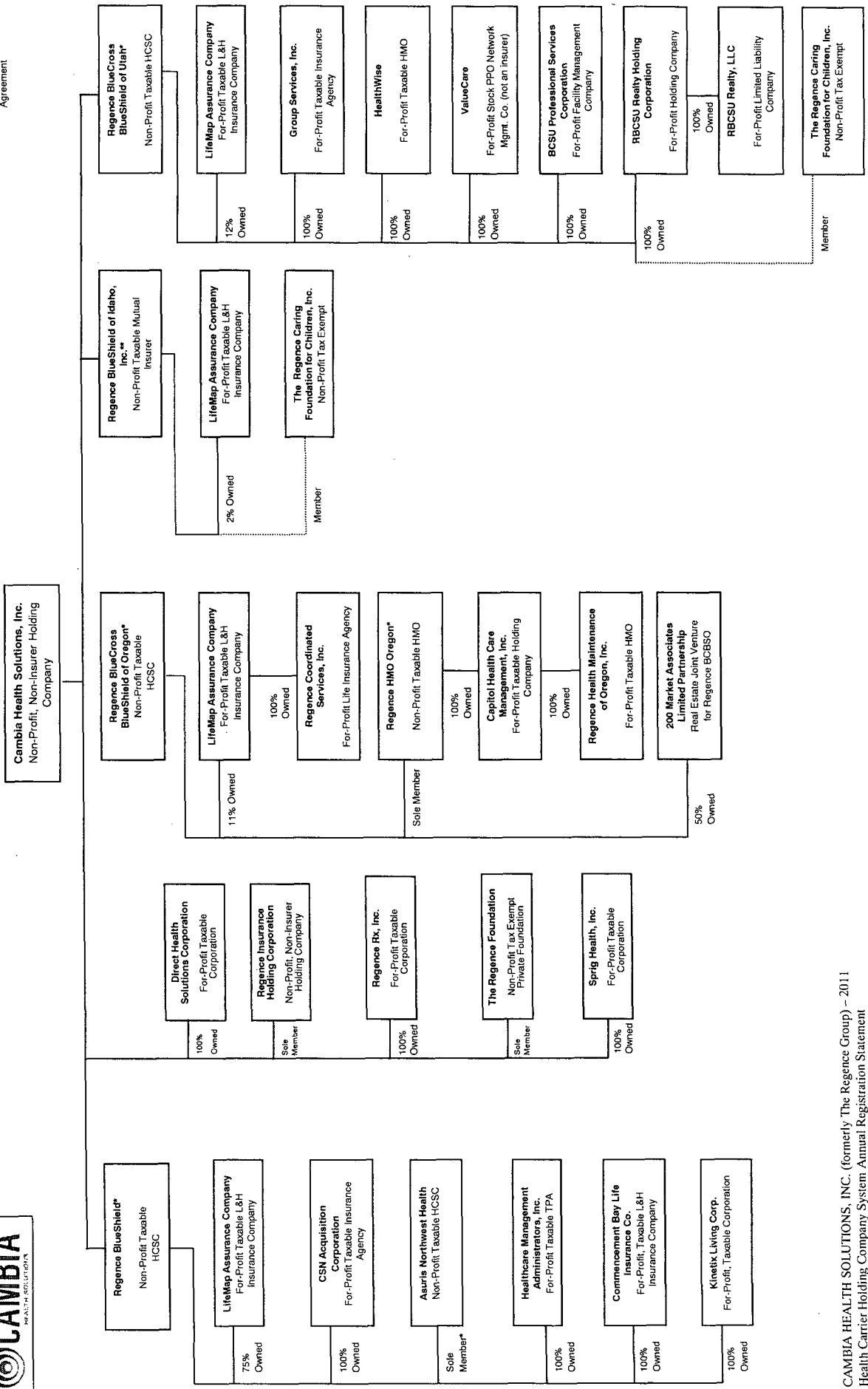
June 1, 1995.

Method of Acquisition and Maintenance of Control

Regence Idaho became affiliated with the Cambia holding company system effective June 1, 1995, pursuant to the same Plan and Agreement of Affiliation by which Regence Washington and Regence Oregon became affiliated, as described above. Pursuant to that Plan and with the approval of the Idaho Insurance Commissioner, Cambia and Regence Idaho entered into a 20-year Management and Administrative Services Contract effective June 1, 1995. Cambia maintains control of Regence Idaho by reason of its continuing contractual rights and powers under that management agreement.



HCSC Health Care Service Contractor  
 \* Sole Member is Upstream Parent  
 \*\* Controlled by 20 Year Management Agreement



CAMBIA HEALTH SOLUTIONS, INC. (formerly The Regence Group) – 2011  
 Health Carrier Holding Company System Annual Registration Statement  
 EXHIBIT B – Organizational Chart  
 Updated April 3, 2012

**Exhibit C**

**Cambia Health Solutions, Inc. Officers**

**Mark B. Ganz**  
President & CEO

**Kerry E. Barnett**  
Corporate Secretary; Group Executive Vice  
President,  
Corporate Services &  
Chief Legal Officer

**Andreas B. Ellis**  
Vice President &  
Corporate Treasurer

**Jared L. Short**  
Division President, Health Insurance Services

**Mohandas Nair**  
Chief Innovation Officer

**Vince P. Price**  
Executive Vice President,  
Finance & Chief Financial Officer

**Lisa T. Murphy**  
Assistant Secretary

**John W. Morgan**  
Division President, Direct Health Solutions

**Margaret M. Maguire**  
Vice President,  
Chief of Staff

**John Cimral**  
Senior Vice President,  
Chief Information Officer

## Exhibit C

### Cambia Health Solutions, Inc. Directors

**Mark C. Adams, M.D.**

**Paula A. Jones**  
President & CEO,  
P.A. Banks Enterprises, Inc.

**S. Fred Beck**  
CFO, ICON Health & Fitness, Inc.

**Cynthia A. Bioteau, Ph.D.**  
President & CEO  
Salt Lake Community College

**Gregory L. Charlton**  
Senior Vice President  
Idaho Independent Bank

**William L. Chenevich**  
Vice Chairman, US Bank

**Peggy Y. Fowler**  
Retired, President & CEO  
Portland General Electric

**Mark B. Ganz**  
President & CEO  
Cambia Health Solutions, Inc.

**Mack L. Hogans**  
CEO, M.L. Hogans, LLC Consulting  
Services & Executive Director Puget  
Sound BOLD Initiative

**Michael G. Koppel**  
EVP & CFO  
Nordstrom, Inc.

**Katharine G. Lindemann**  
SVP, Savers, Inc.

**Luis Machuca**  
CEO, Kryptiq Corporation

**D. Kurt Seppi, M.D.**  
St. Luke's Magic Valley Medical Center

**Jack G. Strother**  
Attorney-at-Law  
Graham & Dunn

**Elliott J. Hill**  
Vice President and General Manager,  
Nike North America, Nike, Inc.



**Consolidated Financial Statements**

**December 31, 2011 and 2010**

(With Independent Auditors' Report)

An Independent Licensee of the Blue Cross and Blue Shield Association.

CAMBIA HEALTH SOLUTIONS, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Cambia Health Solutions  
Portland, Oregon

We have audited the accompanying consolidated balance sheets of Cambia Health Solutions, its subsidiaries, and affiliates (the "Group") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in surplus and accumulated other comprehensive income (loss), and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. *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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional consolidating information on pages 47 through 52 is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

April 4, 2012



**CAMBIA HEALTH SOLUTIONS**  
**Consolidated Balance Sheets**  
**December 31, 2011 and 2010**  
(In thousands)

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 306,309	\$ 258,014
Receivables, net	907,704	802,656
Investments	2,639,753	2,525,816
Property, Buildings and Equipment, net	379,549	426,057
Other Assets	160,252	162,664
Deferred Compensation	<u>48,276</u>	<u>51,288</u>
Total Assets	<u>\$ 4,441,843</u>	<u>\$ 4,226,495</u>

(Continued)

**CAMBIA HEALTH SOLUTIONS**  
**Consolidated Balance Sheets**  
**December 31, 2011 and 2010**  
(In thousands)

<u>LIABILITIES AND SURPLUS</u>	<u>2011</u>	<u>2010</u>
Liabilities:		
Reserve for Unpaid Claims	\$ 993,509	\$ 885,353
Reserve for Adjusting Expenses on Unpaid Claims	27,205	22,994
Unearned Premiums	353,037	281,808
Debt and Other Obligations	119,303	140,177
Accrued Expenses and Other Liabilities	455,445	396,808
Experience Refunds Payable	32,578	39,466
Deferred Compensation	48,276	51,288
Deferred Income Taxes	<u>12,079</u>	<u>24,082</u>
Total Liabilities	<u>2,041,432</u>	<u>1,841,976</u>
Commitments and Contingencies (Note 14)		
Surplus:		
Accumulated Surplus	2,387,242	2,297,986
Accumulated Other Comprehensive Income	<u>13,169</u>	<u>86,533</u>
Total Surplus	<u>2,400,411</u>	<u>2,384,519</u>
Total Liabilities and Surplus	<u>\$ 4,441,843</u>	<u>\$ 4,226,495</u>

(Concluded)

See accompanying notes to consolidated financial statements.

**CAMBIA HEALTH SOLUTIONS**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2011 and 2010**  
(In thousands)

	<u>2011</u>	<u>2010</u>
Premium Revenue	\$ 7,814,804	\$ 8,132,901
Fee Revenue	100,355	67,262
Commissions Expense	(135,839)	(166,027)
Premium Taxes	<u>(54,475)</u>	<u>(59,339)</u>
Total Revenue, net	7,724,845	7,974,797
Claims Expense	6,905,311	7,018,165
Operating Expense	824,213	765,751
Gain on Sale of Real Estate	(36,902)	-
Impairment of Goodwill	<u>-</u>	<u>13,173</u>
Operating Income	32,223	177,708
Investment Income, net	120,327	162,524
Interest Expense	(5,363)	(6,197)
Other Expense, net	(6,759)	(2,167)
Uninsurable Pool Assessments	<u>(26,854)</u>	<u>(28,745)</u>
Income Before Income Taxes	113,574	303,123
Income Tax Expense	<u>24,318</u>	<u>61,831</u>
Net Income	<u>\$ 89,256</u>	<u>\$ 241,292</u>

See accompanying notes to consolidated financial statements.

**CAMBIA HEALTH SOLUTIONS**  
**Consolidated Statements of Changes in Surplus and Accumulated Other Comprehensive Income (Loss)**  
**Years Ended December 31, 2011 and 2010**

(In thousands)

	Accumulated Surplus	Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2010	\$ 2,056,694		\$ 65,364	\$ 2,122,058
Net Income	241,292	\$ 241,292		241,292
Other Comprehensive Income, net of tax:				
Unrealized Gain on Investments:				
Unrealized Holding Gain Arising During Period net of other-than-temporary impairment of \$1,483 and tax expense of \$36,278		107,982		
Reclassification Adjustment for Gain Included in Net Income, net of tax benefit of \$22,406		(55,997)		
Periodic Pension and Postretirement Cost Adjustment, net of tax benefit of \$9,206		(30,816)		
Other Comprehensive Income		21,169	21,169	21,169
Comprehensive Income		\$ 262,461		
Balance at December 31, 2010	\$ 2,297,986		\$ 86,533	\$ 2,384,519
Net Income	89,256	\$ 89,256		89,256
Other Comprehensive Income, net of tax:				
Unrealized Gain on Investments:				
Unrealized Holding Gain Arising During Period net of other-than-temporary impairment of \$1,265 and tax expense of \$5,941		6,644		
Reclassification Adjustment for Gain Included in Net Income, net of tax benefit of \$8,978		(22,464)		
Periodic Pension and Postretirement Cost Adjustment, net of tax benefit of \$17,188		(57,544)		
Other Comprehensive Loss		(73,364)	(73,364)	(73,364)
Comprehensive Income		\$ 15,892		
Balance at December 31, 2011	\$ 2,387,242		\$ 13,169	\$ 2,400,411

See accompanying notes to consolidated financial statements.

**CAMBIA HEALTH SOLUTIONS**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**  
(In thousands)

	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$ 89,256	\$ 241,292
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	78,247	74,362
Impairment of Goodwill	-	13,173
Impairment of Long-Lived Assets	5,849	-
Deferred Income Taxes	8,222	22,361
Amortization of Bond Premium, net	10,073	6,328
Net Realized (Gains) Losses on Investments	(31,442)	(78,403)
Net (Gains) Losses on Sales of Property, Buildings and Equipment	(34,868)	484
Changes In:		
Receivables, net	(105,234)	48,955
Other Assets	3,287	(8,246)
Reserve for Unpaid Claims	108,156	(143,098)
Reserve for Adjusting Expenses on Unpaid Claims	4,211	(4,857)
Unearned Premiums	71,229	2,280
Accrued Expenses and Other Liabilities	(27,527)	(74,821)
Experience Refunds Payable	(6,888)	5,731
Net Cash Provided by Operating Activities	\$ 172,571	\$ 105,541
<b>Cash Flows From Investing Activities:</b>		
Proceeds from Sales and Maturities of Investments	1,569,073	1,517,141
Purchases of Investments	(1,683,354)	(1,505,813)
Proceeds from Sales of Property, Buildings and Equipment	76,114	2,468
Cash Paid for Acquisition, net of cash acquired	-	(14,437)
Purchases of Property, Buildings and Equipment	(59,845)	(64,951)
Net Cash Used in Investing Activities	\$ (98,012)	\$ (65,592)

(Continued)

**CAMBIA HEALTH SOLUTIONS**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**  
(In thousands)

	2011	2010
<b>Cash Flows From Financing Activities:</b>		
Proceeds from Debt and Other Obligations	\$ 10,000	\$ 22,000
Repayments of Debt and Other Obligations	(36,264)	(32,971)
Net Cash Used in Financing Activities	\$ (26,264)	\$ (10,971)
Net Increase in Cash and Cash Equivalents	48,295	28,978
Cash and Cash Equivalents at Beginning of Year	258,014	229,036
Cash and Cash Equivalents at End of Year	\$ 306,309	\$ 258,014
 <b>Non-Cash Investing and Financing Activities:</b>		
Purchases of Property, Buildings and Equipment Financed Through Capital Lease Obligations	\$ 5,390	\$ 8,060
Purchases of Property, Buildings and Equipment Financed Through Incurrence of Accounts Payable	\$ 922	\$ 4,236
 <b>Cash Paid for Taxes and Interest:</b>		
Cash Paid During the Year for Taxes	\$ 20,809	\$ 40,565
Cash Paid During the Year for Interest	\$ 4,897	\$ 10,963

(Concluded)

See accompany notes to consolidated financial statements.

**CAMBIA HEALTH SOLUTIONS**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2011 and 2010**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Business Organization** – Cambia Health Solutions (CHS), formerly known as The Regence Group, is incorporated as a nonprofit corporation under the laws of the State of Oregon. CHS is the sole member of Regence BlueShield, Regence BlueCross BlueShield of Oregon, and Regence BlueCross BlueShield of Utah and has established a long-term management services contract with Regence BlueShield of Idaho, Inc. (individually, an affiliate, or collectively, the Plans) and has control over the operations and management of the Plans. CHS, its subsidiaries Regence Rx, Inc. (Regence Rx) and The Regence Foundation (Regence Foundation), as well as the Plans and their subsidiaries are collectively referred to as Cambia or the Company. Cambia is a health care services company that primarily provides hospital, medical, dental, pharmaceutical drug, life, and disability coverage to groups and individuals through insurance policies. Each of the Plans is subject to regulation by the insurance commissioners in the states in which they are licensed to sell insurance.

**B. Principles of Consolidation** – The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of Regence BlueShield and its wholly owned subsidiaries (Regence BlueShield), Regence BlueCross BlueShield of Oregon and its wholly owned subsidiaries (Regence BCBSO), Regence BlueShield of Idaho, Inc., Regence BlueCross BlueShield of Utah and its wholly owned subsidiaries (Regence BCBSU), Regence Rx, Regence Foundation and CHS. All intercompany accounts and transactions have been eliminated.

**C. Use of Estimates** – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could vary from those estimates.

**D. Cash and Cash Equivalents** – Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less at the date of acquisition. Cash equivalents of \$153,107,000 and \$129,395,000 are included within Cash and Cash Equivalents at December 31, 2011 and 2010, respectively.

**E. Concentration of Risk** – Cambia invests its excess cash in deposits with major banks, commercial paper, money market funds and government securities. Investments principally include U.S. Treasury securities, obligations of U.S. Government-sponsored agencies, loan-backed securities, corporate and other debt and equity securities. Deposits in accounts with a single financial institution may exceed FDIC insured limits of \$250,000. Cambia uses multiple financial institutions to limit exposure to these risks.

**F. Receivables, net** – Receivables, net includes premiums due and accrued, reinsurance, income taxes and other miscellaneous receivables. At December 31, 2011 and 2010, Receivables, net also included an allowance for doubtful accounts of \$6,674,000 and \$6,771,000, respectively.

**G. Investments** – All of Cambia's debt and equity securities are categorized as available-for-sale. These investments are carried at fair value with unrealized gains and losses (net of tax) recorded as a separate component of surplus. The amortized cost of debt securities not backed by loans is adjusted for amortization of premiums and accretion of discounts to maturity. For asset-backed and residential and commercial mortgage-backed securities (collectively, loan-backed securities), premiums and discounts are amortized or accreted over the estimated life of the security. Such amortization and accretion, as well as interest income, is included in Investment Income, net. Realized gains and losses on the sale of investments are determined using the first-in, first-out method and are included in Investment Income, net.

Management periodically reviews Cambia's investments to determine whether declines in fair value below amortized cost are other-than-temporary. Relevant factors considered in the analysis include, but are not limited to, changes in fair value relative to market volatility, the extent and/or duration of impairment, price recovery trend, credit risk and concentration within Cambia's total holdings. Other criteria that may indicate an other-than-temporary impairment include declarations of bankruptcy by the issuer, significant downgrades in credit ratings and delinquent dividends or interest payments.

Upon determination that equity securities are other-than-temporarily impaired or that Cambia does not have the intent and ability to hold the securities until the fair value is recovered, permanent adjustments are made to the cost basis of the investment to reflect the impairment. Adjustments are included in Investment Income, net.

For debt securities, Cambia assesses whether it has the intent to sell or will more likely than not be required to sell the security prior to recovery of the amortized cost basis. If either condition is met, the full impairment is included in other-than-temporary impairment losses recognized in Investment Income, net. Otherwise, only the impairment resulting from credit deterioration is included in income and impairment caused by all other factors is included in Unrealized Holding Gain Arising During Period in Other Comprehensive Income (OCI). The credit component is determined by comparing the amortized cost basis to the net present value of expected future cash flows. Cash flow estimates for loan-backed securities are based on assumptions regarding the credit quality of the underlying collateral and prepayment timing. Cash flow estimates of corporate and other debt securities are driven by the probability of default or risk of an issuer declaring bankruptcy. U.S. Treasury securities have no significant credit risk as these investments would not likely be settled for less than amortized cost.

**H. Property, Buildings and Equipment, net** – Property, Buildings, and Equipment, net, are recorded at cost less accumulated depreciation. Depreciation is recorded on the straight-line basis over estimated useful lives of three to ten years for furniture and equipment, three to twelve years for capitalized software, and up to fifty years for buildings and improvements. Leasehold improvements are amortized over the estimated useful life of the asset, not to exceed the life of the lease.

**I. Other Assets** – Other Assets includes investments accounted for under the equity method. Cambia adjusts the carrying value of the investment and net income for its proportionate share of the



investee's gains and losses. These adjustments are included in Investment Income, net, on the Consolidated Statements of Operations. Other Assets also includes certain costs incurred in the development of internally-customized software not yet placed into service, prepaid expenses and other miscellaneous assets.

**J. Long-Lived Assets** – Management reviews long-lived assets, including capitalized internally-customized software, for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its fair value. All long-lived assets to be disposed of by sale are carried at the lower of carrying amount or fair value less costs to sell, and no depreciation is recorded on these specifically identified assets. Long-lived asset impairment recorded in operating expense for the year ended December 31, 2011 was \$5,849,000. No impairment was recorded in 2010 (see Note 5).

**K. Underwriting Reserves** – The Reserves for Unpaid Claims and the Reserve for Adjusting Expenses on Unpaid Claims represent Cambia's estimate of future payments for services rendered as of each year end and an estimate of future expenses to process such claims. The reserves are actuarial estimates based upon historical claims experience modified for current trends and changes in benefit coverage; however, subsequent actual claim payments may differ from established estimates. The method for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are included in current period earnings.

Management also performs reviews for premium deficiencies resulting from an excess of expected claims and administrative expenses over future premiums without consideration of investment earnings. Premium deficiency reserves included in the Reserve for Unpaid Claims were zero and \$6,176,000 at December 31, 2011 and 2010, respectively.

**L. Experience Refunds Payable** – For certain customer contracts, Cambia recognizes balances at the end of the agreement period for any excess of premiums over claims expense and retention charged. The Experience Refunds Payable represents excess customer payments and deposits under these contracts. As specified in each customer contract, these balances may be refunded or applied toward future premiums or claims.

**M. Income Taxes** – CHS and its sole member affiliates including Regence Rx, file a consolidated federal income tax return. Under tax sharing agreements, the affiliates pay to, or receive from CHS amounts by which the affiliates' federal income tax liability is affected by virtue of inclusion in the consolidated federal return.

Cambia accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and the tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of changes in the expected tax rates is recognized in income in the period that includes the enactment date.

Cambia records net deferred tax assets to the extent it believes these assets are more likely than not to be realized. In making this determination, Cambia considers all positive and negative evidence, including future reversals of existing taxable differences, projected future taxable income, tax planning strategies, existing inventory of AMT credits, and recent financial operations.

**N. Other Comprehensive Income** – OCI includes all changes in surplus (net of tax, where applicable) during the period, including net income, unrealized gains and losses on available-for-sale investments, and periodic pension and postretirement costs. OCI is net of reclassification adjustments for items included in net income, such as realized gains and losses on investments.

**O. Administrative Services Contracts** – Cambia has administrative services contracts with self-insured customers, under which the customers are at risk for all or a portion of their claims experience. Cambia charges these self-insured customers for administrative services rendered and for claims paid on behalf of the group. This administrative service charge and the claims reimbursement are recorded within Premium Revenue in the Consolidated Statements of Operations.

Gross amounts included in Premium Revenue related to administrative services contracts were \$1,910,263,000 and \$2,046,662,000 in 2011 and 2010, respectively. Related gross claims incurred included in Claims Expense were \$1,788,335,000 and \$1,937,902,000 in 2011 and 2010, respectively.

Management also performs reviews for related administrative fee deficiencies resulting from an excess of expected administrative expenses over future fees without consideration of investment earnings. Administrative fee deficiency reserves included in accrued expenses and other liabilities were \$2,234,000 and \$3,625,000 at December 31, 2011 and 2010, respectively.

**P. Uninsured Portion of Pharmaceutical Drug Coverage under Medicare** – Cambia provides pharmaceutical drug coverage (Medicare Part D) under its contracts with the Centers for Medicare and Medicaid Services (CMS). Medicare Part D benefits paid that exceed established thresholds, as well as additional benefits paid for low income eligible subscribers, are fully reimbursed by CMS and are recorded within Premium Revenue and Claims Expense in the Consolidated Statement of Operations.

Gross amounts included in Premium Revenue and Claims Expense related to the portion of Medicare Part D for which CMS retains risk were \$52,810,000 and \$50,904,000 in 2011 and 2010, respectively.

**Q. Revenue Recognition** – Premiums received for underwritten products are recognized as Premium Revenue over the period the insurance coverage is in effect. Premiums collected in advance of the period of coverage are recorded in Unearned Premiums on Cambia's Consolidated Balance Sheets.

Cambia also provides coverage for certain groups whose contracts provide for premiums based on group experience factors. Under these contracts, revenue is generally recorded on the basis of claims expense and retention charged. These contracts include maximum rates that may be charged, and losses can result if claims and retention exceed those rates. In certain instances, such losses may be collectible from specific groups, in which case the excess to be received is recognized in Premium Revenue, and included in Receivables, net. All other losses are recorded in the year incurred.

Cambia serves as a plan sponsor offering Medicare Advantage and Medicare Part D prescription drug insurance coverage under contracts with CMS. CMS deploys a risk adjustment model that apportions

premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model pays more for members whose medical history indicates they have certain medical conditions. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient and physician treatment settings. Cambia and health care providers collect, capture, and submit the necessary and available diagnosis data to CMS within prescribed deadlines. Cambia estimates risk adjustment revenues based upon the diagnosis data submitted to CMS.

In addition to premiums paid by CMS, all Medicare subscribers pay a fixed monthly premium to Cambia for the plan year. Premium revenues are recognized ratably over the period in which eligible subscribers are entitled to receive covered benefits. Cambia records premium payments received in advance of the applicable service period as Unearned Premiums.

Cambia also generates fee revenue by providing other administrative services to customers. These services may include claims and transaction processing and access to contracted provider networks. Under these contracts, Cambia recognizes revenue in the period the related services are performed.

**R. Commissions Expense and Other Insurance Contract Acquisition Costs** – Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to expense as incurred.

**S. Fair Value of Financial Instruments** – Cambia reports all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis in accordance with Accounting Standards Codification (ASC) 820 – *Fair Value Measurement*, which defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs and valuation techniques used to measure fair value into the following levels:

*Level 1.* Observable inputs that reflect quoted prices in active markets for identical assets or liabilities.

*Level 2.* Observable inputs other than quoted prices in active markets for identical assets and liabilities. These include quoted prices for similar assets or liabilities in less active or inactive markets or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

*Level 3.* Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

An instrument's classification is based on the lowest level of input that is significant to its measurement.

**T. New Accounting Pronouncements** –

***Fair Value***

In May 2011, the Financial Accounting Standards Board (FASB) issued new guidance on fair value measurement and disclosure requirements in order to achieve more commonality between GAAP and

International Financial Reporting Standards. Effective for reporting years beginning after December 15, 2011, this guidance clarifies particular principles and requirements related to measuring fair value or disclosing information about fair value measurements and also provides clarification of the application of existing fair value measurement and disclosure requirements. Specifically, this guidance clarifies that the highest and best use concept only applies to the fair value of nonfinancial assets and updates certain principles related to the measuring of fair value of financial instruments managed in a portfolio and the application of premiums and discounts in a fair value measurement. Adoption of these revisions for the year ending December 31, 2012 will result in additional disclosures but will not have a material impact on Cambia's consolidated financial statements.

### ***Comprehensive Income***

In June 2011, the FASB issued new guidance on the presentation of comprehensive income effective retrospectively for reporting periods ending after December 15, 2012 with an option to early adopt. Guidance requires that the components of comprehensive income be presented in either a single continuous statement of comprehensive income or two separate but consecutive statements. These revisions remove the previous option of presenting components of comprehensive income as part of Cambia's Consolidated Statements of Changes in Surplus and Accumulated Other Comprehensive Income. Cambia chose not to early adopt these revisions to its financial statements and will adopt the modifications for the year ending December 31, 2012.

### ***Other Expenses***

In July 2011, the FASB issued new guidance for fees paid to the federal government by health insurers. This update affects health insurers subject to an annual fee imposed by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act (the Acts). Effective January 1, 2014, health insurers must pay an annual fee based on the ratio of the insurer's net premiums written to the total amount of health insurance written in the United States during the preceding year. This guidance requires a liability for the fee to be estimated and recorded at the beginning of the calendar year in which it is payable with a corresponding deferred cost that is subsequently amortized over the year. Cambia will include the fee incurred in its Consolidated Statements of Operations beginning with the year ending December 31, 2014.

## ***Goodwill***

In September 2011, the FASB issued new guidance on testing goodwill for impairment. This guidance includes an option for a reporting entity to first assess qualitative factors before proceeding to the two-step impairment test. After this qualitative assessment, if it is not more-likely-than-not that the fair value is less than the reporting entity's carrying amount, the two-step process is not required. If an entity concludes otherwise, however, it is required to perform the two-step goodwill impairment test. Effective for reporting periods beginning after December 14, 2011, this guidance will not have a material effect on the Company's consolidated financial statements.

**U. Subsequent Events** – Cambia evaluated subsequent events for recognition or disclosure through April 4, 2012, which represents the date the consolidated financial statements were available to be issued. No events have occurred after December 31, 2011, but before April 4, 2012, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

**V. Reclassification** – Cambia has separately presented Interest Expense in the consolidated Statements of Operations for the year ended December 31, 2010 to conform to the December 31, 2011 presentation.

## 2. INVESTMENTS

### A. Available for Sale Investments

The following table sets forth the cost, or amortized cost, and fair values of investments held at December 31, 2011:

(In thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other Than Temporary Impairment
<b>Equity securities:</b>					
Communications	\$ 37,810	\$ 9,106	\$ 366	\$ 46,550	\$ -
Consumer goods	97,500	31,695	847	128,348	-
Industrial goods	57,038	14,358	319	71,077	-
Utilities	45,208	17,795	411	62,592	-
Financial services	69,371	8,732	618	77,485	-
Technology	33,784	12,341	323	45,802	-
Foreign equity	104,010	6,252	1,936	108,326	-
Private placement	11,065	59,346	-	70,411	-
Other	17,342	1,354	342	18,354	-
Total equity securities	<u>473,128</u>	<u>160,979</u>	<u>5,162</u>	<u>628,945</u>	<u>-</u>
<b>Debt securities:</b>					
U.S. Treasury securities and U.S. Government- sponsored agencies					
	323,700	13,515	29	337,186	-
U.S. states and political subdivisions					
	91,186	6,308	105	97,389	-
Foreign government					
	12,588	401	2	12,987	-
<b>Corporate</b>					
Communications	67,011	5,673	427	72,257	4
Consumer goods	96,406	7,064	611	102,859	105
Industrial goods	55,295	2,346	750	56,891	394
Utilities	151,687	10,958	1,023	161,622	472
Financial services	304,497	9,163	5,535	308,125	-
Technology	20,105	515	237	20,383	10
Other	33,033	523	-	33,556	-
<b>Loan-backed</b>					
Residential mortgage-backed	631,496	27,145	461	658,180	280
Commercial mortgage-backed	93,794	2,506	263	96,037	-
Asset-backed	53,306	267	237	53,336	-
Total debt securities	<u>1,934,104</u>	<u>86,384</u>	<u>9,680</u>	<u>2,010,808</u>	<u>1,265</u>
Total investments	<u>\$ 2,407,232</u>	<u>\$ 247,363</u>	<u>\$ 14,842</u>	<u>\$ 2,639,753</u>	<u>\$ 1,265</u>

The following table sets forth the cost, or amortized cost, and fair values of investments held at December 31, 2010:

(In thousands)	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Other Than Temporary Impairment
<b>Equity securities:</b>					
Communications	\$ 29,981	\$ 11,227	\$ 39	\$ 41,169	\$ -
Consumer goods	102,332	31,288	92	133,528	-
Industrial goods	62,220	20,909	101	83,028	-
Utilities	55,223	17,249	45	72,427	-
Financial services	69,858	15,996	71	85,783	-
Technology	32,345	14,802	64	47,083	-
Foreign equity	105,682	21,151	102	126,731	-
Private placement	11,063	44,625	-	55,688	-
Other	15,777	3,696	-	19,473	-
Total equity securities	<u>484,481</u>	<u>180,943</u>	<u>514</u>	<u>664,910</u>	<u>-</u>
<b>Debt securities:</b>					
U.S. Treasury securities and					
U.S. Government-					
sponsored agencies	358,261	8,605	1,299	365,567	-
U.S. states and political					
subdivisions	85,954	1,778	651	87,081	-
Foreign government	5,546	229	-	5,775	-
Corporate					
Communications	91,375	7,283	153	98,505	-
Consumer goods	111,666	7,838	711	118,793	327
Industrial goods	62,731	4,528	259	67,000	161
Utilities	149,774	9,935	1,176	158,533	989
Financial services	348,604	19,628	857	367,375	-
Technology	15,507	676	117	16,066	6
Other	34,252	70	295	34,027	-
Loan-backed					
Residential mortgage-backed	475,052	17,458	3,079	489,431	-
Commercial mortgage-backed	34,256	1,369	257	35,368	-
Asset-backed	16,979	407	1	17,385	-
Total debt securities	<u>1,789,957</u>	<u>79,804</u>	<u>8,855</u>	<u>1,860,906</u>	<u>1,483</u>
Total investments	<u>\$ 2,274,438</u>	<u>\$ 260,747</u>	<u>\$ 9,369</u>	<u>\$ 2,525,816</u>	<u>\$ 1,483</u>

The following investments have been in a continuous unrealized loss position at December 31, 2011:

(In thousands)	Less than Twelve Months		Twelve Months or More	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>Equity securities:</b>				
Communications	\$ 6,449	\$ 365	\$ 8	\$ 1
Consumer goods	10,861	847	-	-
Industrial goods	6,240	319	9	-
Utilities	3,701	411	-	-
Financial services	16,233	618	16	-
Technology	5,789	323	-	-
Foreign equity	26,207	1,936	-	-
Other	7,777	342	-	-
<i>Total equity securities</i>	<u>83,257</u>	<u>5,161</u>	<u>33</u>	<u>1</u>
<b>Debt securities:</b>				
U.S. Treasury securities and U.S. Government-sponsored agencies	63,504	29	-	-
U.S. states and political subdivisions	5,736	105	-	-
Foreign government	1,728	2	-	-
<b>Corporate</b>				
Communications	4,299	365	304	62
Consumer goods	9,764	483	699	128
Industrial goods	12,082	716	37	34
Utilities	17,001	763	751	260
Financial services	114,939	5,338	4,673	197
Technology	6,974	237	-	-
<b>Loan-backed</b>				
Residential mortgage-backed	22,095	427	415	34
Commercial mortgage-backed	17,312	257	130	6
Asset-backed	29,856	237	-	-
<i>Total debt securities</i>	<u>305,290</u>	<u>8,959</u>	<u>7,009</u>	<u>721</u>
<b>Total investments</b>	<u>\$ 388,547</u>	<u>\$ 14,120</u>	<u>\$ 7,042</u>	<u>\$ 722</u>



The following investments have been in a continuous unrealized loss position at December 31, 2010:

(In thousands)	Less than Twelve Months		Twelve Months or More	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<b>Equity securities:</b>				
Communications	\$ 1,179	\$ 39	\$ -	\$ -
Consumer goods	2,494	91	43	1
Industrial goods	2,880	101	-	-
Utilities	1,067	45	-	-
Financial services	1,596	71	-	-
Technology	1,153	64	-	-
Foreign equity	2,977	71	568	31
Total equity securities	13,346	482	611	32
<b>Debt securities:</b>				
U.S. Treasury securities and U.S. Government-sponsored agencies	105,484	1,299	-	-
U.S. states and political subdivisions	26,654	651	-	-
<b>Corporate</b>				
Communications	6,819	143	55	10
Consumer goods	14,527	318	3,867	393
Industrial goods	3,459	89	649	170
Utilities	10,344	392	4,538	784
Financial services	50,157	679	2,357	178
Technology	6,852	110	390	7
Other	32,164	295	-	-
<b>Loan-backed</b>				
Residential mortgage-backed	155,466	3,040	450	39
Commercial mortgage-backed	12,819	246	256	11
Asset-backed	-	-	13	1
Total debt securities	424,745	7,262	12,575	1,593
<b>Total investments</b>	<b>\$ 438,091</b>	<b>\$ 7,744</b>	<b>\$ 13,186</b>	<b>\$ 1,625</b>

Cambia had 2,104 out of 10,066 securities in an unrealized loss position at December 31, 2011. The fair value of these investments is less than cost due to reasons including, but not limited to, changes in interest rates, economic conditions, and market outlook for various industries. Cambia has the intent and ability to hold equity securities until the market price recovers. Cambia neither intends to sell nor will likely be required to sell debt securities and expects to recover the entire amortized cost basis of these securities. As a result, Cambia concluded these investments were not other-than-temporarily impaired at December 31, 2011.

The amortized cost and fair value of debt securities held at December 31, 2011 other than those backed by loans, are shown below by contractual maturity:

(In thousands)	Amortized	
	Cost	Fair Value
Due in one year or less	\$ 126,080	\$ 126,632
Due after one year through five years	551,992	568,243
Due after five years through ten years	442,144	472,566
Due after ten years	35,292	35,814
	<u>1,155,508</u>	<u>1,203,255</u>
Loan-backed securities	<u>778,596</u>	<u>807,553</u>
Total debt securities	<u>\$ 1,934,104</u>	<u>\$ 2,010,808</u>

The maturities of loan-backed securities differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The maturities of all other securities are contractually based.

Realized gains (losses), included in Investment Income, net, for the years ended December 31, 2011 and 2010 are as follows:

(In thousands)	2011	2010
Total other-than-temporary losses	\$ (19,280)	\$ (7,059)
Portion of losses in other comprehensive income	<u>1,265</u>	<u>1,483</u>
Other-than-temporary losses in net income	(18,015)	(5,576)
Gross realized gains from sales of investments	76,899	96,815
Gross realized losses from sales of investments	<u>(27,442)</u>	<u>(12,836)</u>
Total realized gains, net	<u>\$ 31,442</u>	<u>\$ 78,403</u>

The following represents the activity for the credit-related portion of other-than-temporary impairment losses recognized in net investment income:

(In thousands)	Credit-related Impairment
Cumulative losses at January 1, 2010	\$ (11,041)
Additions for credit impairments recognized on:	
Securities not previously impaired	(2,231)
Securities previously impaired	(53)
Reductions for credit impairments previously recognized on securities that matured or were sold during the year	<u>4,351</u>
Cumulative losses at December 31, 2010	\$ (8,974)
Additions for credit impairments recognized on:	
Securities not previously impaired	(1,275)
Securities previously impaired	(796)
Reductions for credit impairments previously recognized on securities that matured or were sold during the year	<u>2,095</u>
Cumulative losses at December 31, 2011	<u>\$ (8,950)</u>

The Plans are required to keep investments on deposit in certain states in which they are licensed. At December 31, 2011 and 2010, debt securities with a fair value of \$77,928,000 and \$73,624,000, respectively, were restricted to comply with these requirements.

## B. Equity Method Investment

Cambia owns a 13.2 percent limited partnership interest in TZ Holdings, L.P. (TZ Holdings). While this represents a minority interest, Cambia may potentially influence the operating or financial decisions of the partnership as it holds a 6.7 percent voting interest on TZ Holdings' board of directors. Therefore, Cambia accounts for the investment under the equity method. The carrying value of the investment included in other assets was \$113,725,000 and \$110,843,000 as of December 31, 2011 and 2010, respectively. TZ Holdings' total assets and liabilities as of December 31, 2011 were \$1,759,994,000 and \$907,141,000, respectively. TZ Holdings' total assets and liabilities as of December 31, 2010 were \$1,521,585,000 and \$674,248,000, respectively. TZ Holdings experienced a net loss of \$2,207,000 for the year ended December 31, 2011 and experienced net income of \$9,346,000 for the year ended December 31, 2010.

Cambia has an agreement through 2016 with a subsidiary of TZ Holdings that provides data processing and related services for Cambia. Expenditures under this agreement represent \$43,798,000 and \$39,534,000 of Cambia's total operating expenses for the years ended December 31, 2011 and 2010, respectively. These costs are included in Operating Expense on the Consolidated Statement of Operations and within Property, Buildings and Equipment, net on the Consolidated Balance Sheets.

### C. Variable Interest Entities

Cambia periodically evaluates its variable interests on a quantitative and qualitative basis in order to determine whether it is the primary beneficiary and if it is required to consolidate those interests. The assessment considers the entity's structure and purpose, the risks and rewards created by and shared through the entity and Cambia's ability to direct the activities that most significantly impact the entity's economic performance. Additionally, the assessment considers benefits received and losses absorbed that could potentially be significant. Cambia has reviewed its investments, related party relationships and other applicable transactions and concluded that it does not have the ability to direct the activities that most significantly impact the economic performance for those entities determined to be variable interest entity's (VIE's) for the years ended December 31, 2011 and 2010 and, therefore, consolidation of those interests was not required.

Regence BCBSO holds a 50.0 percent limited partner interest in 200 Market Associated Limited Partnership (200 Market). The remaining partners are under either common ownership or management by a party not affiliated with Cambia. As a special purpose entity, the nature of 200 Market's activities is to own, manage, and lease property located in Portland, Oregon. At December 31, 2011, Cambia leased approximately 58 percent of the property's rentable space. The business operations are managed by the general partner while the limited partners' ability to direct activities is contractually limited by the partnership agreement and debt covenants of a promissory note. Regence BCBSO guarantees the note held by 200 Market (see Note 14). Regence BCBSO does not have the power to direct the significant activities that affect 200 Market's economic performance and, therefore, is not the primary beneficiary and has not consolidated 200 Market. The carrying value of the investment, which is accounted for using the equity method, was in a negative position representing a \$10,796,000 and \$10,035,000 liability included in Accrued Expenses and Other Liabilities at December 31, 2011 and 2010, respectively. The total partnership deficit balance at December 31, 2011 and 2010 was \$23,539,000 and \$19,220,000, respectively.

### 3. FAIR VALUE MEASUREMENTS

The following summarizes fair value measurements by level for assets measured at fair value on a recurring basis as of December 31, 2011:

(In thousands)	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 153,107	\$ 152,796	\$ 311	\$ -
Equity securities:				
Communications	46,550	46,550	-	-
Consumer goods	128,348	128,348	-	-
Industrial goods	71,077	71,077	-	-
Utilities	62,592	62,592	-	-
Financial services	77,485	77,485	-	-
Technology	45,802	45,802	-	-
Foreign equity	108,326	108,326	-	-
Private placement	70,411	-	-	70,411
Other	18,354	-	18,354	-
Total equity securities	628,945	540,180	18,354	70,411
Debt securities:				
U.S. Treasury securities and U.S. Government- sponsored agencies	337,186	241,547	95,639	-
U.S. states and political subdivisions	97,389	-	97,389	-
Foreign government	12,987	-	12,987	-
Corporate				
Communications	72,257	-	71,310	947
Consumer goods	102,859	-	102,859	-
Industrial goods	56,891	-	56,691	200
Utilities	161,622	-	160,588	1,034
Financial services	308,125	-	308,125	-
Technology	20,383	-	20,383	-
Other	33,556	-	33,556	-
Loan-backed				
Residential mortgage-backed	658,180	-	656,503	1,677
Commercial mortgage-backed	96,037	-	96,037	-
Asset-backed	53,336	-	53,336	-
Total debt securities	2,010,808	241,547	1,765,403	3,858
Total assets	\$ 2,792,860	\$ 934,523	\$ 1,784,068	\$ 74,269

The following summarizes fair value measurements by level for assets measured at fair value on a recurring basis as of December 31, 2010:

(In thousands)	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 129,395	\$ 117,913	\$ 11,482	\$ -
Equity securities:				
Communications	41,169	41,169	-	-
Consumer goods	133,528	133,528	-	-
Industrial goods	83,028	83,028	-	-
Utilities	72,427	72,427	-	-
Financial services	85,783	85,783	-	-
Technology	47,083	47,083	-	-
Foreign equity	126,731	126,731	-	-
Private placement	55,688	-	-	55,688
Other	19,473	-	19,473	-
Total equity securities	664,910	589,749	19,473	55,688
Debt securities:				
U.S. Treasury securities and				
U.S. Government-				
sponsored agencies	365,567	246,333	119,234	-
U.S. states and political				
subdivisions	87,081	-	85,851	1,230
Foreign government	5,775	-	5,775	-
Corporate				
Communications	98,505	-	98,505	-
Consumer goods	118,793	-	118,137	656
Industrial goods	67,000	-	66,772	228
Utilities	158,533	-	158,110	423
Financial services	367,375	-	367,283	92
Technology	16,066	-	16,066	-
Other	34,027	-	34,027	-
Loan-backed				
Residential mortgage-backed	489,431	-	488,122	1,309
Commercial mortgage-backed	35,368	-	30,842	4,526
Asset-backed	17,385	-	15,439	1,946
Total debt securities	1,860,906	246,333	1,604,163	10,410
Total assets	\$ 2,655,211	\$ 953,995	\$ 1,635,118	\$ 66,098

Assets classified as Level 1 include actively-traded money market funds, equity securities, and U.S. Treasury securities. The fair values of these securities reflect quoted prices in active markets.

The fair value of cash equivalents is equal to the carrying value at the measurement date. Cash equivalents classified as Level 2 represent securities maturing within three months that do not trade on a regular basis.

Equity securities classified as Level 2 use other observable market inputs to estimate fair value. The fair value of these instruments is obtained from third-party pricing services which use quoted prices for similar securities or quoted prices for identical or similar securities in less active markets. Equity securities designated as Level 3 represent private placement investments for which no observable market data is available. Values of equity investments classified as Level 3 are derived from the underlying shareholders' equity per the investee's financial statements. This valuation reflects reasonable and consistent assumptions for fair value measurement and uses the best information available. Fair value measurements may also be validated through the use of valuation models which incorporate both a quantitative and qualitative perspective.

The fair value of debt securities, other than those classified as Level 1, is derived using pricing models that incorporate estimated market interest rates. Level 2 inputs used in these models include benchmark yields, credit spreads, broker quotes and other observable market data. Loan-backed securities also incorporate prepayment speeds, default rates, and collateral values into the pricing models. Debt securities classified as Level 3 include certain securities in a default position, since management judgment is a significant input in estimating fair value.

The following table represents a reconciliation of assets valued using Level 3 inputs on a recurring basis for the twelve months ended December 31:

(In thousands)

	Level 3 Fair Value Measurements				Total
	Private Placement Equity Securities	US States / Political Subdivisions Debt Securities	Corporate Debt Securities	Loan-Backed Securities	
Balance at January 1, 2010	\$ 48,986	\$ -	\$ 1,066	\$ 1,884	\$ 51,936
Total gains or losses (realized/unrealized):					
Included in investment income	62	-	(26)	(18)	18
Included in accumulated other comprehensive income	9,896	(32)	26	297	10,187
Purchases, sales, issuance and settlements, net	(3,256)	-	(697)	(504)	(4,457)
Transfers into Level 3	-	1,262	1,030	6,122	8,414
Balance at December 31, 2010	<u>55,688</u>	<u>1,230</u>	<u>1,399</u>	<u>7,781</u>	<u>66,098</u>
Total gains or losses (realized/unrealized):					
Included in investment income	-	-	(203)	(53)	(256)
Included in accumulated other comprehensive income	14,723	4	(140)	299	14,886
Purchases	-	-	54	-	54
Sales	-	(60)	(475)	(457)	(992)
Transfers into Level 3	-	-	1,843	1,677	3,520
Transfers out of Level 3	-	(1,174)	(297)	(7,570)	(9,041)
Balance at December 31, 2011	<u>\$ 70,411</u>	<u>\$ -</u>	<u>\$ 2,181</u>	<u>\$ 1,677</u>	<u>\$ 74,269</u>

Cambia recognizes transfers between levels at the end of the reporting period. There were no significant transfers between any fair value levels during the years ended December 31, 2011 and 2010, respectively.



#### 4. PROPERTY, BUILDINGS AND EQUIPMENT, NET

Property, Buildings and Equipment, net consisted of the following at December 31:

(In thousands)	<u>2011</u>	<u>2010</u>
Capitalized software	\$ 514,604	\$ 546,751
Buildings and improvements	160,353	198,417
Furniture and equipment	114,266	131,540
Leased equipment	41,777	42,056
Land	11,787	18,128
Assets held for sale	<u>9,148</u>	<u>2,509</u>
	851,935	939,401
Less: Accumulated depreciation and amortization	<u>472,386</u>	<u>513,344</u>
Property, buildings and equipment, net	<u>\$ 379,549</u>	<u>\$ 426,057</u>

On December 20, 2011, the Company sold real estate located in Seattle, Washington, to an unrelated third party for \$76,540,000. Several floors of this property were subsequently leased back to the Company at market rates based on occupied square footage. The lease is classified as an operating lease. The net book value of the property sold was \$21,413,000 and the cost to sell the property was \$3,770,000. The Company recognized \$36,902,000 of gain which is included in Gain on Sale of Real Estate. In accordance with ASC 840 – *Leases*, the remaining gain amount of \$14,455,000, which represents the present value of future minimum lease payments, is deferred and included in Accrued Expenses and Other Liabilities and will be subsequently amortized to earnings over the seven year lease term.

At December 31, 2011, assets held for sale included land as well as a building and its associated land. These assets are recorded at the lower of cost or fair value, less estimated costs to sell.

Depreciation and amortization expense recorded in Operating Expense on the Consolidated Statements of Operations was \$78,247,000 and \$74,362,000 for 2011 and 2010, respectively.

#### 5. CAPITALIZED SOFTWARE

Included in Property, Buildings and Equipment, net are costs related to internally-customized and purchased software that are capitalized and amortized over periods of between three and twelve years. Included in Other Assets are costs related to software currently being customized, but not amortized, as it has not yet been placed into service. Capitalized costs include direct costs of materials and services incurred in customizing or obtaining internal-use software and payroll and payroll-related costs for employees directly involved in the customization of internal-use software.

During 2011, the total accumulated capitalized costs of several software projects were reevaluated due to a change in project direction. As a result, the Company recognized \$5,849,000 in software impairments. There were no impairments in 2010.

In 2011 and 2010, internally-customized software was placed into service. As a result, \$32,202,000 and \$54,889,000, respectively, was reclassified from Other Assets to Property, Buildings and Equipment, net.

The following table sets forth the total amount of internally-customized and purchased software capitalized at December 31:

(In thousands)	<u>2011</u>	<u>2010</u>
Internally-customized and purchased software included in Property, Buildings and Equipment, net	\$ 514,604	\$ 546,751
Less: Accumulated amortization	<u>(288,872)</u>	<u>(303,528)</u>
	225,732	243,223
Capitalized Software in Process included in Other Assets	<u>24,335</u>	<u>21,818</u>
Net capitalized software	<u>\$ 250,067</u>	<u>\$ 265,041</u>

6. RESERVE FOR UNPAID CLAIMS AND ADJUSTING EXPENSES ON UNPAID CLAIMS

Activity in the reserves for unpaid health claims and the reserve for adjusting expenses on unpaid health claims are summarized as follows:

(In thousands)	<u>2011</u>	<u>2010</u>
Balance at January 1	\$ 885,108	\$ 1,030,603
Less: Reinsurance recoverables	<u>(40,929)</u>	<u>(37,951)</u>
Net balance at January 1	<u>844,179</u>	<u>992,652</u>
Incurred related to:		
Current year	7,173,003	7,373,555
Prior year	<u>27,142</u>	<u>(89,615)</u>
Total incurred	<u>7,200,145</u>	<u>7,283,940</u>
Paid related to:		
Current year	6,203,540	6,527,474
Prior year	<u>878,054</u>	<u>904,939</u>
Total paid	<u>7,081,594</u>	<u>7,432,413</u>
Net balance at December 31	962,730	844,179
Add: Reinsurance Receivables	<u>40,351</u>	<u>40,929</u>
Balance at December 31	<u>\$ 1,003,081</u>	<u>\$ 885,108</u>

The positive amount above for incurred related to prior year was primarily attributable to a larger amount of prior year health claims being received in the current year than was originally estimated due to higher actual claims trends than those assumed at the time the liability was established.

Cambia enters into reinsurance arrangements to transfer a portion of the risks associated with certain long-term disability contracts to reinsurers. As the primary liability to customers remains with Cambia, estimated reserves are recorded in Reserves for Unpaid Claims and Adjusting Expenses on Unpaid Claims. Corresponding reinsurance receivables are recorded in Receivables, net. The financial condition of reinsurers is evaluated, and Cambia only records reinsurance receivables to the extent recovery is probable.

The following illustrates the differences between total incurred claims (above) and Claims Expense as reported on the Consolidated Statements of Operations:

(In thousands)	<u>2011</u>	<u>2010</u>
Incurring claims and adjusting expenses on unpaid claims	\$ 7,200,145	\$ 7,283,940
Less: Claims adjusting expenses included in operating expense	(302,076)	(274,923)
Add: Life claims incurred	13,418	11,441
Change in premium deficiency reserves	<u>(6,176)</u>	<u>(2,293)</u>
Claims expense	<u>\$ 6,905,311</u>	<u>\$ 7,018,165</u>

The following illustrates the difference between the Reserves for Unpaid Claims and Claims Adjusting Expenses (above) and the Reserve for Unpaid Claims and Adjusting Expenses on Unpaid Claims as reported on the Consolidated Balance Sheets:

(In thousands)	<u>2011</u>	<u>2010</u>
Reserves for unpaid claims and claims adjusting expenses	\$ 1,003,081	\$ 885,108
Add: Premium deficiency reserves	-	6,176
Life claims reserves	<u>17,633</u>	<u>17,063</u>
Reported on Consolidated Balance Sheets	<u>\$ 1,020,714</u>	<u>\$ 908,347</u>

## 7. DEBT AND OTHER OBLIGATIONS

Debt and other obligations consist of the following at December 31:

(In thousands)	<u>2011</u>	<u>2010</u>
Debt secured by investments:		
Payable in monthly principle installments of \$200 with interest of 5.12%, due March 28, 2018	\$ 51,200	\$ 53,400
Debt secured by commercial property:		
Payable in monthly installments of \$216 including interest of 7.19%, due October 1, 2022	19,458	20,606
Payable in monthly installments of \$100 including interest of 5.94%, due August 1, 2018	10,101	10,632
Payable in monthly installments of \$54 including interest of 5.82%, due February 7, 2015	7,287	7,483
Payable in monthly installments of \$51 including interest of 5.94%, due August 1, 2016	7,125	7,295
Payable in monthly installments of \$9 including interest of 7.92%, due April 1, 2012	37	138
Total debt secured by investments and commercial property	<u>95,208</u>	<u>99,554</u>
Revolving line of credit	10,000	22,000
Capital lease obligations	<u>14,622</u>	<u>19,541</u>
	119,830	141,095
Less: Interest on capital lease obligations	<u>527</u>	<u>918</u>
Carrying value of debt and other obligations	<u>\$ 119,303</u>	<u>\$ 140,177</u>

In 2011, Cambia modified a debt obligation with a carrying value of \$53,400,000 secured by commercial property in Seattle, Washington with a carrying value of \$20,506,000 at December 31, 2010 (see further discussion at Note 4). As of December 31, 2011, the debt was secured by investments in debt securities. These assets are in the creditor's custody, however, Cambia retains control over the assets as it can withdraw or substitute the securities provided the balance of the collateral does not fall below a 94 percent loan-to-value ratio. The creditor may not sell, transfer, or re-pledge the assets unless Cambia defaults on its obligations. The collateral has a carrying value of \$72,590,000 as of December 31, 2011 and is included in Investments in the 2011 Consolidated Balance Sheet.

Commercial property and investments securing debt had a total carrying value of \$120,985,000 and \$69,705,000 as of December 31, 2011 and 2010, respectively. The fair value of debt was \$104,797,000 and \$103,850,000 at December 31, 2011 and 2010, respectively.

Cambia's capital lease obligations relate to software and other general office equipment.

Cambia maintains a revolving line of credit to supplement short-term cash flows. The maximum available line of credit is \$40,000,000. The line of credit is renewable annually. The interest rate is based on LIBOR plus 130 basis points for the term of the agreement. At December 31, 2011 and 2010 the interest rate was 1.6 percent and 1.7 percent, respectively. The carrying value of the revolving line of credit represents fair value at December 31, 2011 and 2010.

Cambia's future minimum principal payments for years ended December 31 are as follows:

(In thousands)	
2012	\$ 22,153
2013	9,520
2014	6,700
2015	12,125
2016	11,436
Thereafter	<u>57,896</u>
	119,830
Less: Interest on capital lease obligations	<u>527</u>
Carrying value of debt and other obligations	<u>\$ 119,303</u>

Cambia has financial debt covenants with certain loans secured by commercial property and investments requiring Cambia to maintain minimum debt service coverage ratios. Cambia is in compliance with these debt covenants as of December 31, 2011.

## 8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following at December 31:

(In thousands)	<u>2011</u>	<u>2010</u>
Retirement plans	\$ 149,756	\$ 115,641
Checks written in excess of bank balances	91,428	70,169
Payroll and employee benefits	55,993	64,861
Suspense accounts	24,902	30,831
Federal income taxes	22,782	12,897
Trade accounts payable	17,214	19,089
Deferred gain on sale of real estate	14,285	-
Commissions payable	14,129	18,116
Partnership interest	10,796	10,035
All other	54,160	55,169
Total accrued expenses and other liabilities	<u>\$ 455,445</u>	<u>\$ 396,808</u>

## 9. RETIREMENT PLANS

The defined benefit pension plan which covered substantially all full-time employees having one or more years of service, provided benefits based on years of service and the employee's final average compensation was frozen effective December 31, 2009. As a result of the freeze, no new participants have entered the plan, no pension benefits have been earned, benefits-eligible employees who had not yet met plan eligibility criteria became immediately eligible and non-vested plan participants received accelerated vesting to 100 percent.

Cambia also provides a supplemental retirement plan to cover key employees meeting certain eligibility requirements. Cambia funds this plan as benefit obligations become due.

The following sets forth the defined benefit pension plan's funded status and amounts recognized in Cambia's Consolidated Balance Sheets at December 31, 2011 and 2010. The benefit obligations and plan assets are measured at December 31.

(In thousands)	Defined Benefit Pension Plan		Supplemental Retirement Plan	
	2011	2010	2011	2010
Projected benefit obligation	\$ (494,586)	\$ (423,679)	\$ (55,430)	\$ (48,021)
Fair value of plan assets	476,322	432,873	-	-
Funded status recognized	<u>\$ (18,264)</u>	<u>\$ 9,194</u>	<u>\$ (55,430)</u>	<u>\$ (48,021)</u>
Net actuarial loss	\$ 260,595	\$ 207,779	\$ 14,722	\$ 8,291
Prior service (credit) cost	(72,731)	(77,851)	1,382	1,695
Total recognized in Accumulated OCI	<u>\$ 187,864</u>	<u>\$ 129,928</u>	<u>\$ 16,104</u>	<u>\$ 9,986</u>
Accumulated benefit obligation	\$ (494,586)	\$ (423,679)	\$ (47,466)	\$ (41,520)
Employer contributions	\$ 30,000	\$ 65,000	\$ 3,635	\$ 5,118
Benefits paid	\$ 27,320	\$ 20,924	\$ 3,635	\$ 5,118

The following summarizes the components of net periodic benefit cost:

(In thousands)	Defined Benefit Pension Plan		Supplemental Retirement Plan	
	2011	2010	2011	2010
Service cost	\$ 1,074	\$ 896	\$ 1,465	\$ 1,342
Interest cost	23,859	23,039	2,703	2,796
Expected return on assets	(30,095)	(25,752)	-	-
Amortization:				
Prior service (credit)/cost	(5,120)	(5,120)	313	371
Actuarial (gain)/loss	9,803	9,130	445	392
Net periodic benefit cost	<u>\$ (479)</u>	<u>\$ 2,193</u>	<u>\$ 4,926</u>	<u>\$ 4,901</u>

The following weighted average assumptions were used in determining the actuarial present value of the projected benefit obligations at December 31:

	Defined Benefit Pension Plan		Supplemental Retirement Plan	
	2011	2010	2011	2010
Discount rate	4.97%	5.85%	4.70%	5.85%
Rate of increase in future compensation	N/A	N/A	5.00%	5.00%



The following weighted average assumptions were used in determining the actuarial present value of the net period benefit cost at December 31:

	Defined Benefit Pension Plan		Supplemental Retirement Plan	
	2011	2010	2011	2010
Discount rate	5.85%	6.04%	5.85%	6.04%
Rate of increase in future compensation	N/A	N/A	5.00%	5.00%
Expected long term rate of return on assets	7.20%	7.50%	N/A	N/A

The expected long-term rate of return on assets assumption was determined by using a combination of expected returns for each asset class within Cambia's portfolio plus inflation. The expected returns were based on past performance as well as projections for the next twelve months. Based on these considerations, Cambia believes the expected long-term rate of return on assets assumption is reasonable.

The following benefit payments are expected to be paid:

(In thousands)	Defined Benefit Pension Plan	Supplemental Retirement Plan
2012	\$ 29,244	\$ 4,057
2013	30,624	3,805
2014	32,567	6,162
2015	33,611	4,558
2016	33,634	5,709
Years 2017-2021	169,123	26,370

The following summarizes changes recognized in Accumulated OCI:

(In thousands)	Defined Benefit Pension Plan		Supplemental Retirement Plan	
	2011	2010	2011	2010
Prior service cost (credit) arising during period	\$ -	\$ 1,633	\$ -	-
Net loss (gain) arising during period	62,619	36,583	6,876	(29)
Amortization:				
Prior service (cost) credit	5,120	5,120	(313)	(371)
Gain (loss)	(9,803)	(9,130)	(445)	(393)
Total recognized in other comprehensive loss (income)	<u>\$ 57,936</u>	<u>\$ 34,206</u>	<u>\$ 6,118</u>	<u>\$ (793)</u>

The estimated amounts that will be amortized from Accumulated OCI into net periodic benefit cost in 2012 are as follows:

(In thousands)	Defined Benefit Pension Plan	Supplemental Retirement Plan
Actuarial loss	\$ 12,906	\$ 1,144
Prior service cost (credit)	(5,120)	307
Total	<u>\$ 7,786</u>	<u>\$ 1,451</u>

Cambia follows a Retirement Trust Committee (RTC) approved investment policy that focuses on long-term investment performance. To manage the overall risk of the portfolio, the portfolio asset allocation and investment manager selection are continually monitored and approved by the RTC. An independent external investment consultant provides the RTC with a quarterly update on policy compliance and fund performance. Semi-annually, the overall performance and asset allocation are reported to Cambia's Board of Directors for review.

The target allocations for plan assets, including the underlying investments of common collective trusts, are 20 percent equity securities and 80 percent debt securities. The portfolio is rebalanced to the target asset allocations as necessary to ensure proper risk exposure.

Other investments consist of financial instruments without readily determined market values. These include limited partnerships, insurance contracts, hedge fund companies, and other pooled investments. The value of the investments has been determined by management based upon the estimates of fair value made by these entities. Estimates provided are reviewed for reasonableness by management, who considers the financial condition and operating results of each limited partnership and other pooled investment entity, as well as other factors deemed appropriate. Insurance contracts are valued at contract value. Shares of hedge fund companies are valued at estimated fair value which represents the net asset values of shares held by the defined benefit pension plan at year end.

The following summarizes the fair value measurements of Cambia's defined benefit plan assets by level of assets measured at fair value on a recurring basis, excluding net investment trade and income payables of \$7,596,000, as of December 31, 2011:

(In thousands)	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. government securities	\$ 99,174	\$ 99,174	\$ -	\$ -
Corporate debt securities				
Banking and finance	58,564	-	58,564	-
Industrial	11,167	-	11,167	-
Non US bonds	24,586	-	24,586	-
Oil and gas	24,648	-	24,648	-
Private placements	19,142	-	19,142	-
Consumer goods	71,702	-	71,702	-
Utilities	49,065	-	49,065	-
Other	15,000	-	15,000	-
Corporate stock - common				
Basic industries	1,959	1,959	-	-
Capital goods	35	35	-	-
Consumer goods	1,165	1,165	-	-
Energy	1,213	1,213	-	-
Financial services	549	549	-	-
Healthcare	612	612	-	-
Technology	258	258	-	-
Other	684	684	-	-
Registered investment companies				
Money market	10,316	10,316	-	-
Small capital value	4,257	4,257	-	-
Common and collective trusts				
Large capital value	17,760	-	17,760	-
Large capital growth	16,412	-	16,412	-
International funds	23,002	-	23,002	-
Partnership and joint venture interests	109	-	-	109
Unallocated insurance contracts	1,467	-	-	1,467
Other pooled investment entities	29,871	-	11,228	18,643
Other investments	1,201	160	-	1,041
<b>Total</b>	<b>\$ 483,918</b>	<b>\$ 120,382</b>	<b>\$ 342,276</b>	<b>\$ 21,260</b>

The following summarizes fair value measurements of Cambia's defined benefit plan assets by level of assets measured at fair value on a recurring basis, excluding net investment income payables of \$18,814,000, as of December 31, 2010:

(In thousands)	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. government securities	\$ 35,743	\$ 35,743	\$ -	\$ -
Corporate debt securities				
Banking and finance	41,571	-	41,571	-
Industrial	30,420	-	30,420	-
Oil and gas	21,263	-	21,263	-
Private placements	18,089	-	18,089	-
Consumer goods	20,286	-	20,286	-
Utilities	27,165	-	27,165	-
Other	15,059	-	14,451	608
Corporate stock - preferred	129	129	-	-
Corporate stock - common				
Basic industries	3,775	3,775	-	-
Capital goods	2,244	2,244	-	-
Consumer goods	4,943	4,943	-	-
Energy	6,780	6,780	-	-
Financial services	4,080	4,080	-	-
Healthcare	2,250	2,250	-	-
Technology	2,647	2,647	-	-
Other	1,899	1,899	-	-
Registered investment companies				
Money market	32,892	32,855	37	-
International equity	7,217	7,217	-	-
Small capital value	6,115	6,115	-	-
Hedge fund companies	18,477	-	-	18,477
Common and collective trusts				
Large capital value	32,888	-	32,888	-
Large capital growth	33,499	-	33,499	-
International funds	50,740	20,242	30,498	-
Partnership and joint venture interests	109	-	-	109
Unallocated insurance contracts	1,572	-	-	1,572
Other pooled investment entities	29,826	-	10,740	19,086
Other investments	9	9	-	-
<b>Total</b>	<b>\$ 451,687</b>	<b>\$ 130,928</b>	<b>\$ 280,907</b>	<b>\$ 39,852</b>

The following table represents a reconciliation of assets valued using Level 3 inputs on a recurring basis for the twelve months ended December 31:

(In thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							Total
	Corporate Debt	Partnership / Joint Venture Interests	Common / Collective Trusts	Unallocated Insurance Contracts	Hedge Fund Companies	Other Pooled Investment Entities	Other Investments	
Balance at January 1, 2010	\$ -	\$ 1,127	\$ 7	\$ 1,675	\$ 17,306	\$ 18,194	\$ -	\$ 38,309
Actual return on plan assets	-	127	-	-	1,171	892	-	2,190
Purchases, sales, and settlements, net	-	(1,145)	(7)	(103)	-	-	-	(1,255)
Transfers into Level 3	608	-	-	-	-	-	-	608
Balance at December 31, 2010	608	109	-	1,572	18,477	19,086	-	39,852
Actual return on plan assets	-	-	-	-	173	(443)	(273)	(543)
Purchases	-	-	-	-	-	-	1,314	1,314
Sales	-	-	-	-	(18,650)	-	-	(18,650)
Settlements	-	-	-	(105)	-	-	-	(105)
Transfers out of Level 3	(608)	-	-	-	-	-	-	(608)
Balance at December 31, 2011	\$ -	\$ 109	\$ -	\$ 1,467	\$ -	\$ 18,643	\$ 1,041	\$ 21,260

## 10. POSTRETIREMENT BENEFITS

Cambia provides certain health care and life insurance benefits through a postretirement health and welfare plan (retiree health and welfare plan) for retired employees, subject to certain eligibility rules based on age and years of service at retirement date. Employees hired after January 1, 2004 are not eligible for benefits. Cambia's contribution to the cost of coverage is based on the retiree's age and years of service at retirement and is limited to a maximum dollar amount. This amount is calculated based on the Cambia contribution percentage and applies to the Cambia-funded health plan. If a retiree elects a medical or dental option that is more expensive than the Cambia-funded health plan, the retiree must pay the additional cost for the more expensive plan.

Cambia funds a portion of the accumulated postretirement benefit obligation through the Voluntary Employees' Beneficiary Association Trust (the VEBA Trust). Contributions to the VEBA Trust are based on the present value of prospective benefits for retirees and their dependents, amortized over eleven years, plus the normal cost for active employees and their dependents (both components are adjusted for interest to the end of the year) determined by the entry age cost method. Under this method, the cost of each individual's pension is allocated on a level percent of payroll between the time employment starts (entry age) and the assumed retirement date. Investments held by the VEBA Trust consist of U.S. governmental obligations, common stocks, preferred stocks, other equity securities, and registered investment funds. The fair values of these investments are measured at Level 1 as defined in Note 1. Cambia did not fund additional amounts in 2011 or 2010.

The following sets forth the postretirement health and welfare plan's funded status and amounts recognized in Cambia's Consolidated Balance Sheets at December 31, 2011 and 2010. The accumulated benefit obligation and plan assets are measured at December 31.

(In thousands)	2011	2010
Accumulated postretirement benefit obligation	\$ (60,768)	\$ (53,792)
Fair value of plan assets	2,204	2,173
Funded status recognized	\$ (58,564)	\$ (51,619)
Net actuarial loss	\$ 22,290	\$ 15,521
Prior service credit	(21,503)	(25,412)
Total recognized in Accumulated OCI	\$ 787	\$ (9,891)
Benefits paid	\$ 4,380	\$ 3,804

The following summarizes the components of the net periodic benefit cost:

(In thousands)	2011	2010
Service cost	\$ 612	\$ 557
Interest cost	2,697	3,035
Expected return on assets	(136)	(153)
Amortization:		
Actuarial (gain)/loss	1,043	824
Prior service (credit)/cost	(3,909)	(3,829)
Net periodic benefit cost	\$ 307	\$ 434

The following weighted average assumptions were used in determining the actuarial present value of the accumulated postretirement benefit obligation at December 31:

	2011	2010
Discount rate	4.44%	5.11%

The following weighted average assumptions were used in determining the actuarial present value of the accumulated postretirement net periodic benefit cost at December 31:

	2011	2010
Discount rate	5.11%	5.91%
Expected long-term rate of return on assets	6.09%	6.09%

The expected long-term rate of return on assets assumption was determined by using a combination of expected returns for each asset class within Cambia's portfolio plus inflation. The expected returns were

based on past performance as well as projections for the next twelve months. Based on these considerations, Cambia believes the expected long-term rate of return on assets assumption is reasonable.

The assumed health-care cost trend used in measuring the health-care portion of the postretirement cost for 2011 is 7.5 percent, gradually declining to 5.0 percent by the year 2017 and remaining at that level thereafter. The assumed rates for health-care cost trend have a significant effect on the amounts reported for postretirement benefits.

The following benefit payments are expected to be paid:

(In thousands)	<u>Gross</u>	<u>Expected Federal Subsidy</u>	<u>Net</u>
2012	\$ 4,247	\$ (361)	\$ 3,886
2013	4,263	(407)	3,856
2014	4,247	(455)	3,792
2015	4,213	(499)	3,714
2016	4,609	(188)	4,421
Years 2017-2021	22,755	(902)	21,853

The following summarizes changes recognized in accumulated OCI:

(In thousands)	<u>2011</u>	<u>2010</u>
Prior service credit arising during period	\$ -	\$ (1,397)
Net loss arising during period	7,813	5,001
Amortization:		
Prior service credit	3,908	3,829
Actuarial loss	(1,043)	(824)
Total recognized in other comprehensive loss	<u>\$ 10,678</u>	<u>\$ 6,609</u>

The estimated amounts that will be amortized from Accumulated OCI into net periodic benefit cost in 2012 are as follows:

(In thousands)

Actuarial loss	\$	1,715
Prior service credit		<u>(3,852)</u>
Total	\$	<u>(2,137)</u>

#### 11. EMPLOYEE SAVINGS PLAN

Under the provisions of The Regence Group 401(k) Savings Plan (the 401(k) plan), Cambia matches employee contributions up to 100 percent of the first six percent of salary for each pay period in which employees make an Internal Revenue Code (IRC) Section 401(k) contribution. Employees working at least 20 hours per week may contribute to the 401(k) plan. The IRC permitted employees to contribute up to \$16,500 in 2011 and 2010, or 70 percent of eligible earnings, whichever was lower. As of 2010, employer contributions are fully vested when an employee starts participating in the program and the Company may make a discretionary contribution of up to five percent of eligible earnings for participating employees, subject to annual review by management and Board approval. Employer contributions totaled \$34,687,000 and \$30,701,000 for the years ended December 31, 2011 and 2010, respectively.

#### 12. PHYSICIAN DEFERRED COMPENSATION

Regence BCBSO and Regence BlueShield maintain separate nonqualified physician deferred compensation plans covering certain member physicians who voluntarily defer payment of their billings. These plans fund the obligations primarily through the purchase of group flexible paid-up life insurance contracts for active participants and annuity contracts for retired participants. As Regence BCBSO and Regence BlueShield are the owners and named beneficiaries of these contracts, in order to reflect policies to pay benefits equal to accumulations, both the assets and liabilities under the physician deferred compensation plans are reflected in Cambia's Consolidated Balance Sheets. As of December 31, 2011 and 2010, the balances were \$22,842,000 and \$24,059,000, respectively.

#### 13. DEFERRED COMPENSATION

Cambia also offers The Regence Group Deferred Income Program for Executives and The Regence Group Deferred Income Program for Directors (collectively, the Programs). The purpose of the Programs is to provide an unfunded, nonqualified deferred compensation arrangement to eligible key employees and eligible directors. Cambia made payments totaling \$1,013,000 and \$1,687,000 to the programs in the years ended December 31, 2011 and 2010, respectively. Assets are invested in publicly traded mutual funds consisting of equity and fixed income securities. The fair value of these publicly traded investments is determined using Level 1 inputs and was \$25,383,000 and \$27,177,000 as of December 31, 2011 and 2010, respectively.



#### 14. COMMITMENTS AND CONTINGENCIES

Cambia is committed under various operating leases and agreements for office space, equipment (primarily computers and peripheral equipment) and professional services for remaining terms of up to eight years. Some of these lease agreements contain escalation clauses for increases over base payment amounts. These leases expire on various dates with renewal options available on many of the leases. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Minimum payment obligations under non-cancellable operating leases and agreements for the years ended December 31 are as follows:

(In thousands)	
2012	\$ 28,371
2013	25,861
2014	24,002
2015	16,631
2016	15,211
Thereafter	5,799
	<u>\$ 115,875</u>

Cambia's total rent expense for leases and agreements for 2011 and 2010 amounted to \$31,816,000 and \$61,064,000, respectively.

Cambia leases office space from 200 Market, a related party. The payments for this lease activity were \$5,079,000 and \$4,273,000 for the years ended December 31, 2011 and 2010, respectively (see Note 2C).

Regence BCBSO is a guarantor for a \$61,000,000 promissory note for 200 Market. The note bears an interest rate of 5.26 percent. Principal and interest payments of \$337,000 are due in monthly installments until the note reaches maturity in December 2015, at which point the remaining principal and interest balance is due. The probability that Regence BCBSO will be required to perform under this guarantee is considered remote.

Cambia is involved in various legal actions arising in the ordinary course of business and accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. It is management's opinion that the resolution of these matters will not have a material effect on Cambia's consolidated financial statements.

## 15. INCOME TAXES

Certain activities of Cambia are subject to federal and state income taxes.

Components of Cambia's income tax provision for the years ended December 31 are as follows:

(In thousands):	<u>2011</u>	<u>2010</u>
Current:		
Federal	\$ 13,386	\$ 34,792
State	<u>2,710</u>	<u>4,678</u>
	<u>16,096</u>	<u>39,470</u>
Deferred:		
Federal	7,225	19,738
State	<u>997</u>	<u>2,623</u>
	<u>8,222</u>	<u>22,361</u>
Income tax expense	<u>\$ 24,318</u>	<u>\$ 61,831</u>

Components of Cambia's net deferred income tax liabilities for the years ended December 31 are as follows:

(In thousands):	2011	2010
Deferred income tax assets:		
Alternative minimum tax (AMT) credits	\$ 94,390	\$ 105,520
Reserve discount	28,459	18,405
Investments/other basis adjustment	22,057	22,850
Postretirement benefits	21,337	22,918
Accrued liabilities	20,141	20,210
Other	32,299	39,836
	218,683	229,739
Valuation allowance	(89,299)	(105,344)
Deferred income tax assets, net of valuation allowance	129,384	124,395
Deferred income tax liabilities:		
Accumulated depreciation and amortization	(86,243)	(83,869)
Pension	(51,145)	(40,308)
	(137,388)	(124,177)
Net deferred tax (liabilities) assets, before OCI items	(8,004)	218
Deferred tax on OCI:		
Deferred tax on unrealized gains and losses on investments	(80,711)	(86,740)
Deferred tax on unrealized benefit costs	80,024	51,627
Valuation allowance on OCI items	(3,388)	10,813
	(4,075)	(24,300)
Net deferred income tax liabilities	\$ (12,079)	\$ (24,082)

The valuation allowance is composed of a full valuation allowance against AMT credit carry forwards and a reduction in the value of the other temporary differences to reflect their realization at the AMT rate. Cambia's valuation allowance on net deferred tax assets before OCI decreased by \$16,045,000 and \$42,974,000 during the years ended December 31, 2011 and 2010, respectively.

Cambia had AMT credits of \$94,390,000 and \$105,520,000 as of December 31 2011 and 2010, respectively. These credits do not expire. Regence BlueShield of Idaho, Inc., which files a separate company tax return, has a capital loss carry forward of \$8,342,000. The capital loss carry forward expires in 2014.

Cambia's effective rate on pretax income from operations differed from the federal regular tax rate due to changes in the valuation allowance recorded in connection with the application of the AMT system and the company's expectation to be an AMT taxpayer indefinitely, as well as the net result of other permanent differences including meals and entertainment, dividends received deduction, investment in

subsidiaries, lobbying, the inclusion of state taxes (net of the federal tax benefit), and adjustments for prior year tax expense.

At December 31, 2011, the years of 2008 through 2010 were open for audit by the Internal Revenue Service and the states of Oregon, Utah and Idaho under the three year statute of limitations rule.

As of December 31, 2011 and 2010, there were no material uncertain tax positions for which the Company believes it is reasonably possible that the total amount of tax contingencies will significantly increase or decrease within twelve months of the reporting date. Any interest or penalties associated with these uncertain tax positions would be recorded as part of income tax expense. For the years ended December 31, 2011 and 2010, respectively, there were no material interest or penalties recorded related to uncertain tax positions.

16. MAJOR CUSTOMERS

Cambia had one major commercial customer that constituted more than ten percent of annual premiums which did not renew its contract in 2011. Gross premiums earned and claims incurred for this customer for the year ended December 31, 2010 were \$1,078,754,000 and \$1,031,624,000, respectively. Cambia acquired a new commercial customer in 2011 which also represented more than ten percent of annual premiums. Total gross premiums earned and claims incurred for this customer at December 31, 2011 were \$793,582,000 and \$757,967,000, respectively. The premiums and claims for both customers are related to administrative services contracts. The total amount due from this customer at December 31, 2011 was \$30,116,000.

Revenues related to contracts with CMS in the aggregate also constitute more than ten percent of annual premiums. During the years ended December 31, 2011 and 2010, total gross premiums earned under the contracts were \$1,166,222,000 and \$1,179,564,000, respectively. Related claims were \$1,038,829,000 and \$986,788,000 for the years ended December 31, 2011 and 2010, respectively.

17. PRESENTATION OF FEE REVENUE

Subsequent to the issuance of the Company's December 31, 2010 consolidated financial statements, management determined that certain amounts historically presented as reductions to Operating Expense should be reflected as Fee Revenue in the Consolidated Statements of Operations. This change had no impact on net income or accumulated surplus for 2011 and 2010. The accompanying financial statements were adjusted as follows:

(In thousands):	2010	
	As Currently Reported	As Previously Reported
Fee Revenue	\$ 67,262	\$ -
Total Revenue, net	7,974,797	7,907,535
Operating Expense	765,751	698,489

**CAMBIA HEALTH SOLUTIONS**  
**Consolidating Balance Sheet Information**  
**December 31, 2011**  
(In thousands)

	Regence BlueShield	Regence of Idaho, Inc.	BCBSU	CHS	Regence Rx	Foundation	Reclass/ Eliminations	Total
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 116,832	\$ 44,813	\$ 11,396	\$ 36,644	\$ 96,339	\$ -	\$ 285	\$ 306,309
Receivables, net	383,965	285,350	36,176	203,238	77,159	13,447	-	907,704
Investments	1,311,512	656,944	200,673	330,349	94,862	-	57,915	2,639,753
Property, Buildings and Equipment, net	116,843	127,337	42,881	76,098	16,390	-	-	379,549
Other Assets	132,385	133,521	15,892	20,969	14,919	-	-	160,252
Deferred Compensation	23,908	4,409	1,941	374	17,644	-	-	48,276
Deferred Income Taxes	-	-	-	-	50,317	-	-	(50,317)
<b>Total Assets</b>	<b>\$ 2,085,445</b>	<b>\$ 1,252,374</b>	<b>\$ 308,959</b>	<b>\$ 667,672</b>	<b>\$ 367,630</b>	<b>\$ 13,447</b>	<b>\$ 58,200</b>	<b>\$ 4,441,843</b>

(Continued)

**CAMBIA HEALTH SOLUTIONS**  
**Consolidating Balance Sheet Information**  
**December 31, 2011**  
(In thousands)

	Regence BlueShield	Regence BCBSO	Regence of Idaho, Inc.	Regence BCBSU	CHS	Regence Rx	Regence Foundation	Reclass/ Eliminations	Total
<b>LIABILITIES AND SURPLUS</b>									
<b>Liabilities:</b>									
Reserve for Unpaid Claims	\$ 488,220	\$ 281,399	\$ 64,398	\$ 170,770	\$ -	\$ -	\$ -	\$ (11,278)	\$ 993,509
Reserve for Adjusting Expenses on Unpaid Claims	12,456	7,814	2,213	4,722	-	-	-	-	27,205
Unearned Premiums	121,836	122,819	21,038	87,344	-	-	-	-	353,037
Debt and Other Obligations	59,222	619	17,227	29,460	17,900	-	-	(5,125)	119,303
Accrued Expenses and Other Liabilities	157,195	99,690	23,628	40,491	358,361	12,149	686	(236,755)	455,445
Experience Refunds Payable	15,043	3,517	12,018	2,000	-	-	-	-	32,578
Deferred Compensation	23,908	4,409	1,941	374	17,644	-	-	-	48,276
Deferred Income Taxes	28,239	14,316	9,213	10,608	-	-	20	(50,317)	12,079
<b>Total Liabilities</b>	<b>906,119</b>	<b>534,583</b>	<b>151,676</b>	<b>345,769</b>	<b>393,905</b>	<b>12,149</b>	<b>706</b>	<b>(303,475)</b>	<b>2,041,432</b>
<b>Surplus:</b>									
Accumulated Surplus	1,104,560	679,332	138,192	294,407	122,324	1,298	55,538	(8,409)	2,387,242
Accumulated Other Comprehensive Income (Loss)	74,766	38,459	19,091	27,496	(148,599)	-	1,956	-	13,169
<b>Total Surplus</b>	<b>1,179,326</b>	<b>717,791</b>	<b>157,283</b>	<b>321,903</b>	<b>(26,275)</b>	<b>1,298</b>	<b>57,494</b>	<b>(8,409)</b>	<b>2,400,411</b>
<b>Total Liabilities and Surplus</b>	<b>\$ 2,085,445</b>	<b>\$ 1,252,374</b>	<b>\$ 308,959</b>	<b>\$ 667,672</b>	<b>\$ 367,630</b>	<b>\$ 13,447</b>	<b>\$ 58,200</b>	<b>\$ (311,884)</b>	<b>\$ 4,441,843</b>

(Concluded)

**CAMBIA HEALTH SOLUTIONS**  
**Consolidating Balance Sheet Information**  
**December 31, 2010**  
(In thousands)

	Regence BlueShield	Regence of Idaho, Inc.	Regence BCBSU	CHS	Regence Rx Foundation	Regence Eliminations	Reclass/ Eliminations	Total
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 56,939	\$ 9,320	\$ 35,821	\$ 121,980	\$ -	\$ 740	\$ -	\$ 258,014
Receivables, net	342,132	31,482	185,530	67,845	14,259	42	(118,260)	802,656
Investments	1,274,723	196,344	310,376	43,996	-	49,253	(11,974)	2,525,816
Property, Buildings and Equipment, net	146,998	48,583	75,024	5,760	-	-	-	426,057
Other Assets	120,361	13,418	17,944	20,115	-	-	(129,037)	162,664
Deferred Compensation	25,482	2,001	390	18,575	-	-	-	51,288
Deferred Income Taxes	-	-	-	46,062	-	-	(46,062)	-
<b>Total Assets</b>	<b>\$ 1,966,635</b>	<b>\$ 301,148</b>	<b>\$ 625,085</b>	<b>\$ 324,333</b>	<b>\$ 14,259</b>	<b>\$ 50,035</b>	<b>\$ (305,333)</b>	<b>\$ 4,226,495</b>

(Continued)





**CAMBIA HEALTH SOLUTIONS**  
**Consolidating Statements of Operations Information**  
**Year Ended December 31, 2011**  
(In thousands)

	Regence BlueShield	Regence of Idaho, Inc.	Regence BCBSO	Regence BCBSU	CHS	Regence Rx Foundation	Reclass/ Eliminations	Total
Premium Revenue	\$ 3,536,302	\$ 529,042	\$ 2,415,338	\$ 1,334,122	\$ -	\$ -	\$ -	\$ 7,814,804
Fee Revenue	49,437	5,568	27,935	15,510	1,207	698	-	100,355
Commissions Expense	(66,262)	(15,655)	(27,093)	(26,829)	-	-	-	(135,839)
Premium Taxes	(40,006)	(5,934)	(8,535)	-	-	-	-	(54,475)
Total Revenue, net	3,479,471	513,021	2,407,645	1,322,803	1,207	698	-	7,724,845
Claims Expense	3,113,029	449,097	2,138,679	1,204,506	-	-	-	6,905,311
Operating Expense	367,972	65,142	246,340	130,104	14,655	-	-	824,213
Gain on Sale of Real Estate	(36,902)	-	-	-	-	-	-	(36,902)
Operating Income (Loss)	35,372	(1,218)	22,626	(11,807)	(13,448)	698	-	32,223
Investment Income, net	59,922	9,040	34,008	13,485	823	-	3,049	120,327
Interest Expense	(3,185)	(1,070)	(142)	(26)	(940)	-	-	(5,363)
Other Income (Expense), net	(7,503)	(1,239)	(6,187)	(4,222)	6,683	(8)	(434)	(6,759)
Uninsurable Pool Assessments	(12,268)	(2,081)	(12,416)	(89)	-	-	-	(26,854)
Income (Loss) Before Income Taxes	72,338	3,432	37,889	(2,659)	(6,882)	690	9,200	113,574
Income Tax Expense (Benefit)	20,878	2,085	1,399	(1,024)	803	256	(79)	24,318
Net Income (Loss)	\$ 51,460	\$ 1,347	\$ 36,490	\$ (1,635)	\$ (7,685)	\$ 434	\$ (434)	\$ 89,256

**CAMBIA HEALTH SOLUTIONS**  
**Consolidating Statements of Operations Information**  
**Year Ended December 31, 2010**  
(In thousands)

	Regence BlueShield of Idaho, Inc.	Regence BCBSO	Regence BCBSU	CHS	Regence Rx Foundation	Reclass/ Eliminations	Total
Premium Revenue	\$ 3,873,919	\$ 2,350,064	\$ 550,326	\$ 1,358,592	\$ -	\$ -	\$ 8,132,901
Fee Revenue	16,883	28,658	5,734	15,987	-	-	67,262
Commissions Expense	(80,399)	(33,189)	(20,035)	(32,404)	-	-	(166,027)
Premium Taxes	(41,454)	(11,695)	(6,190)	-	-	-	(59,339)
Total Revenue, net	3,768,949	2,333,838	529,835	1,342,175	-	-	7,974,797
Claims Expense	3,364,129	2,004,832	457,586	1,191,618	-	-	7,018,165
Operating Expense	324,300	235,454	72,249	133,748	-	-	765,751
Impairment of Goodwill	13,173	-	-	-	-	-	13,173
Operating Income	67,347	93,552	-	16,809	-	-	177,708
Investment Income (Loss), net	73,112	55,536	11,283	27,847	(263)	615	162,524
Interest Expense	(3,490)	(301)	(1,152)	(145)	(1,109)	-	(6,197)
Other (Expense) Income, net	(21,423)	(2,526)	(424)	(2,198)	447	(268)	(2,167)
Uninsurable Pool Assessments	(11,207)	(15,838)	(1,629)	(71)	-	-	(28,745)
Income (Loss) Before Income Taxes	104,339	130,423	8,078	42,242	447	(5,874)	303,123
Income Tax Expense (Benefit)	20,998	34,754	(679)	9,035	179	-	61,831
Net Income	\$ 83,341	\$ 95,669	\$ 8,757	\$ 33,207	\$ 268	\$ (5,874)	\$ 241,292

**Exhibit E**

**HEALTH CARRIER HOLDING COMPANY SYSTEM  
ANNUAL REGISTRATION STATEMENT**

**FORM C  
SUMMARY OF REGISTRATION STATEMENT**

Filed with the Insurance Commissioners of the States of:  
Idaho, Oregon, Utah, and Washington

By

**CAMBIA HEALTH SOLUTIONS, INC.**

On Behalf of the Following Health Carriers:

<b><u>Name:</u></b>	<b><u>Address:</u></b>
1. Regence BlueShield (Regence Washington)	1800 Ninth Avenue Seattle, Washington 98101
a. Asuris Northwest Health (ANH)	528 E. Spokane Falls Boulevard Suite 301 Spokane, Washington 99212
b. Commencement Bay Life Insurance Company (CBL)	1800 Ninth Avenue Seattle, Washington 98101
2. Regence BlueCross BlueShield of Oregon (Regence Oregon)	100 SW Market Street Portland, Oregon 97201
a. Regence HMO Oregon (RHO)	201 High Street SE Salem, Oregon 97308
b. Regence Health Maintenance of Oregon, Inc. (RHMO)	100 SW Market Street Portland, Oregon 97201
c. LifeMap Assurance Company (Asuris)	100 SW Market Street Portland, Oregon 97201
3. Regence BlueCross BlueShield of Utah (Regence Utah)	2890 East Cottonwood Parkway Salt Lake City, Utah 84121
a. HealthWise	2890 East Cottonwood Parkway Salt Lake City, Utah 84121
4. Regence BlueShield of Idaho, Inc. (Regence Idaho)	1602 21st Avenue Lewiston, Idaho 83501

Reporting Period for This Statement: 2011

Date of This Filing: April 30, 2011

Individual to whom Notices and Correspondence concerning this Statement should be addressed:

Kerry E. Barnett  
Group Executive Vice President, Corporate Services  
and Chief Legal Officer  
Cambia Health Solutions, Inc.  
200 SW Market Street, Suite 1500  
Portland, Oregon 97201  
(503) 276-1814

### **Changes from the Prior Registration Statement**

Item 1. Identity and Control of Registrant.

Item 1 was updated to change the name of the Registrant to Cambia Health Solutions, Inc. and to add the state of Louisiana as a state where Cambia is authorized to do business.

Item 2. Organizational Chart

Exhibit B was updated to change the name of the holding company to Cambia Health Solutions, Inc.; to change the name of Regence Life and Health Insurance Company to LifeMap Assurance Company; and to include newly-formed subsidiary companies Regence Insurance Holding Corporation, Direct Health Solutions Corporation, and Sprig Health, Inc.

Item 3. The Ultimate Controlling Person

Item 3 was updated to change the name of the Ultimate Controlling Person to Cambia Health Solutions, Inc.

Item 4. Biographical Information

The list of Regence Executive Officers and Directors was updated.

Item 5. Transactions and Agreements

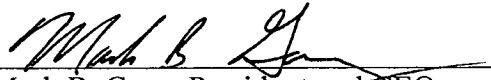
- (a) This subsection was amended to remove the statement that Regence Washington made certain capital contributions to its wholly-owned subsidiary, Kinetix Living Corp., because that transaction was a one-time occurrence in 2010.
- (b) The inter-company transaction amounts have been updated for 2011; the statement regarding Regence Utah selling its TZ Holdings, L.P. shares to Regence Oregon on December 31, 2010 was removed because that was a one-time occurrence in 2010.
- (c) The statement regarding Regence Washington's contribution to The Regence Foundation on December 22, 2010 was removed because that was a one-time occurrence in 2010.

- (d) The reference to "RLH" was changed to "LifeMap."
- (e) The allocations noted in subsections (1) and (2) have been updated for 2011. Item (2) has been updated to include an administrative services agreement entered into between Asuris Northwest Health and LifeMap on October 3, 2011 and a pharmacy benefits management agreement entered into between Regence Washington and Regence Rx, Inc. on January 1, 2012. Item (3) has been updated to include a Master Sales Dealer Agreement between Regence Oregon and Kinetix Living Corp., entered into on May 9, 2011 and a pharmacy benefits management agreement entered into between Regence Oregon and Regence Rx, Inc. on January 1, 2012. Item (4) has been updated to include a joint enterprise agreement between Regence Utah and Regence Idaho entered into on January 1, 2012 and a pharmacy benefits management agreement entered into between Regence Utah and Regence Rx, Inc. on January 1, 2012. Item (5) has been updated to include a joint enterprise agreement between Regence Idaho and Regence Utah entered into on January 1, 2012 and a pharmacy benefits management agreement entered into between Regence Idaho and Regence Rx, Inc. on January 1, 2012.
- (f) The references to the reinsurance agreements between Regence Idaho and Regence Utah, respectively, and RLH have been removed as those agreements are no longer in place.
- (g) This subsection was updated to show that Regence Oregon made an ordinary distribution of \$56,000,000 to Cambia Health Solutions, Inc. on December 22, 2011 and that Regence Utah made an ordinary distribution of \$6,000,000 to Cambia Health Solutions, Inc. on February 29, 2012.
- (h) No changes.
- (i) No changes.


### SIGNATURE AND CERTIFICATION

Pursuant to the respective holding company registration requirements, the registrant has caused this Form C, summary of the annual registration statement, to be duly signed on its behalf in the City of Portland and State of Oregon on the 30th day of April, 2012.

### CAMBIA HEALTH SOLUTIONS, INC.

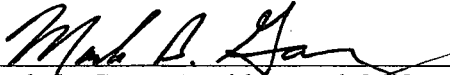
By:   
Mark B. Ganz, President and CEO

Attest:

  
Lisa T. Murphy, Assistant Secretary

## CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Form C, summary of the annual registration statement, dated April 30, 2012 for and on behalf of Cambia Health Solutions, Inc.; that he is the President and CEO of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

By:   
Mark B. Ganz, President and ~~CEO~~

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*Lisa Murphy*  
**THE REGENGE GROUP**

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