



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2012
 OF THE CONDITION AND AFFAIRS OF THE

Regence BlueCross BlueShield of Oregon

NAIC Group Code 1207 (Current Period) , 1207 (Prior Period) NAIC Company Code 54933 Employer's ID Number 93-0238155

Organized under the Laws of United States State of Domicile or Port of Entry Oregon

Country of Domicile United States

Licensed as business type: Life, Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity [X]
 Dental Service Corporation [] Vision Service Corporation [] Health Maintenance Organization []
 Other [] Is HMO, Federally Qualified? Yes [] No [X]

Incorporated/Organized 10/07/1941 Commenced Business 06/01/1942

Statutory Home Office 100 SW Market Street Portland, OR, 97201
 (Street and Number) (City, State, Country and Zip Code)

Main Administrative Office 100 SW Market Street
 (Street and Number) Portland, OR, 97201 503-225-5221
 (City, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O. Box 1271 MS C2A Portland, OR, 97207-1271
 (Street and Number or P.O. Box) (City, State, Country and Zip Code)

Primary Location of Books and Records 100 SW Market Street
 (Street and Number) Portland, OR, 97201 503-225-6069
 (City, State, Country and Zip Code) (Area Code) (Telephone Number) (Extension)

Internet Web Site Address www.regence.com

Statutory Statement Contact Dan W Striplin 503-225-6069
 (Name) (Area Code) (Telephone Number) (Extension)
dan.striplin@cambiahealth.com 503-273-4128
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OFFICERS

Name	Title	Name	Title
<u>Donald Michael Antonucci</u>	<u>President</u>	<u>Andreas Bernhard Ellis</u>	<u>Treasurer</u>
<u>Kerry Evan Barnett</u>	<u>Secretary</u>		

OTHER OFFICERS

<u>Angela M Dowling</u>	<u>Vice President, Sales</u>	<u>Michael Todd Mudrow</u>	<u>Assistant Secretary</u>
<u>Alison A Goldwater</u>	<u>Vice President, Providers Services</u>		

DIRECTORS OR TRUSTEES

<u>Peggy Yvonne Fowler</u>	<u>Mark Burns Ganz</u>	<u>William Lawrence Chenevich</u>	<u>Luis Machuca</u>
<u>Donald Michael Antonucci</u>			

State of Oregon
 County of Multnomah

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The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related correspondence electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

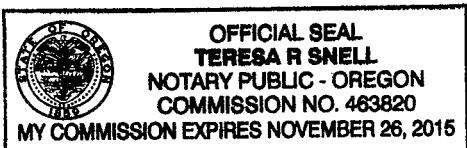
Donald Michael Antonucci
 President

Andreas Bernhard Ellis
 Treasurer

Kerry Evan Barnett
 Secretary

Subscribed and sworn to before me this
25th day of JANUARY 2013
Teresa R Snell

- a. Is this an original filing? Yes [X] No []
 b. If no:
 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____



ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	469,059,085		469,059,085	466,939,446
2. Stocks (Schedule D):				
2.1 Preferred stocks	112,295		112,295	57,448
2.2 Common stocks	181,114,163		181,114,163	157,990,889
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....	8,819,564		8,819,564	22,613,015
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)	12,137,909		12,137,909	0
5. Cash (\$11,693,257 , Schedule E-Part 1), cash equivalents (\$0 , Schedule E-Part 2) and short-term investments (\$15,007,567 , Schedule DA).....	26,700,824		26,700,824	15,570,814
6. Contract loans (including \$ premium notes).....			0	0
7. Derivatives (Schedule DB).....			0	0
8. Other invested assets (Schedule BA)	60,743,070	30,924,051	29,819,019	36,512,516
9. Receivables for securities			0	135,209
10. Securities lending reinvested collateral assets (Schedule DL).....			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	758,686,910	30,924,051	727,762,859	699,819,337
13. Title plants less \$ charged off (for Title insurers only).....			0	0
14. Investment income due and accrued	6,342,636		6,342,636	7,001,244
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	125,999,188	25,745	125,973,443	127,888,939
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums).....			0	0
15.3 Accrued retrospective premiums.....	5,518,460		5,518,460	3,287,488
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	0		0	0
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans	37,997,722	4,263,672	33,734,050	48,544,750
18.1 Current federal and foreign income tax recoverable and interest thereon	0		0	0
18.2 Net deferred tax asset.....	9,122,841		9,122,841	17,134,355
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software.....	33,798,086	33,798,086	0	0
21. Furniture and equipment, including health care delivery assets (\$)	6,623,898	6,623,898	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates	21,847,300	37,836	21,809,464	18,487,021
24. Health care (\$3,620,293) and other amounts receivable.....	15,573,176	11,952,881	3,620,295	6,443,504
25. Aggregate write-ins for other than invested assets	4,481,949	0	4,481,949	6,106,540
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,025,992,166	87,626,169	938,365,997	934,713,178
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	1,025,992,166	87,626,169	938,365,997	934,713,178
DETAILS OF WRITE-INS				
1101.			0	0
1102.			0	0
1103.			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. State Taxes Recoverable.....			0	1,711,360
2502. Physicians Deferred Compensation.....	2,325,341		2,325,341	2,450,318
2503. Executives and Directors Deferred Compensation.....	2,156,608		2,156,608	1,944,862
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	4,481,949	0	4,481,949	6,106,540

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$438,592 reinsurance ceded)	167,621,502	11,734,452	179,355,954	200,851,580
2. Accrued medical incentive pool and bonus amounts	1,809,244		1,809,244	1,662,030
3. Unpaid claims adjustment expenses	7,756,779		7,756,779	9,034,550
4. Aggregate health policy reserves, including the liability of \$894,546 for medical loss ratio rebate per the Public Health Service Act	62,510,576		62,510,576	62,385,774
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	31,890,271		31,890,271	40,104,430
9. General expenses due or accrued	13,438,403		13,438,403	11,265,106
10.1 Current federal and foreign income tax payable and interest thereon (including \$725,590 on realized capital gains (losses))	5,407,697		5,407,697	2,589,332
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable	45,070		45,070	47,448
12. Amounts withheld or retained for the account of others	8,960,397		8,960,397	9,105,826
13. Remittances and items not allocated	5,651,849		5,651,849	6,860,365
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	9,355,482		9,355,482	18,250,183
16. Derivatives	0		0	0
17. Payable for securities	8,248		8,248	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and (\$ certified reinsurers)			0	0
20. Reinsurance in unauthorized and certified (\$) companies			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans	26,846,623		26,846,623	30,976,454
23. Aggregate write-ins for other liabilities (including \$20,369,006 current)	20,369,006	0	20,369,006	19,579,563
24. Total liabilities (Lines 1 to 23)	361,671,147	11,734,452	373,405,599	412,712,641
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	5,118,018
26. Common capital stock	XXX	XXX		0
27. Preferred capital stock	XXX	XXX		0
28. Gross paid in and contributed surplus	XXX	XXX		0
29. Surplus notes	XXX	XXX		0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	564,960,398	516,882,520
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	564,960,398	522,000,538
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	938,365,997	934,713,179
DETAILS OF WRITE-INS				
2301. CMS Premium Reserve	18,728,275		18,728,275	18,728,275
2302. Unclaimed Property	521,486		521,486	422,879
2303. Amounts Payable to Related Party Under Reinsurance Contracts	1,119,245		1,119,245	428,409
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	20,369,006	0	20,369,006	19,579,563
2501. Impact of adopting SSAP 10R	XXX	XXX	0	5,118,018
2502.	XXX	XXX		0
2503.	XXX	XXX		0
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	5,118,018
3001.	XXX	XXX		0
3002.	XXX	XXX		0
3003.	XXX	XXX		0
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	5,617,527	5,694,874
2. Net premium income (including \$0 non-health premium income).....	XXX	1,852,276,320	1,864,578,047
3. Change in unearned premium reserves and reserve for rate credits	XXX	232,841	1,296,933
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,852,509,161	1,865,874,980
Hospital and Medical:			
9. Hospital/medical benefits	62,131,460	949,652,164	776,841,983
10. Other professional services	8,801,168	134,522,002	468,629,475
11. Outside referrals	6,389,810	97,665,442	95,779,200
12. Emergency room and out-of-area	10,413,697	159,168,795	39,664,866
13. Prescription drugs	13,655,133	208,712,734	217,702,461
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....	25,495	389,673	(548,317)
16. Subtotal (Lines 9 to 15)	101,416,763	1,550,110,810	1,598,069,668
Less:			
17. Net reinsurance recoveries		(12,662,130)	(12,660,673)
18. Total hospital and medical (Lines 16 minus 17)	101,416,763	1,562,772,940	1,610,730,341
19. Non-health claims (net).....		0	0
20. Claims adjustment expenses, including \$51,928,060 cost containment expenses.....		129,465,498	129,591,544
21. General administrative expenses.....		143,721,486	142,864,910
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	101,416,763	1,835,959,924	1,883,186,795
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	16,549,237	(17,311,815)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		26,818,382	29,034,359
26. Net realized capital gains (losses) less capital gains tax of \$3,166,361		12,665,446	7,275,300
27. Net investment gains (losses) (Lines 25 plus 26)	0	39,483,828	36,309,659
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$207,140)]		(207,140)	(265,758)
29. Aggregate write-ins for other income or expenses	0	(2,361,720)	(5,109,059)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	53,464,205	13,623,027
31. Federal and foreign income taxes incurred	XXX	10,275,893	6,690,754
32. Net income (loss) (Lines 30 minus 31)	XXX	43,188,312	6,932,273
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901. Other Income.....		869,673	1,502,192
2902. Other Expense.....		(3,231,393)	(6,611,251)
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	(2,361,720)	(5,109,059)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	522,000,539	544,163,690
34. Net income or (loss) from Line 32	43,188,312	6,932,273
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$2,655,121	9,217,237	(5,930,153)
37. Change in net unrealized foreign exchange capital gain or (loss)	145,591	(1,136,151)
38. Change in net deferred income tax	(7,201,679)	(277,505)
39. Change in nonadmitted assets	27,728,416	38,143,833
40. Change in unauthorized and certified reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)	0	0
44.3 Transferred to surplus	0	0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	0	0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	(30,118,018)	(59,895,448)
48. Net change in capital and surplus (Lines 34 to 47)	42,959,859	(22,163,151)
49. Capital and surplus end of reporting year (Line 33 plus 48)	564,960,398	522,000,539
DETAILS OF WRITE-INS		
4701. SSAP 10R Adjustment	(5,118,018)	(3,895,448)
4702. Ordinary Distribution	(25,000,000)	(56,000,000)
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(30,118,018)	(59,895,448)

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,844,354,037	1,858,367,266
2. Net investment income	31,763,012	33,272,037
3. Miscellaneous income	4,339,880	(4,258,811)
4. Total (Lines 1 through 3)	1,880,456,929	1,887,380,492
5. Benefit and loss related payments	1,586,752,267	1,571,486,170
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	262,067,884	283,211,294
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ 2,811,592 tax on capital gains (losses)	10,023,894	(1,566,393)
10. Total (Lines 5 through 9)	1,858,844,045	1,853,131,071
11. Net cash from operations (Line 4 minus Line 10)	21,612,884	34,249,421
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	236,419,429	274,941,319
12.2 Stocks	64,718,865	89,638,848
12.3 Mortgage loans	0	0
12.4 Real estate	233,439	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	816,643	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	302,188,376	364,580,167
13. Cost of investments acquired (long-term only):		
13.1 Bonds	233,401,252	278,073,414
13.2 Stocks	70,100,870	79,565,625
13.3 Mortgage loans	0	0
13.4 Real estate	0	2,267,270
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	3,157,542
13.7 Total investments acquired (Lines 13.1 to 13.6)	303,502,122	363,063,851
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(1,313,746)	1,516,316
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	(20,000,000)
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(9,169,127)	(3,024,438)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(9,169,127)	(23,024,438)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	11,130,011	12,741,299
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	15,570,813	2,829,514
19.2 End of year (Line 18 plus Line 19.1)	26,700,824	15,570,813

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Securities contribution to the Cambia Health Foundation	2,224,020	0
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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	1,852,276,320	859,590,506	25,528,449	15,343,502	5,470,290	306,826,528	616,745,872	0	22,771,173	0
2. Change in unearned premium reserves and reserve for rate credit	232,840	16,281	(117)	38,349	(11,717)	958,605	(460,328)	0	(308,233)	0
3. Fee-for-service (net of \$ medical expenses)	0	0	0	0	0	0	0	0	0	XXX
4. Risk revenue	0	0	0	0	0	0	0	0	0	XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,852,509,160	859,606,787	25,528,332	15,381,851	5,458,573	307,785,133	616,285,544	0	22,462,940	0
8. Hospital/medical benefits	949,652,162	386,997,792	12,666,140	191,835	577,337	199,566,670	346,429,955	0	3,222,433	XXX
9. Other professional services	134,522,003	59,849,586	1,084,654	5,499,485	3,663,964	21,846,055	42,261,784	0	316,475	XXX
10. Outside referrals	97,665,442	21,560,340	0	6,459,522	566,599	15,538,076	53,540,905	0	0	XXX
11. Emergency room and out-of-area	159,168,795	128,704,469	3,349,056	1,225,387	504,550	90,049	24,921,577	0	373,707	XXX
12. Prescription drugs	208,712,734	88,135,235	169,008	0	0	54,506,877	65,354,691	0	546,923	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	389,673	1,726,035	5,290	0	0	0	(1,341,652)	0	0	XXX
15. Subtotal (Lines 8 to 14)	1,550,110,809	686,973,457	17,274,148	13,376,229	5,312,450	291,547,727	531,167,260	0	4,459,538	XXX
16. Net reinsurance recoveries	(12,662,131)	41,124	1	0	0	0	0	0	(12,703,256)	XXX
17. Total hospital and medical (Lines 15 minus 16)	1,562,772,940	686,932,333	17,274,147	13,376,229	5,312,450	291,547,727	531,167,260	0	17,162,794	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ 51,928,060 cost containment expenses	129,465,496	49,173,516	2,760,818	1,709,660	440,102	9,751,554	39,114,031	0	26,515,815	0
20. General administrative expenses	143,721,485	83,457,255	4,180,096	2,376,041	488,563	7,065,451	37,582,944	0	8,571,135	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	1,835,959,921	819,563,104	24,215,061	17,461,930	6,241,115	308,364,732	607,864,235	0	52,249,744	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	16,549,239	40,043,683	1,313,271	(2,080,079)	(782,542)	(579,599)	8,421,309	0	(29,786,804)	0
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	860,150,278	183,915	743,687	859,590,506
2. Medicare Supplement	25,528,449	.0	.0	25,528,449
3. Dental only.....	15,343,502	.0	.0	15,343,502
4. Vision only.....	5,470,290	.0	.0	5,470,290
5. Federal Employees Health Benefits Plan	306,826,528	.0	.0	306,826,528
6. Title XVIII - Medicare	616,745,872	.0	.0	616,745,872
7. Title XIX - Medicaid.....	.0	.0	.0	.0
8. Other health.....	7,185,962	16,785,113	1,199,902	22,771,173
9. Health subtotal (Lines 1 through 8)	1,837,250,881	16,969,028	1,943,589	1,852,276,320
10. Life .....	.0	.0	.0	.0
11. Property/casualty.....	.0	.0	.0	.0
12. Totals (Lines 9 to 11)	1,837,250,881	16,969,028	1,943,589	1,852,276,320

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct	1,587,810,523	706,163,856	17,932,175	13,555,260	5,402,126	298,410,478	542,031,804	0	4,314,824	0
1.2 Reinsurance assumed	14,153,148	689,034	(1)	0	0	0	0	0	13,464,115	0
1.3 Reinsurance ceded	1,408,897	638,367	0	0	0	0	0	0	770,530	0
1.4 Net	1,600,554,774	706,214,523	17,932,174	13,555,260	5,402,126	298,410,478	542,031,804	0	17,008,409	0
2. Paid medical incentive pools and bonuses	242,460	0	0	0	0	0	242,460	0	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	178,951,352	78,005,414	2,661,554	770,992	372,996	32,192,875	63,998,170	0	949,351	0
3.2 Reinsurance assumed	843,192	0	0	0	0	0	0	0	843,192	0
3.3 Reinsurance ceded	438,592	51,241	0	0	0	0	0	0	387,351	0
3.4 Net	179,355,952	77,954,173	2,661,554	770,992	372,996	32,192,875	63,998,170	0	1,405,192	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,809,243	1,726,035	5,290	0	0	0	77,918	0	0	0
6. Net healthcare receivables (a)	16,675,883	7,900,598	64,565	0	0	3,730,339	4,980,381	0	0	0
7. Amounts recoverable from reinsurers December 31, current year	0	0	0	0	0	0	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	200,364,860	91,021,248	3,260,307	950,023	462,674	35,325,287	68,540,682	0	804,639	0
8.2 Reinsurance assumed	751,808	135,000	0	0	0	0	0	0	616,808	0
8.3 Reinsurance ceded	265,089	94,450	0	0	0	0	0	0	170,639	0
8.4 Net	200,851,579	91,061,798	3,260,307	950,023	462,674	35,325,287	68,540,682	0	1,250,808	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	1,662,030	0	0	0	0	0	1,662,030	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct	1,549,721,132	685,247,424	17,268,857	13,376,229	5,312,448	291,547,727	532,508,911	0	4,459,536	0
12.2 Reinsurance assumed	14,244,532	554,034	(1)	0	0	0	0	0	13,690,499	0
12.3 Reinsurance ceded	1,582,400	595,158	0	0	0	0	0	0	987,242	0
12.4 Net	1,562,383,264	685,206,300	17,268,856	13,376,229	5,312,448	291,547,727	532,508,911	0	17,162,793	0
13. Incurred medical incentive pools and bonuses	389,673	1,726,035	5,290	0	0	0	(1,341,652)	0	0	0

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	5,231,454	2,219,516	5,554	(8)	(4)	(63,125)	2,120,170	.0	949,351	
1.2. Reinsurance assumed	797,192	.0	.0	.0	.0	.0	.0	.0	797,192	
1.3. Reinsurance ceded	438,592	51,241	.0	.0	.0	.0	.0	.0	387,351	
1.4. Net	5,590,054	2,168,275	5,554	(8)	(4)	(63,125)	2,120,170	.0	1,359,192	.0
2. Incurred but Unreported:										
2.1. Direct	173,719,898	75,785,898	2,656,000	771,000	373,000	32,256,000	61,878,000	.0	.0	
2.2. Reinsurance assumed	46,000	.0	.0	.0	.0	.0	.0	.0	46,000	
2.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	
2.4. Net	173,765,898	75,785,898	2,656,000	771,000	373,000	32,256,000	61,878,000	.0	46,000	.0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.2. Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3.4. Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. TOTALS:										
4.1. Direct	178,951,352	78,005,414	2,661,554	770,992	372,996	32,192,875	63,998,170	.0	949,351	.0
4.2. Reinsurance assumed	843,192	.0	.0	.0	.0	.0	.0	.0	843,192	.0
4.3. Reinsurance ceded	438,592	51,241	.0	.0	.0	.0	.0	.0	387,351	.0
4.4. Net	179,355,952	77,954,173	2,661,554	770,992	372,996	32,192,875	63,998,170	0	1,405,192	0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	70,378,736	635,835,786	50,249	77,903,924	70,428,985	91,061,799
2. Medicare Supplement	2,537,580	15,394,594	28,059	2,633,496	2,565,639	3,260,307
3. Dental Only.....	914,185	12,641,076	0	770,992	914,185	950,023
4. Vision Only.....	526,263	4,875,863	0	372,996	526,263	462,674
5. Federal Employees Health Benefits Plan	29,948,401	268,462,077	57,886	32,134,989	30,006,287	35,325,287
6. Title XVIII - Medicare	54,059,342	487,972,462	51,713	63,946,457	54,111,055	68,540,682
7. Title XIX - Medicaid.....	0	0	0	0	0	0
8. Other health	1,973,486	15,034,923	1,009	1,404,183	1,974,495	1,250,808
9. Health subtotal (Lines 1 to 8).....	160,337,993	1,440,216,781	188,916	179,167,037	160,526,909	200,851,580
10. Healthcare receivables (a).....	1,381,583	12,889,371	0	7,769,470	1,381,583	5,364,541
11. Other non-health.....	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts	128,160	114,300	943,230	866,013	1,071,390	1,662,030
13. Totals (Lines 9-10+11+12)	159,084,570	1,427,441,710	1,132,146	172,263,580	160,216,716	197,149,069

(a) Excludes \$0 loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)**

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	156,462	154,614	153,859	153,818	153,818
2. 2008	1,381,487	1,490,263	1,488,823	1,488,465	1,488,368
3. 2009	XXX	1,163,757	1,282,853	1,282,070	1,281,942
4. 2010	XXX	XXX	679,418	750,726	750,207
5. 2011	XXX	XXX	XXX	641,444	709,853
6. 2012	XXX	XXX	XXX	XXX	632,119

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	142,343	140,669	167,574	153,818	153,818
2. 2008	1,366,336	1,465,349	1,488,823	1,488,465	1,488,368
3. 2009	XXX	1,159,338	1,283,315	1,282,070	1,281,942
4. 2010	XXX	XXX	750,899	751,174	750,207
5. 2011	XXX	XXX	XXX	731,982	710,765
6. 2012	XXX	XXX	XXX	XXX	709,340

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008	1,678,794	1,488,368	81,482	5.5	1,569,850	93.5	0	0	1,569,850	93.5
2. 2009	1,383,860	1,281,942	74,852	5.8	1,356,794	98.0	0	0	1,356,794	98.0
3. 2010	907,994	750,207	66,433	8.9	816,640	89.9	0	0	816,640	89.9
4. 2011	880,754	709,853	56,787	8.0	766,640	87.0	988	207	767,835	87.2
5. 2012	859,607	632,119	49,660	7.9	681,779	79.3	78,692	3,034	763,505	88.8

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	3,737	3,731	3,687	3,685	3,685
2. 2008	18,760	21,661	21,654	21,688	21,681
3. 2009	XXX	16,839	19,505	19,513	19,550
4. 2010	XXX	XXX	16,839	20,021	20,150
5. 2011	XXX	XXX	XXX	15,783	18,076
6. 2012	XXX	XXX	XXX	XXX	15,419

Section B - Incurred Health Claims - Medicare Supplement

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	3,199	3,194	3,781	3,685	3,685
2. 2008	19,046	21,500	21,654	21,688	21,681
3. 2009	XXX	16,633	19,508	19,513	19,550
4. 2010	XXX	XXX	19,622	20,033	20,150
5. 2011	XXX	XXX	XXX	19,028	18,106
6. 2012	XXX	XXX	XXX	XXX	18,050

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare Supplement

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008.....	32,456	21,681	1,187	5.5	22,868	70.5	0	0	22,868	70.5
2. 2009.....	29,451	19,550	1,141	5.8	20,691	70.3	0	0	20,691	70.3
3. 2010.....	27,216	20,150	1,784	8.9	21,934	80.6	0	0	21,934	80.6
4. 2011.....	26,151	18,076	1,446	8.0	19,522	74.7	33	116	19,671	75.2
5. 2012.....	25,528	15,419	1,211	7.9	16,630	65.1	2,633	103	19,366	75.9

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)**

Section A – Paid Health Claims - Dental Only

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	2,328	2,325	2,328	2,327	2,327
2. 2008	27,251	28,070	28,067	28,068	28,066
3. 2009	XXX	13,009	13,836	13,836	13,836
4. 2010	XXX	XXX	13,214	14,066	14,063
5. 2011	XXX	XXX	XXX	12,087	12,982
6. 2012	XXX	XXX	XXX	XXX	12,665

Section B – Incurred Health Claims - Dental Only

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	2,091	2,088	2,861	2,327	2,327
2. 2008	25,416	26,174	28,067	28,068	28,066
3. 2009	XXX	12,717	13,836	13,836	13,836
4. 2010	XXX	XXX	13,802	14,066	14,063
5. 2011	XXX	XXX	XXX	13,037	12,982
6. 2012	XXX	XXX	XXX	XXX	13,436

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Dental Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008.....	44,510	28,066	1,536	5.5	29,602	66.5	0	0	29,602	66.5
2. 2009.....	23,908	13,836	808	5.8	14,644	61.3	0	0	14,644	61.3
3. 2010.....	19,631	14,063	1,245	8.9	15,308	78.0	0	0	15,308	78.0
4. 2011.....	16,511	12,982	1,039	8.0	14,021	84.9	0	0	14,021	84.9
5. 2012.....	15,382	12,665	995	7.9	13,660	88.8	771	30	14,461	94.0

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Vision Only

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.0	.0	.1	.1	.1
2. 2008	7,729	7,986	7,987	7,987	7,986
3. 2009	XXX	2,312	2,544	2,544	2,543
4. 2010	XXX	XXX	2,572	3,021	3,018
5. 2011	XXX	XXX	XXX	5,208	5,727
6. 2012	XXX	XXX	XXX	XXX	4,887

Section B - Incurred Health Claims - Vision Only

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.0	.0	(786)	.1	.1
2. 2008	6,779	7,040	7,987	7,987	7,986
3. 2009	XXX	2,619	2,544	2,544	2,543
4. 2010	XXX	XXX	2,791	3,021	3,018
5. 2011	XXX	XXX	XXX	5,671	5,727
6. 2012	XXX	XXX	XXX	XXX	5,260

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Vision Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008.....	12,089	7,986	437	5.5	8,423	69.7	.0	.0	8,423	69.7
2. 2009.....	6,736	2,543	148	5.8	2,691	39.9	.0	.0	2,691	39.9
3. 2010.....	3,920	3,018	267	8.8	3,285	83.8	.0	.0	3,285	83.8
4. 2011.....	5,179	5,727	458	8.0	6,185	119.4	.0	.0	6,185	119.4
5. 2012.....	5,459	4,887	384	7.9	5,271	96.6	373	15	5,659	103.7

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)**

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	23,344	23,054	22,986	22,952	22,952
2. 2008	213,144	238,934	238,955	238,917	238,899
3. 2009	XXX	232,496	259,571	259,500	259,518
4. 2010	XXX	XXX	244,214	272,330	272,237
5. 2011	XXX	XXX	XXX	256,362	285,196
6. 2012	XXX	XXX	XXX	XXX	265,974

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	21,367	21,107	18,269	22,952	22,952
2. 2008	222,213	245,377	238,955	238,917	238,899
3. 2009	XXX	233,577	259,743	259,500	259,518
4. 2010	XXX	XXX	273,708	272,533	272,237
5. 2011	XXX	XXX	XXX	291,479	285,248
6. 2012	XXX	XXX	XXX	XXX	298,075

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008.....	263,272	238,899	13,079	5.5	251,978	95.7	.0	.0	251,978	95.7
2. 2009.....	271,577	259,518	15,153	5.8	274,671	101.1	.0	.0	274,671	101.1
3. 2010.....	285,846	272,237	24,107	8.9	296,344	103.7	.0	.0	296,344	103.7
4. 2011.....	308,961	285,196	22,815	8.0	308,011	99.7	.58	.239	308,308	99.8
5. 2012.....	307,785	265,974	20,895	7.9	286,869	93.2	32,135	1,252	320,256	104.1

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)**

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.37,972	.37,629	.37,178	.37,111	.37,111
2. 2008	437,802	496,690	496,107	495,855	495,774
3. 2009	XXX	512,739	558,052	557,763	557,790
4. 2010	XXX	XXX	476,164	524,622	524,943
5. 2011	XXX	XXX	XXX	479,613	531,603
6. 2012	XXX	XXX	XXX	XXX	485,799

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior .....	.35,810	.35,502	.30,150	.37,111	.37,111
2. 2008	475,806	528,737	496,107	495,855	495,774
3. 2009	XXX	516,120	558,122	557,763	557,790
4. 2010	XXX	XXX	535,724	525,026	524,943
5. 2011	XXX	XXX	XXX	549,787	532,031
6. 2012	XXX	XXX	XXX	XXX	549,060

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008.....	263,272	495,774	27,141	5.5	522,915	198.6	.0	.0	522,915	198.6
2. 2009.....	660,610	557,790	32,569	5.8	590,359	89.4	.0	.0	590,359	89.4
3. 2010.....	627,784	524,943	46,485	8.9	571,428	91.0	.0	.0	571,428	91.0
4. 2011.....	608,872	531,603	42,527	8.0	574,130	94.3	52	213	574,395	94.3
5. 2012.....	616,286	485,799	38,165	7.9	523,964	85.0	64,024	2,490	590,478	95.8

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	737	788	757	757	757
2. 2008	13,471	13,790	13,793	13,793	13,793
3. 2009	XXX	13,057	13,211	13,204	13,261
4. 2010	XXX	XXX	13,329	13,520	13,492
5. 2011	XXX	XXX	XXX	12,494	12,796
6. 2012	XXX	XXX	XXX	XXX	16,812

Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	759	808	1,174	757	757
2. 2008	14,207	14,515	13,793	13,793	13,793
3. 2009	XXX	12,903	13,211	13,204	13,261
4. 2010	XXX	XXX	14,287	13,524	13,492
5. 2011	XXX	XXX	XXX	13,809	12,865
6. 2012	XXX	XXX	XXX	XXX	18,083

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008	17,337	13,793	755	5.5	14,548	83.9	0	0	14,548	83.9
2. 2009	21,362	13,261	774	5.8	14,035	65.7	0	0	14,035	65.7
3. 2010	20,531	13,492	1,195	8.9	14,687	71.5	0	0	14,687	71.5
4. 2011	19,445	12,796	1,024	8.0	13,820	71.1	1	4	13,825	71.1
5. 2012	22,463	16,812	1,321	7.9	18,133	80.7	1,404	55	19,592	87.2

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)**

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	224,580	222,141	220,796	220,651	220,651
2. 2008	2,099,644	2,297,394	2,295,386	2,294,773	2,294,567
3. 2009	XXX	1,954,209	2,149,572	2,148,430	2,148,440
4. 2010	XXX	XXX	1,445,750	1,598,306	1,598,110
5. 2011	XXX	XXX	XXX	1,422,991	1,576,233
6. 2012	XXX	XXX	XXX	XXX	1,433,675

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior	205,569	203,368	223,023	220,651	220,651
2. 2008	2,129,803	2,308,692	2,295,386	2,294,773	2,294,567
3. 2009	XXX	1,953,907	2,150,279	2,148,430	2,148,440
4. 2010	XXX	XXX	1,610,833	1,599,377	1,598,110
5. 2011	XXX	XXX	XXX	1,624,793	1,577,724
6. 2012	XXX	XXX	XXX	XXX	1,611,304

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2008	2,311,730	2,294,567	125,617	5.5	2,420,184	104.7	.0	.0	2,420,184	104.7
2. 2009	2,397,504	2,148,440	125,445	5.8	2,273,885	94.8	.0	.0	2,273,885	94.8
3. 2010	1,892,922	1,598,110	141,516	8.9	1,739,626	91.9	.0	.0	1,739,626	91.9
4. 2011	1,865,873	1,576,233	126,096	8.0	1,702,329	91.2	1,132	779	1,704,240	91.3
5. 2012	1,852,510	1,433,675	112,631	7.9	1,546,306	83.5	180,032	6,979	1,733,317	93.6

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ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	186,308	3,937	117	70	25	.0	.0	.0	182,159
2. Additional policy reserves (a).....	5,550,711	.0	.0	.0	.0	.0	.0	.0	5,550,711
3. Reserve for future contingent benefits.....	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. Reserve for rate credits or experience rating refunds (including \$ for investment income).....	61,426,111	2,586,849	.0	53,546	19,002	54,668,220	3,790,261	.0	308,233
5. Aggregate write-ins for other policy reserves	1,080,316	990,816	.0	.0	.0	89,500	.0	.0	.0
6. Totals (gross)	68,243,446	3,581,602	117	53,616	19,027	54,757,720	3,790,261	.0	6,041,103
7. Reinsurance ceded	5,732,870	.0	.0	.0	.0	.0	.0	.0	5,732,870
8. Totals (Net) (Page 3, Line 4)	62,510,576	3,581,602	117	53,616	19,027	54,757,720	3,790,261	0	308,233
9. Present value of amounts not yet due on claims .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
10. Reserve for future contingent benefits .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. Pharmaceutical rebates due back to insured groups.....	1,080,316	990,816	.0	.0	.0	89,500	.0	.0	.0
0502. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0503. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	1,080,316	990,816	0	0	0	89,500	0	0	0
1101. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1102. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1103. ....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$7,749,507 for occupancy of own building).....	565,994	4,048,633	5,814,168	20,178	10,448,973
2. Salaries, wages and other benefits.....	20,583,431	60,048,481	70,197,468	505,732	151,335,112
3. Commissions (less \$0 ceded plus \$0 assumed).....	0	0	25,777,900	0	25,777,900
4. Legal fees and expenses.....	78,670	27,951	(4,843,845)	0	(4,737,224)
5. Certifications and accreditation fees.....	0	0	0	0	0
6. Auditing, actuarial and other consulting services.....	0	(30,730)	1,333,939	0	1,303,209
7. Traveling expenses.....	323,812	505,387	2,350,300	17,084	3,196,583
8. Marketing and advertising.....	82	708	4,347,121	0	4,347,911
9. Postage, express and telephone.....	209,666	759,773	7,385,890	1,458	8,356,787
10. Printing and office supplies.....	45,748	524,472	460,450	1,848	1,032,518
11. Occupancy, depreciation and amortization.....	127,339	3,798,074	4,414,545	1,882	8,341,840
12. Equipment.....	8,456	1,099,989	695,890	1,462	1,805,797
13. Cost or depreciation of EDP equipment and software.....	1,912,074	12,458,362	13,023,496	15	27,393,947
14. Outsourced services including EDP, claims, and other services.....	25,692,791	8,625,841	15,586,665	1,695,018	51,600,315
15. Boards, bureaus and association fees.....	24,902	141,136	1,209,430	845	1,376,313
16. Insurance, except on real estate.....	89,403	363,544	354,530	386	807,863
17. Collection and bank service charges.....	0	400,161	442,213	0	842,374
18. Group service and administration fees.....	0	1,913,645	59,418	0	1,973,063
19. Reimbursements by uninsured plans.....	211,779	(21,819,824)	(36,250,382)	(9)	(57,858,436)
20. Reimbursements from fiscal intermediaries.....	(931,362)	(30,738)	(1,486,190)	(465,290)	(2,913,580)
21. Real estate expenses.....	141,408	810,609	577,639	4,094	1,533,750
22. Real estate taxes.....	47,424	358,162	154,020	423	560,029
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....	0	0	0	0	0
23.2 State premium taxes.....	0	0	10,000,846	0	10,000,846
23.3 Regulatory authority licenses and fees.....	10,981	15,266	570,671	27	596,945
23.4 Payroll taxes.....	1,556,688	4,206,530	3,507,719	34,855	9,305,792
23.5 Other (excluding federal income and real estate taxes).....	11,831	2,220,659	17,384,528	307	19,617,325
24. Investment expenses not included elsewhere.....	0	0	0	0	0
25. Aggregate write-ins for expenses.....	1,216,943	(2,908,653)	653,057	0	(1,038,653)
26. Total expenses incurred (Lines 1 to 25).....	51,928,060	77,537,438	143,721,486	1,820,315 (a)	275,007,299
27. Less expenses unpaid December 31, current year.....	3,111,211	4,645,568	13,270,327	168,076	21,195,182
28. Add expenses unpaid December 31, prior year.....	2,787,836	6,246,714	11,122,952	142,154	20,299,656
29. Amounts receivable relating to uninsured plans, prior year.....	0	18,711,186	29,833,564	0	48,544,750
30. Amounts receivable relating to uninsured plans, current year.....	0	11,821,678	21,912,371	0	33,734,049
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	51,604,685	72,249,076	133,652,918	1,794,393	259,301,072
DETAILS OF WRITE-INS					
2501. Miscellaneous.....	1,216,943	(2,908,653)	653,057	0	(1,038,653)
2502.	0	0	0	0	0
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	1,216,943	(2,908,653)	653,057	0	(1,038,653)

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 958,510	956,652
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 16,788,234	16,002,162
1.3 Bonds of affiliates	(a) 0	145,694
2.1 Preferred stocks (unaffiliated)	(b) 1,082	1,229
2.11 Preferred stocks of affiliates	(b) 0	0
2.2 Common stocks (unaffiliated)	4,683,920	4,655,357
2.21 Common stocks of affiliates	0	0
3. Mortgage loans	(c)	
4. Real estate	(d) 7,749,507	7,749,507
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 10,191	11,070
7. Derivative instruments	(f)	
8. Other invested assets	5,059	5,059
9. Aggregate write-ins for investment income	530,854	530,854
10. Total gross investment income	30,727,357	30,057,584
11. Investment expenses		(g) 1,820,980
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 100,579
14. Depreciation on real estate and other invested assets		(i) 1,317,643
15. Aggregate write-ins for deductions from investment income		0
16. Total deductions (Lines 11 through 15)		3,239,202
17. Net investment income (Line 10 minus Line 16)		26,818,382
DETAILS OF WRITE-INS		
0901. MISCELLANEOUS	70,097	70,097
0902. PRIOR YEAR DIVIDEND INCOME	26,761	26,761
0903. Parking lot reimbursement income	433,996	433,996
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	530,854	530,854
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

- (a) Includes \$ 787,446 accrual of discount less \$ 4,089,366 amortization of premium and less \$ 546,678 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ 7,749,507 for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 10,638 accrual of discount less \$ 5,535 amortization of premium and less \$ 522 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ 1,820,980 investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ 1,061,019 depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	68,536	0	68,536	0	0
1.1 Bonds exempt from U.S. tax			0		
1.2 Other bonds (unaffiliated)	8,131,947	(490,235)	7,641,712	729,487	0
1.3 Bonds of affiliates	0	0	0	0	0
2.1 Preferred stocks (unaffiliated)	16,037	0	16,037	32,007	1,340
2.11 Preferred stocks of affiliates	0	0	0	0	0
2.2 Common stocks (unaffiliated)	9,562,197	(1,468,782)	8,093,415	11,938,956	138,859
2.21 Common stocks of affiliates	0	0	0	(200,480)	0
3. Mortgage loans	0	0	0	0	0
4. Real estate	0	0	0	0	0
5. Contract loans	0	0	0	0	0
6. Cash, cash equivalents and short-term investments	5,941	0	5,941	0	0
7. Derivative instruments	2,641	0	2,641	0	0
8. Other invested assets	0	0	0	(622,221)	0
9. Aggregate write-ins for capital gains (losses)	0	3,523	3,523	(5,392)	5,392
10. Total capital gains (losses)	17,787,299	(1,955,494)	15,831,805	11,872,357	145,591
DETAILS OF WRITE-INS					
0901. FOREIGN CONTRACT REALIZED GAINS		3,523	3,523		
0902. Reclass unrealized cap gain/(loss) for foreign exchange			0	(5,392)	5,392
0903.			0		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	3,523	3,523	(5,392)	5,392

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Derivatives (Schedule DB).....	0	0	0
8. Other invested assets (Schedule BA)	30,924,051	25,152,775	(5,771,276)
9. Receivables for securities	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	30,924,051	25,152,775	(5,771,276)
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	25,745	277,831	252,086
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
15.3 Accrued retrospective premiums.....	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0	0	0
16.2 Funds held by or deposited with reinsured companies	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0
17. Amounts receivable relating to uninsured plans	4,263,672	3,288,270	(975,402)
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2 Net deferred tax asset.....	0	1,845,285	1,845,285
19. Guaranty funds receivable or on deposit	0	0	0
20. Electronic data processing equipment and software.....	33,798,086	57,466,787	23,668,701
21. Furniture and equipment, including health care delivery assets.....	6,623,898	9,970,992	3,347,094
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23. Receivables from parent, subsidiaries and affiliates	37,836	9,967	(27,869)
24. Health care and other amounts receivable.....	11,952,881	12,224,660	271,779
25. Aggregate write-ins for other than invested assets	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	87,626,169	110,236,567	22,610,398
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	87,626,169	110,236,567	22,610,398
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0
2501.			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0					
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	213,243	207,396	205,223	203,910	200,314	2,463,380
4. Point of Service.....	.0					
5. Indemnity Only.....	130,914	124,942	128,172	146,816	145,817	1,637,831
6. Aggregate write-ins for other lines of business.....	124,758	126,122	126,184	126,518	126,771	1,516,316
7. Total	468,915	458,460	459,579	477,244	472,902	5,617,527
DETAILS OF WRITE-INS						
0601. Medicare PPO.....	56,560	57,966	58,147	58,416	58,600	698,739
0602. Medicare Supplement.....	9,546	9,303	9,177	9,127	9,002	110,295
0603. FEP.....	58,652	58,853	58,860	58,975	59,169	707,282
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	124,758	126,122	126,184	126,518	126,771	1,516,316

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

Regence BlueCross BlueShield of Oregon (the Company) is incorporated as a nonprofit corporation under the laws of the State of Oregon and is subject to regulation by the State of Oregon, Department of Consumer and Business Services, Insurance Division (Insurance Division) as a health care service contractor.

The Company's statutory basis financial statements are presented in accordance with accounting practices prescribed or permitted by the Insurance Division.

The Insurance Division has adopted the National Association of Insurance Commissioners' (NAIC) Accounting Practices & Procedures Manual as its statutory accounting principles (SAP) basis. Prescribed accounting practices are those practices which are incorporated directly or by reference to state laws, regulations and general administrative rules applicable to all insurance enterprises domiciled in a particular state. Permitted accounting practices include deviation from NAIC SAP and state prescribed accounting practices specifically requested by an insurer and granted by the Insurance Division.

The Insurance Division has adopted a prescribed accounting practice for the Company which differs from NAIC SAP. The prescribed practice limits the total amount of investments that fall under ORS 733.670 to the lesser of seven and one-half percent of the insurer's total assets or the insurer's assets over liabilities and required capitalization. Any amount over the threshold would be non-admitted. NAIC SAP does not have such a requirement. Reporting the investments as prescribed by the Insurance Division has no impact on the Company's net income. The effect of the prescribed practice on the Company's capital and surplus at December 31, 2012 and 2011, respectively, was as follows:

	<u>2012</u>	<u>2011</u>
Capital and Surplus, as presented	\$ 564,960,398	\$ 522,000,538
Other Invested Assets Non-Admitted	24,542,218	18,335,075
Capital and Surplus, NAIC SAP	<u>\$ 589,502,616</u>	<u>\$ 540,335,613</u>

The Insurance Division has approved no permitted practices for the Company which differ from NAIC SAP or state prescribed accounting practices.

B. Use of Estimates in the Preparation of Financial Statements

The preparation of statutory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Such estimates may affect the disclosure of impaired assets and contingent liabilities at the date of the statutory basis financial statements and the reported amounts of revenues and expenses during the reporting period. Pharmaceutical rebate receivables, claims unpaid, accrual for asserted and unasserted claims or other matters in litigation, unpaid claims adjustment expenses, accrued retrospective premium, aggregate health policy reserves including reserves for medical loss ratio rebates, other-than-temporary impairment of investments, employee incentive payable, and income taxes represent significant estimates. Actual results could differ significantly from those estimates.

C. Accounting Policy

1. Cash equivalents include cash equivalents and investments with an original maturity of three months or less at the date of acquisition. Short-term investments include all investments with remaining maturities, at the time of acquisition, of three months to one year and are stated at amortized cost. The carrying value of cash, cash equivalents and short-term investments approximates fair value at December 31, 2012 and 2011.
2. Bonds not backed by loans are generally stated at book/adjusted carrying value. Book/adjusted carrying values are based on the cost of bonds in NAIC designated classes one and two, which are designated as highest-quality and high-quality, and are adjusted for amortization of premiums and accretion of discounts to maturity. Book/adjusted carrying values for bonds in NAIC designated classes three through six are based on the lower of amortized cost or fair value. The amortization of bonds is calculated using the scientific interest method, on an actual to actual date basis. Bonds without call provisions are amortized to the maturity date. Bonds with call provisions are amortized using yield to worst amortization.
3. Unaffiliated common stocks are stated at fair value. Changes in fair value are recorded in capital and surplus.

NOTES TO FINANCIAL STATEMENTS

4. Unaffiliated preferred stocks are stated at amortized cost or lower of cost, amortized cost or fair value depending on the NAIC designated rating.
5. The Company does not have any mortgage loans on real estate.
6. Loan-backed securities are stated at either amortized cost, if they are in classes one and two, or the lower of amortized cost or fair value, if they are in classes three through six. Securities stated at amortized cost are adjusted for amortization of premiums and accretion of discounts over the estimated life of the security. The prospective-adjustment method is used to value all securities. Prepayment assumptions for single class and multi-class loan-backed securities were obtained from broker, dealer, survey values or internal estimates.
7. Regence HMO Oregon is a wholly owned subsidiary of the Company; Capitol Health Care Management, Inc. is a wholly owned subsidiary of Regence HMO Oregon; and Regence Health Maintenance of Oregon, Inc. is a wholly owned subsidiary of Capitol Health Care Management, Inc. Capitol Health Care Management, Inc. and Regence Health Maintenance of Oregon, Inc. are affiliates of the Company. The Company has an eleven percent ownership interest in LifeMap Assurance Company (LifeMap) (formerly Regence Life and Health). The Company is also a 50 percent limited partner in 200 Market Associates Limited Partnership (the Partnership), a real estate limited partnership.

Regence HMO Oregon, Regence Health Maintenance of Oregon, Inc. and LifeMap are considered U.S. insurance subsidiary entities and Capitol Health Care Management, Inc. and the Partnership are considered noninsurance subsidiaries. Regence HMO Oregon, Regence Health Maintenance of Oregon, Inc. and Capitol Health Care Management are unaudited; therefore, investments in these subsidiaries are nonadmitted. Investments in the Company's insurance subsidiaries are valued on the statutory equity method basis, while investments in the Company's noninsurance subsidiaries are valued on the equity basis as determined under accounting principles generally accepted in the United States of America (GAAP). The Company accounts for its share of accumulated losses in the Partnership to the extent that the Company has a guaranteed obligation for the Partnership. The Company's subsidiaries are classified as common stocks and other invested assets.

8. The Company has an ownership interest in a limited partnership. The Company ownership interest is valued based on the GAAP equity basis and is recorded in other invested assets.
9. The Company does not invest in derivatives with the exception of foreign currency hedges which are stated at fair value.
10. The Company does not anticipate investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, *Individual and Group Accident and Health Contracts*.
11. Claims unpaid is an actuarial estimate of outstanding claims, including claims incurred but not reported, based upon historical claims experience modified for current trends and changes in benefit coverage. Unpaid claims adjustment expenses represent processing expenses related to claims unpaid and are accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise.
12. The Company has not modified its capitalization policy from the prior period.
13. Estimates of pharmaceutical rebate receivables are determined based upon historical experience, modified for current trends.

2. Accounting Changes and Corrections of Errors

In 2012, the Company implemented Statement of Statutory Accounting Principles (SSAP) No. 101, *Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10*. The new statement includes revised guidance for tax contingencies, a non-elective deferred tax asset admissibility test along with significant modifications to the deferred tax assets admissibility test, and disclosure modifications. A change resulting from this adoption should be accounted for prospectively. As a result of the adoption, the Company recalculated the non-admitted deferred tax asset balance as of December 31, 2011 in accordance with SSAP No. 101. This accounting change had no material impact on the statutory basis financial statements as of December 31, 2011 and 2012.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

The Company does not have any statutory purchases during the current reporting period.

B. Statutory Merger

NOTES TO FINANCIAL STATEMENTS

The Company does not have any statutory mergers during the current reporting period.

C. Assumption Reinsurance

The Company does not have any assumption of reinsurance during the current reporting period.

D. Impairment Loss

The Company does not have any impairment loss during the current reporting period for Business Combinations and Goodwill.

4. Discontinued Operations

The Company does not have discontinued operations during the current reporting period.

5. Investments

A. Mortgage Loans, including mezzanine Real Estate Loans

The Company does not have mortgage loans or mezzanine real estate loans.

B. Debt Restructuring

The Company does not have restructured debt.

C. Reverse Mortgages

The Company does not have reverse mortgages.

D. Loan-Backed Securities

- (1) Prepayment assumptions for single class and multi-class loan-backed securities were obtained from broker, dealer, survey values or internal estimates.
- (2) There were no other-than-temporary impairments recognized on loan-backed securities held at December 31, 2012.

Recognized other-than-temporary impairment on loan-backed securities held at December 31, 2011 is as follows:

	2011		
	Prior Amortized Cost	Realized Impairment	Fair Value
Losses realized due to:			
Intent to sell	\$ -	\$ -	\$ -
Lack of intent or ability to retain securities for sufficient time to recover amortized cost basis	-	-	-
Present value of expected future cash flows is less than amortized cost basis	<u>3,432,414</u>	<u>177,751</u>	<u>3,254,663</u>
Aggregate total	<u>\$ 3,432,414</u>	<u>\$ 177,751</u>	<u>\$ 3,254,663</u>

- (3) The following loan-backed securities were other-than-temporarily impaired at December 31, 2012 as the present value of future cash flows expected to be collected was less than the amortized cost:

NOTES TO FINANCIAL STATEMENTS

CUSIP		Date of Impairment	Prior	Projected	Realized	Fair Value	Subsequent
			Amortized Cost	Cash Flows	Impairment		Amortized Cost
07387AEG6	Bear Stearns Adjustable Rate Mtg Trust	12/31/2009	\$ 277,828	\$ 244,902	\$ 32,380	\$ 238,021	\$ 244,902
07387AEG6	Bear Stearns Adjustable Rate Mtg Trust	12/31/2011	192,588	188,872	3,716	175,982	188,872
36185MDN9	GMAC Mortgage Corp Loan Trust	12/31/2009	1,136,121	910,867	225,254	832,520	910,867
36185MDN9	GMAC Mortgage Corp Loan Trust	12/31/2010	831,642	708,053	123,589	760,199	708,053
36185MDN9	GMAC Mortgage Corp Loan Trust	12/31/2011	667,087	610,041	57,046	667,366	610,041
46630UAA2	Morgan Mortgage Trust	12/31/2009	1,170,247	871,747	298,499	777,175	871,747
46630UAA2	JP Morgan Mortgage Trust	12/31/2010	783,545	643,883	139,662	633,584	643,883
46630UAA2	JP Morgan Mortgage Trust	12/31/2011	594,379	561,617	32,762	520,892	561,617
59020U2H7	Merrill Lynch Mortgage Investors Inc	12/31/2009	839,264	605,720	233,544	630,471	605,720
59020U2H7	Merrill Lynch Mortgage Investors Inc	12/31/2011	470,955	469,460	1,495	480,720	469,460
59020U4S1	MLCC Mortgage Investors Inc	12/31/2009	733,704	588,658	145,046	629,795	588,658
59020U4S1	MLCC Mortgage Investors Inc	12/31/2011	448,351	434,777	13,575	466,620	434,777
74958XAC8	Residential Funding Mtg Securities	12/31/2009	579,928	443,167	136,761	395,459	443,167
74958XAC8	Residential Funding Mtg Securities	12/31/2010	391,199	322,505	68,694	295,940	322,505
74958XAC8	Residential Funding Mtg Securities	12/31/2011	284,435	250,003	34,432	230,669	250,003
94983YAH2	Wells Fargo Mtg Backed Securities Trust	12/31/2009	1,399,696	1,045,407	354,290	1,079,397	1,045,407
94983YAH2	Wells Fargo Mtg Backed Securities Trust	12/31/2010	966,845	804,064	162,781	874,541	804,064
94983YAH2	Wells Fargo Mtg Backed Securities Trust	12/31/2011	774,619	739,894	34,725	783,596	739,894
			12,542,433	10,443,637	2,098,251	10,472,947	10,443,637

(4) Loan-backed securities in a continuous unrealized loss position at December 31, 2012 and 2011, including those that have interest related other-than-temporary declines, are as follows:

	2012			
	Less than 4 Quarters		4 Quarters or Greater	
	NAIC		NAIC	
	Designated Fair Value	Unrealized Loss	Designated Fair Value	Unrealized Loss
Loan-backed securities	\$ 10,258,871	\$ 27,484	\$ 4,056,268	\$ 177,555

	2011			
	Less than 4 Quarters		4 Quarters or Greater	
	NAIC		NAIC	
	Designated Fair Value	Unrealized Loss	Designated Fair Value	Unrealized Loss
Loan-backed securities	\$ 17,347,124	\$ 214,186	\$ 4,986,179	\$ 117,824

(5) The fair value of loan-backed securities in a continuous unrealized loss position declined due to reasons including, but not limited to, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries. The Company does not intend to sell these securities at the reporting date and has the ability to retain the securities for a period of time sufficient to recover the amortized cost basis. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2012 and 2011.

The fair values of all loan-backed securities held at December 31, 2012 were practicably estimated and evaluated for impairment.

E. Repurchase Agreements and/or Securities Lending Transactions

The Company does not invest in repurchase agreements and was not engaged in securities lending transactions as of December 31, 2012.

F. Real Estate

(1) The company did not recognize an impairment loss during the reporting period.

(2) The Company engaged a real estate broker to sell two buildings located in Portland, Oregon on December 21, 2012. As of December 31, 2012, all criteria required to classify a long-lived asset as held for sale in accordance with SSAP 90, *Accounting for the Impairment or Disposal of Real Estate Investments* (SSAP No. 90) had been met. Accordingly, the Portland buildings were classified as Property Held for Sale net of encumbrances in the accompanying statutory basis financial statements at carrying value, which was \$3,547,023 for the 100 Market Street building and \$8,590,886 for the 1621 S.W. First Avenue building at December 31, 2012.

(3) The Company did not experience a change in plans related to its real estate investments held for sale.

(4) The Company does not engage in retail land sales operations.

(5) The Company does not hold real estate investments with participating mortgage loan features.

NOTES TO FINANCIAL STATEMENTS

G. Investments in Low-Income Housing Tax Credits (LIHTC)

The Company does not have investments in Low-Income Housing Tax Credits (LIHTC).

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.
- B. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

The Company had no investment income due and accrued excluded from surplus.

8. Derivative Instruments

The Company does not invest in derivative instruments.

9. Income Taxes

- A. (1) The components of the net deferred tax asset recognized in the Company's Statements of Admitted Assets, Liabilities, Capital and Surplus – Statutory Basis at December 31 were as follows:

	12/31/2012			12/31/2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Change
Total of all deferred tax assets (admitted and nonadmitted)	\$55,154,842	\$ 3,160,521	\$58,315,363	\$ 68,510,514	\$ 4,291,338	\$72,801,852	\$(13,355,672)	\$(1,130,817)	\$(14,486,489)
Statutory valuation allowance adjustment	(30,229,377)	(1,732,225)	(31,961,602)	(41,236,124)	(2,582,934)	(43,819,058)	(11,006,747)	(850,709)	11,857,456
Adjusted gross deferred tax assets	24,925,465	1,428,296	26,353,761	27,274,390	1,708,404	28,982,794	(2,348,925)	(280,108)	(2,629,033)
Total of all deferred tax liabilities	(4,110,955)	(13,119,965)	(17,230,920)	(1,592,531)	(8,410,623)	(10,003,154)	(2,518,424)	(4,709,342)	(7,227,766)
Net deferred tax asset (liability)	20,814,510	(11,691,669)	9,122,841	25,681,859	(6,702,219)	18,979,640	(4,867,349)	(4,989,450)	(9,856,799)
Deferred tax asset nonadmitted	-	-	-	(1,845,285)	-	(1,845,285)	1,845,285	-	1,845,285
Net admitted deferred tax asset (liability)	\$20,814,510	\$(11,691,669)	\$ 9,122,841	\$ 23,836,574	\$(6,702,219)	\$17,134,355	\$(3,022,064)	\$(4,989,450)	\$(8,011,514)

- (2) The Company recorded a decrease in admitted deferred tax assets pursuant to the provisions of SSAP No. 101 as follows:

	12/31/2012			12/31/2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 10,988,201	\$ 1,428,287	\$ 12,416,488	\$ 13,437,520	\$ 613,048	\$ 14,050,568	\$(2,449,319)	\$ 815,239	\$(1,634,080)
(b) Adjusted gross deferred tax assets expected to be realized after application of the threshold limitation	1,743,241	-	1,743,241	3,083,787	-	3,083,787	(1,340,546)	-	(1,340,546)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	1,743,241	-	1,743,241	3,083,787	-	3,083,787	(1,340,546)	-	(1,340,546)
2. Adjusted gross deferred tax assets allowed per limitation threshold	87,299,902	-	87,299,902	52,374,976	3,280,046	55,655,022	34,924,926	(3,280,046)	31,644,880
(c) Adjusted gross deferred tax assets offset by gross deferred tax liabilities	12,194,032	-	12,194,032	8,907,798	1,095,356	10,003,154	3,286,234	(1,095,356)	2,190,878
(d) Deferred tax assets admitted as the result of application of SSAP No. 101	\$ 24,925,474	\$ 1,428,287	\$ 26,353,761	\$ 25,429,105	\$ 1,708,404	\$ 27,137,509	\$(503,631)	\$(280,117)	\$(783,748)
Deferred tax liability	(4,110,955)	(13,119,965)	(17,230,920)	(1,592,531)	(8,410,623)	(10,003,154)	(2,518,424)	(4,709,342)	(7,227,766)
Net admitted deferred tax asset or deferred tax liability	\$ 20,814,519	\$(11,691,678)	\$ 9,122,841	\$ 23,836,574	\$(6,702,219)	\$ 17,134,355	\$(3,022,055)	\$(4,989,459)	\$(8,011,514)

- (3) The ratio used to determine the amount of adjusted gross DTAs expected to be realized and the amount of adjusted capital and surplus used to determine the percentage threshold limitation are as follows:

	2012	2011
(a) Ratio percentage used to determine recovery period and threshold limitation amount	984%	N/A
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in B(2) above	\$ 581,999,349	N/A

NOTES TO FINANCIAL STATEMENTS

For 2011, the Company's Risk-Based Capital level used for the purposes of SSAP No.10R, paragraph 10.d is based on the December 31,2011 authorized control level of \$57,938,571 and total adjusted capital at December 31, 2011 of \$522,265,146.

The Company did not use tax planning strategies in determining admitted deferred tax assets for the year ended December 31, 2012 and 2011.

- B. No deferred tax liabilities have been recognized for amounts described in FAS 109, paragraph 31.
- C. The components of federal income tax incurred for the years ended December 31 were as follows:

	2012	2011
Federal income tax	\$ 13,442,259	\$ 8,509,578
Less federal income tax on net capital gains or losses	(3,166,361)	(1,818,825)
Federal income tax incurred	\$ 10,275,898	\$ 6,690,753

The tax effects of temporary differences that give rise to significant portions of deferred tax assets were as follows at December 31:

	Ordinary Deferred Tax Assets		
	2012	2011	Change
Discount of unpaid losses	\$ 6,192,865	\$ 7,645,826	\$ (1,452,961)
Intangibles Asset terminations	1,224,611	1,123,522	101,089
Fresh Start Real Estate	1,215,953	1,434,557	(218,604)
Investment in LifeMap	260,836	260,836	-
Deferred Compensation Plans	989,157	680,702	308,455
Vacation Pay	1,125,925	1,142,216	(16,291)
Charitable Contributions Carryforward	-	1,212,642	(1,212,642)
AMT credits	25,119,472	34,980,954	(9,861,482)
Other Receivables	15,666,308	19,774,823	
Other	3,359,715	254,436	3,105,279
Total deferred tax assets	55,154,842	68,510,514	(13,355,672)
Statutory valuation allowance adjustment	(30,229,377)	(41,236,124)	11,006,747
Nonadmitted deferred tax assets	-	(1,845,285)	1,845,285
Admitted ordinary deferred tax assets	\$ 24,925,465	\$ 25,429,105	\$ (503,640)

	Capital Deferred Tax Assets		
	2012	2011	Change
Wash sales	\$ 154,128	\$ 134,293	\$ 19,835
Impaired Assets	3,006,393	4,157,045	(1,150,652)
Total deferred tax assets	3,160,521	4,291,338	(1,130,817)
Statutory valuation allowance adjustment	(1,732,225)	(2,582,934)	850,709
Admitted capital deferred tax assets	\$ 1,428,296	\$ 1,708,404	\$ (280,108)

The tax effects of temporary differences that give rise to significant portions of deferred tax liabilities were as follows at December 31:

	Ordinary Deferred Tax Liabilities		
	2012	2011	Change
Partnership investments	\$ (3,571,737)	\$ (1,210,438)	\$ (2,361,299)
Other	(539,218)	(382,093)	(157,125.00)
Total deferred tax liabilities	(4,110,955)	(1,592,531)	(2,518,424)
Statutory valuation allowance adjustment	-	-	-
Adjusted ordinary deferred tax liabilities	\$ (4,110,955)	\$ (1,592,531)	\$ (2,518,424)

NOTES TO FINANCIAL STATEMENTS

	Capital Deferred Tax Liabilities		
	2012	2011	Change
Tax effect on unrealized stock gains	\$(13,057,084)	\$ (8,410,623)	\$ (4,646,461)
Other	(62,881.00)	\$ -	\$ (62,881)
Statutory valuation allowance adjustment	-	-	-
Adjusted capital deferred tax liabilities	<u>\$(13,119,965)</u>	<u>\$ (8,410,623)</u>	<u>\$ (4,709,342)</u>

Net deferred tax assets at December 31 were as follows:

	2012	2011	Change
Admitted deferred tax assets			
Ordinary	\$ 24,925,465	\$ 25,429,105	\$ (503,640)
Capital	<u>1,428,296</u>	<u>1,708,404</u>	<u>(280,108)</u>
	26,353,761	27,137,509	(783,748)
Adjusted deferred tax liabilities			
Ordinary	(4,110,955)	(1,592,531)	(2,518,424)
Capital	<u>(13,119,965)</u>	<u>(8,410,623)</u>	<u>(4,709,342)</u>
	<u>(17,230,920)</u>	<u>(10,003,154)</u>	<u>(7,227,766)</u>
Net admitted deferred tax asset	<u>\$ 9,122,841</u>	<u>\$ 17,134,355</u>	<u>\$ (8,011,514)</u>

The change in net deferred income tax was comprised of the following at December 31:

	2012	2011	Change
Total deferred tax assets	\$ 26,353,761	\$ 28,982,795	
Total deferred tax liabilities	<u>(17,230,920)</u>	<u>(10,003,154)</u>	
Net deferred tax asset	<u>\$ 9,122,841</u>	<u>\$ 18,979,641</u>	\$ (9,856,800)
Tax effect of net unrealized capital gains or losses			<u>2,655,121</u>
Change in net deferred income tax			<u>\$ (7,201,679)</u>

D. Total statutory income tax at December 31 was as follows:

	2012	2011
Federal income tax incurred	\$ 10,275,898	\$ 6,690,753
Change in net deferred income tax	<u>7,201,679</u>	<u>277,505</u>
Total statutory income tax	<u>\$ 17,477,577</u>	<u>\$ 6,968,258</u>

E. At December 31, 2012 the Company had no capital loss, net operating loss or credit carryovers. The Company had AMT credits of \$25,119,472 and \$34,980,954 as of December 31, 2012 and 2011, respectively.

	Ordinary	Capital	Total
2012	\$ 11,730,428	\$ 1,817,874	\$ 13,548,302
2011	8,132,502	1,639,320	9,771,822
2010	-	3,420,111	3,420,111
	<u>\$ 19,862,930</u>	<u>\$ 6,877,306</u>	<u>\$ 26,740,236</u>

F. The Company joins Cambia Health Solutions, Inc (the Holding Company) and its other eligible affiliates including: Asuris Northwest Health, HealthWise, Regence BCBSU, Regence BlueShield, LifeMap and their eligible subsidiaries and affiliates in the filing of a consolidated federal income tax return and is party to a federal income tax sharing agreement. Under the tax sharing agreement, the Company pays to or receives from the Holding Company the amount, if any, by which the Holding Company's federal income tax liability was affected by virtue of inclusion of the Company in the consolidated federal return. Effectively, this results in the Company's annual income tax provision being computed, with adjustments for the use of alternative minimum tax (AMT) credits, as if the Company filed a separate return.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company is an affiliate of Cambia Health Solutions(The Holding Company), a nonprofit holding company.

NOTES TO FINANCIAL STATEMENTS

B & C. On December 24, 2012 and December 22, 2011, the Company paid cash distributions of \$25,000,000 and \$56,000,000, respectively, to the Holding Company resulting in a decrease to unassigned funds. In compliance with Oregon statutes, the Company appropriately notified and received confirmation from the Insurance Division for both distributions. The distributions were ordinary under Oregon Revised Statutes 732.576(2) because they did not exceed the greater of: (1) ten percent of the Company's combined capital and surplus as of December 31, 2011 and 2010 or (2) net gain from the Company's operations for the twelve month period ending December 31, 2011 and 2010.

The Company has a 6.6 percent interest in TZ Holdings, L.P. (TZ Holdings). The purchase was made with the permission of the Oregon Insurance Division. The Holding Company contracts with a supplier of electronic data processing and software services that is owned by TZ Holdings. The investment is reported at cost with carrying value adjustments to surplus included as unrealized capital gains or losses net of tax, in accordance with SSAP No. 48- *Joint Ventures, Partnerships and Limited Liability Companies* (SSAP No. 48). The Company's share as reported in other invested assets represents \$64,822,893 and \$65,930,234 for the years ended December 31, 2012 and 2011, respectively.

D. A note receivable from the Holding Company of \$1,640,000 as of December 31, 2012 and 2011, respectively is included in bonds and rated by the NAIC. The related accrued interest at December 31, 2012 and 2011 was \$2,988,583 and \$2,842,889, respectively, and is recorded in investment income due and accrued.

Amounts due from (to) related parties as of December 31, are as follows:

	<u>2012</u>	<u>2011</u>
The Holding Company	\$ (8,354,086)	\$(18,212,040)
Regence BlueShield	9,213,201	7,292,675
Regence BlueCross BlueShield of Utah	10,120,760	6,413,618
Regence BlueShield of Idaho, Inc.	1,718,149	3,048,497
LifeMap Assurance Company	(239,966)	655,568
Asuris Northwest Health	697,175	625,500
BridgeSpan Health Company	(39)	263,596
Regence HMO Oregon	60,179	149,250
Regence Health Maintenance of Oregon	-	175
Regence Rx	(761,391)	-

Inter-company receivables and payables are netted on a monthly basis and settled within ninety days of incurrence.

E. The Company is a guarantor for a \$61,000,000 promissory note for 200 Market (the Partnership). No liability is currently recorded for the Company's obligation under this guarantee. The guarantee arose as a requirement for the Partnership to secure the loan. 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. If the Partnership should default on the loan, the Company and other limited partners (the Partners) could be required to pay the outstanding balance. The potential maximum amount of undiscounted future payments on the note is \$67,243,000, which the Company could be required to pay should action under the guarantee be required. If action was required, the Company would recognize this amount in General Administrative Expenses in the Statements of Revenues, Expenses, Capital and Surplus. Furthermore, in the event of default, the Partners could sell the property held as collateral for the note. The fair market value of the property is in excess of the note's balance and the proceeds from the sale of the building would more likely than not be sufficient to cover the amount of future payments due. The probability of performance under this guarantee is considered remote.

The Company guarantees all commitments and liabilities for LifeMap. No liability is currently recorded for the Company's obligation under this guarantee. Should LifeMap be unable to fulfill its obligations or commitments, the Company would be required to perform under the guarantee. There is no limit to the maximum potential amount of future payments the Company could be required to make under the guarantee. The probability of significant activity on this guarantee is negligible. If action was required, the Company would recognize any amount paid in General Administrative Expenses in the Statements of Revenues, Expenses, Capital and Surplus.

The Company holds insolvency agreements that guarantee all covered liabilities for Regence HMO Oregon and Regence Health Maintenance of Oregon, Inc. As of December 31, 2012 and 2011, the Company had no obligations under these agreements.

NOTES TO FINANCIAL STATEMENTS

- F. The Company pays for certain expenses, including occupancy and certain employee benefits, on behalf of the Holding Company, its subsidiaries and affiliates. The basis of allocation is mainly driven by statistics used to measure the cost of the Holding Company employees' occupation of space in the Company's building. The main statistics used for these allocations are square footage, headcount, and full-time equivalent employees. Administrative costs allocated to the Holding Company were \$20,189,170 and \$22,459,270 for the years ended December 31, 2012 and 2011, respectively.

The Company processes out-of-area claims for Regence BlueShield, Regence BCBSU, and Regence BlueShield of Idaho, Inc. under various administrative service fee agreements. The claims and the associated claims reimbursements are not included as part of the Company's hospital and medical expenses or net premium income, as the Company is not at risk for this business. The Company's affiliates also process out-of-area claims for the Company under various administrative fee agreements. These claims and the associated premiums are recorded as part of the Company's hospital and medical expenses and net premium income, as the Company is at risk for this business.

The Company has a Management and Administrative Services agreement with the Holding Company and its subsidiaries and affiliates. Pursuant to this agreement, management and certain services such as strategic planning, budgeting, actuarial, underwriting, marketing, finance, legal, information technology and human resources are provided to the Company. Costs incurred by the Holding Company and its subsidiaries and affiliates for services under the agreement are allocated to the Company. The basis of allocation is mainly driven by the Company's ratio of membership, number of employees, gross operating expense and claims expense when compared to totals of subsidiaries and affiliates of the Holding Company. The amounts allocated from the Holding Company were \$96,535,147 and \$106,696,130 for the years ended December 31, 2012 and 2011, respectively. Amounts allocated from Regence BlueShield of Idaho, Inc., Regence BCBSU, and Regence BlueShield were \$54,328,408 and \$46,980,768 for the years ended December 31, 2012 and 2011, respectively. These amounts are included in claims adjustment expenses and general administrative expenses.

Regence Rx is the exclusive provider of pharmacy benefit management services for the Company. Regence Rx provides services such as claims processing, rebate administration, pharmacy network contracting, contract support services and clinical services. On a weekly basis, the Company remits payment to Regence Rx for incurred prescription drug claims. Regence Rx is then responsible for remitting payment to the pharmacies appropriately. Claims paid related to prescription drugs for the years ended December 31, 2012 and 2011, respectively, were \$183,801,000 and \$183,757,00. These amounts are included in hospital and medical expenses. As of December 31, 2012 and 2011, respectively, the Company reported amounts due to Regence Rx of \$4,915,00 and \$4,889,869 for unpaid drug claims. These amounts were recorded within claims unpaid and the liability for amounts held under uninsured accident and health. For the services provided, the Company pays a monthly administrative fee to Regence Rx based on actual costs incurred by Regence Rx. Administrative fees paid to Regence Rx for the year ended December 31, 2012 amounted to \$12,401,000. Beginning January 2012, the contract with Regence Rx provides minimum effective rate guarantees for drug costs and rebates. On an annual basis, the Company pays Regence Rx a performance incentive for achieving drug costs and rebates lower than the minimum guarantees. Performance incentives paid to Regence Rx for the year ended December 31, 2012 amounted to \$2,740,000.

- G. The Company is a subsidiary of the Holding Company, a nonprofit holding company. The Holding Company, located in Portland, Oregon, is the sole member of Regence Insurance Holding Corporation (RIHC) and Direct Health Solutions Corporation (DHS). RIHC is the sole member of the Company, Regence BlueShield, and Regence BlueCross BlueShield of Utah (Regence BCBSU). The Holding Company has established a long-term management services contract with Regence BlueShield of Idaho, Inc. and has control over the operations and management of the Company, Regence BlueShield, Regence BCBSU and Regence BlueShield of Idaho, Inc. (collectively, the Plans). The Holding Company, its subsidiaries RIHC, DHS, Regence Rx, Inc. (Regence Rx) and Cambia Health Foundation (Foundation), as well as the Plans and their subsidiaries are collectively referred to as Cambia.

The Company has an eleven percent ownership interest in LifeMap. The Company is also a 50 percent limited partner in the Partnership, a real estate limited partnership

- H. The Company does not own shares of an upstream intermediate or ultimate parent, either directly or indirectly via downstream subsidiary, controlled or affiliated company.
- I. The Company does not hold any investments in subsidiary, controlled, or affiliated companies that exceed 10% of admitted assets.
- J. The Company did not recognize any impairment write down for its investment in any subsidiary, controlled or affiliated companies during the statement period.
- K. The Company does not hold any investments in foreign insurance subsidiaries.

NOTES TO FINANCIAL STATEMENTS

- L. The Company's wholly-owned subsidiary Regence HMO Oregon owns a 100% interest in Capitol Health Care Management, Inc. ("CHCM"), a downstream noninsurance holding company. The Company carries Regence HMO Oregon at statutory equity basis. Regence HMO Oregon carries CHCM at equity basis which, for statutory reporting, is non-admitted. The Company does not utilize the look-through approach for the valuation of CHCM.

11. Debt

- A. The Company has access to a revolving line of credit through the Holding Company to supplement short-term cash flows. The maximum borrowing limit is \$40,000,000 for the Holding Company and its subsidiaries and affiliates. The company had no borrowings on the line of credit as of December 31, 2012. Borrowings on the line of credit bear interest at LIBOR plus 130 basis points. The Company had no outstanding balance on the line of credit at December 31, 2012 and 2011.
- B. FHLB (Federal Home Loan Bank) Agreements

The Company does not have any FHLB (Federal Home Loan Bank) agreements.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences And Other Postretirement Benefit Plans

- A. Defined Benefit Plans

The Company does not sponsor a defined benefit pension plan.

- B. Defined Contribution Plans

Physicians Deferred Compensation Plans. The Company maintains a separate non-qualified deferred compensation plan covering certain member physicians who voluntarily defer payment of their billings. The Company funds the obligations primarily through the purchase of group flexible paid-up life insurance contracts for active participants and annuity contracts for retired participants. As the Company is the owner and named beneficiary of these contracts, in order to reflect policies to pay benefits equal to accumulations, the assets and liabilities under the plans are recorded as physicians deferred compensation plans and amounts withheld or retained for account of others for \$2,325,341 and \$2,464,431 at December 31, 2012 and 2011, respectively.

Executive and Directors Deferred Compensation Plans. The Company offers a Deferred Income Program for Executives and a Deferred Income Program for Directors (collectively, the Programs). The purpose of the Programs is to provide an unfunded, nonqualified deferred compensation arrangement to key employees and eligible directors. The Company facilitated payments totaling \$241,963 and \$100,128 to the Programs for the years ended December 31, 2012 and 2011, respectively. The assets under the plans are recorded as executives and directors deferred compensation plans and the liabilities under the plans are recorded as amounts withheld or retained for account of others for \$2,156,608 and \$1,944,862 at December 31, 2012 and 2011, respectively.

- C. Multi-employer Plans

The Company does not participate in any multi-employer plans

- D. Consolidated/Holding Company Plans

Employee Retirement Plans. The Company participates in a defined-benefit pension plan sponsored by the Holding Company that covers substantially all regular employees having one or more years of service. Benefits are based upon years of service and the employee's final average compensation. The Holding Company froze the defined-benefit pension plan as of December 31, 2009. Subsequent to the freeze date, there were no new participants enrolled in the plan, and no pension benefits were earned after that date. Benefits-eligible employees who had not yet met plan eligibility criteria were immediately eligible, and non-vested plan participants became fully vested. The Company also participates in a supplemental executive retirement plan sponsored by the Holding Company to cover key employees meeting certain eligibility requirements. The Company's practice is to reimburse the Holding Company for employee retirement plan obligations related to its employees and record such amounts as employment related expenses. Expense is allocated to the Company monthly, based on relative salary dollars. Retirement plan expense recognized by the Company was \$13,886,406 and \$13,773,141 for 2012 and 2011, respectively. The Company has no legal obligation for benefits under these plans; the obligation is carried by the Holding Company. As sponsor of the plan, the Holding Company is legally required to fund the plans regardless of amounts paid to the Holding Company by the Company

NOTES TO FINANCIAL STATEMENTS

Employee Savings Plan. The Company participates in an employee savings plan sponsored by the Holding Company in which the Holding Company will match employee contributions up to 100 percent of the first six percent of salary for each pay period in which the employee makes a contribution. In addition, The Holding Company can provide a discretionary contribution of up to five percent of eligible earnings for eligible employees, subject to annual review and board approval. The Company has no legal obligation for benefits under this plan; the obligation is carried by the Holding Company. Expense is allocated to the Company based on the portion of the employees' functional activities that relate to the Company. The Company's share of the net expense was \$9,588,247 and \$10,667,805 for 2012 and 2011, respectively.

E. Postemployment Benefits and Compensated Absences

The Company's postemployment benefits and compensated absences are accrued for in accordance with SSAP No. 11, *Postemployment Benefits and Compensated Absences*.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

The Company does not sponsor a defined benefit postretirement health care plan that provides prescription drug coverage.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) The Company has no common stock outstanding.
- (2) The Company has no preferred stock outstanding.
- (3) The Company has no dividend restrictions.
- (4) The Company does not issue dividends.
- (5) The Company does not have stockholders.
- (6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- (7) There were no advances to surplus not repaid.
- (8) The Company has no stock held for special purposes.
- (9) The Company did not have any changes to special surplus funds from the prior period.
- (10) The portion of unassigned funds (surplus) represented or (reduced) by cumulative unrealized gains and losses was \$46,881,885 at December 31, 2012. The portion of surplus reduced by nonadmitted assets was \$87,626,169 at December 31, 2012.
- (11) The Company has not issued surplus notes.
- (12) The Company has not been involved in a quasi-reorganization.
- (13) Not applicable.

14. Contingencies

A. Contingent Commitments

The Company holds contingent commitments with its subsidiaries and affiliates. See Note 10.E

B. Assessments

The Company is assessed semi-annually by the Oregon Medical Insurance Pool and annually by the Washington State Health Insurance Pool. The Company had no liability associated with these assessments at December 31, 2012 and 2011, respectively.

C. Gain Contingencies

The Company has no gain contingencies.

D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits

The Company does not have claims related extra contractual obligation and bad faith losses stemming from lawsuits.

E. All Other Contingencies

NOTES TO FINANCIAL STATEMENTS

The Company is involved in various legal actions arising in the ordinary course of business. The Company 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 midpoint of the range is accrued. It is the Company's opinion that the resolution of these matters will not have a material impact on its statutory basis financial statements.

15. Leases

A. Lessee Leasing Arrangements

(1) The Company leases equipment under various noncancelable operating lease agreements that expire on various dates through December 2013. The Company leases and subleases office space under various noncancelable operating lease agreements which expire on various dates through December 2024. Rent expense, including amounts allocated to the Company by the Holding Company, for 2012 and 2011 was \$3,407,000 and \$4,006,982, respectively. The Company's office space leases contain rent escalation clauses whereby the Company's rent will increase by an amount equal to the percentage increase in the Consumer Price Index, not to exceed four percent. These leases expire on various dates with renewal options available on many of these leases. In the normal course of business, operating leases are generally renewed or replaced by other leases.

(2) At December 31, 2012, the future minimum lease payments under noncancelable operating leases were as follows (in thousands):

2013	\$ 4,380
2014	4,289
2015	4,949
2016	5,073
2017	5,200
Thereafter	40,227
	<u>\$ 64,118</u>

B. Lessor Leasing Arrangements

The Company does not have any material lease arrangements in which it is the lessor and does not invest in leveraged leases.

16. Information About Financial Instruments With Off-Balance-Sheet Risk and Financial Instruments With Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of risk are primarily bonds, as well as loan-backed securities, equity securities, cash, cash equivalents and short-term investments. Cash, cash equivalents and short-term investments include investments in money market securities and securities backed by the U.S. Government. Deposits with a single financial institution may exceed FDIC insured limits of \$250,000. The Company uses multiple financial institutions to limit exposure to these risks.

The Company operates in a business environment which is subject to various risks and uncertainties. Such risk and uncertainties include, but are not limited to medical risk, interest rate risk, market risk, credit risk and legal and regulatory changes. Concentrations of risk with respect to uncollected premiums and agents' balances in the course of collection are limited as no significant amounts are due from any individual customer.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

A. Transfers of Receivables Reported as Sales

The Company does not have transfers of receivables reported as sales in the reporting period.

B. Transfer and Servicing of Financial Assets

The Company does not have transfers and servicing of financial assets.

C. Wash Sales

(1) In the course of the Company's asset management, securities are sold and reacquired within 30 days of the sale date to enhance the Company's yield on its investment portfolio.

NOTES TO FINANCIAL STATEMENTS

- (2) The Company did not have any wash sales on bonds with an NAIC designation 3 or below for the year ended December 31, 2012.

18. Gain or Loss to The Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

The net loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2012 and 2011:

	2012	2011
Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 2,198,711	\$ (89,570)
Total net other income or expenses (including interest paid to or received from plans)	-	-
Net gain or (loss) from operations	\$ 2,198,711	\$ (89,570)
Total claim payment volume	292,310,953	199,556,377

There were no partially insured ASO plans.

B. ASC Plans

The net gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2012 and 2011:

	2012		
	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Gross reimbursement for medical costs incurred	\$ 320,524,664	\$ 162,722,448	\$ 483,247,111
Gross administrative fees accrued	16,159,005	14,904,527	31,063,532
Gross expenses incurred (claims and administrative)	(364,779,128)	(184,182,274)	(548,961,402)
Total net gain (loss) from operations	\$ (28,095,460)	\$ (6,555,299)	\$ (34,650,758)
	2011		
	Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total
Gross reimbursement for medical costs incurred	\$ 447,905,255	\$ 157,270,787	\$ 605,176,042
Gross administrative fees accrued	32,434,542	7,091,837	39,526,379
Gross expenses incurred (claims and administrative)	(495,414,424)	(175,209,038)	(670,623,463)
Total net gain (loss) from operations	\$ (15,074,628)	\$ (10,846,414)	\$ (25,921,042)

C. Medicare or Other Similarly Structured Cost-Based Reimbursement Contract

- a) The Company no longer participates in Medicare or similarly structured cost-based reimbursement contracts.
- b) The Company did not have receivables from payors whose account balances were greater than 10 percent of the Company's amounts receivable from uninsured accident and health plans or \$10,000.
- c) In connection with the Company's Medicare contract (or similarly structured cost based reimbursement contract), the Company has recorded allowances and reserves for adjustment of recorded revenues in the amount of \$18,728,275 at December 31, 2012.
- d) The Company has not made any adjustments to increase or decrease revenue as a result of CMS audits of receivables related to revenues recorded in prior periods because CMS did not conclude any such audits in 2011.

NOTES TO FINANCIAL STATEMENTS

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company does not have direct premiums written/produced by managing general agents or third party administrators.

20. Fair Value Measurements

A. Assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition:

(1) The following tables summarize fair value measurements of assets measured and reported at fair value by each level of inputs as follows:

<u>Fair Value Measurement at December 31, 2012</u>				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bonds				
Industrial and miscellaneous	\$ 2,388,864		\$ 2,388,864	
Total bonds	2,388,864	-	2,388,864	-
Stocks				
Common:				
Industrial and miscellaneous	157,847,871	151,824,219		6,023,652
Mutual funds	18,323,583	18,323,583		
Preferred:				
Industrial and miscellaneous	112,295	112,295		
Total stocks	176,283,749	170,260,097	-	6,023,652
Total	<u>\$178,672,613</u>	<u>\$170,260,097</u>	<u>\$ 2,388,864</u>	<u>\$ 6,023,652</u>

<u>Fair Value Measurement at December 31, 2011</u>				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bonds				
Industrial and miscellaneous	\$ 9,965,195	\$ -	\$ 9,854,570	\$ 110,625
Total bonds	9,965,195	-	9,854,570	110,625
Stocks				
Common:				
Industrial and miscellaneous	137,039,944	130,311,111	-	6,728,833
Mutual funds	15,807,756	15,807,756	-	-
Preferred:				
Industrial and miscellaneous	57,448	57,448	-	-
Total stocks	152,905,148	146,176,315	-	6,728,833
Total	<u>\$162,870,343</u>	<u>\$146,176,315</u>	<u>\$ 9,854,570</u>	<u>\$ 6,839,458</u>

The Company recognizes transfers between levels at the end of the reporting period. There were no significant transfers between Levels 1 or 2.

(2) The following tables represents a reconciliation of assets valued using Level 3 inputs on a recurring basis for the years ended December 31, 2012 and 2011:

	<u>Balance at</u> <u>1/1/2012</u>	<u>Transfers</u> <u>into</u> <u>Level 3</u>	<u>Transfers</u> <u>out of</u> <u>Level 3</u>	<u>Total Gains</u> <u>(Losses) in</u> <u>Net Income</u>	<u>Total Gains</u> <u>(Losses) in</u> <u>Surplus</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance at</u> <u>12/31/2012</u>
Bonds:								
Industrial and miscellaneous	\$ 110,625	\$ 463,073	\$ (429,800)	\$ (27,763)	\$ (63,678)	\$ 3,368	\$ (55,825)	\$ -
Loan-backed securities	-	-	-	-	-	-	-	-
Common stocks:								
Industrial and Miscellaneous	6,728,833	-	-	-	(705,181)	-	-	6,023,652
Total	<u>\$ 6,839,458</u>	<u>\$ 463,073</u>	<u>\$ (429,800)</u>	<u>\$ (27,763)</u>	<u>\$ (768,859)</u>	<u>\$ 3,368</u>	<u>\$ (55,825)</u>	<u>\$ 6,023,652</u>
	<u>Balance at</u> <u>1/1/2011</u>	<u>Transfers</u> <u>into</u> <u>Level 3</u>	<u>Transfers</u> <u>out of</u> <u>Level 3</u>	<u>Total Gains</u> <u>(Losses) in</u> <u>Net Income</u>	<u>Total Gains</u> <u>(Losses) in</u> <u>Surplus</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance at</u> <u>12/31/2011</u>
Bonds:								
Industrial and miscellaneous	\$ -	\$ 110,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,625
Loan-backed securities	95,783	-	-	(22,934)	32,193	-	(105,042)	-
Common stocks:								
Industrial and Miscellaneous	5,112,526	-	-	-	1,616,307	-	-	6,728,833
Total	<u>\$ 5,208,309</u>	<u>\$ 110,625</u>	<u>\$ -</u>	<u>\$ (22,934)</u>	<u>\$ 1,648,500</u>	<u>\$ -</u>	<u>\$ (105,042)</u>	<u>\$ 6,839,458</u>

(3) The Company recognizes transfers between levels at the end of the reporting period. There were no significant transfers between Levels 1, 2, or 3 for the years ended December 31, 2012 or 2011.

NOTES TO FINANCIAL STATEMENTS

(4) The fair value of bonds other than those classified as Level 1 are determined using an income approach. Fair value of bonds classified as Level 2 are 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. These Level 2 inputs are based on information obtained from third-party pricing services. Industrial and miscellaneous bonds and loan-backed securities classified as Level 3 include certain securities in a default position, since management judgment is a significant input in estimating fair value.

(5) The Company does not invest in derivative assets or liabilities.

B. Not applicable

C. The following table summarizes the aggregate fair value for all financial instruments as of December 31, 2012 by each level of input:

<u>Type of Financial Instrument</u>	<u>Aggregate Fair Value</u>	<u>Admitted Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Not Practicable (Carrying Value)</u>
Bonds	\$ 494,599,328	\$ 469,059,085	\$ 73,096,399	\$ 419,279,836	\$ 2,223,093	\$ -
Common Stock	176,171,454	176,171,454	170,147,802	-	6,023,652	-
Preferred Stock	112,295	112,295	112,295	-	-	-
	<u>\$ 670,883,077</u>	<u>\$ 645,342,834</u>	<u>\$ 243,356,496</u>	<u>\$ 419,279,836</u>	<u>\$ 8,246,745</u>	<u>\$ -</u>

D. Not Practicable to Estimate Fair Value

Not Applicable

21. Other Items

A. Extraordinary items

No extraordinary items occurred for the years ended December 31, 2012 or 2011.

B. Troubled Debt Restructuring: Debtors

The Company has not experienced troubled debt restructuring.

C. Other Disclosures

(1) Common stock in the amount of \$1,254,075 and \$4,207,375 at December 31, 2012 and 2011, respectively, were considered impaired due to market valuation changes determined to be other than temporary. The impairment was recorded as a realized capital loss.

(2) There was no impaired preferred stock at December 31, 2012 and 2011, respectively.

(3) Bonds in the amount of \$490,235 and \$578,412 at December 31, 2012 and 2011, respectively, were considered impaired due to market valuation changes determined to be other than temporary. The impairment was recorded as a realized capital loss.

(4) Restricted assets with a fair value of \$1,413,095 and \$1,401,136 at December 31, 2012 and 2011, respectively, were on deposit with government authorities as required by law in various jurisdictions in which the Company conducts business.

D. The Company does not have any portions of assets covered by SSAP No. 6, SSAP No. 47 and SSAP No. 66 that is reasonably possible to be uncollectible.

E. Business Interruption Insurance

The Company had no business interruptions insurance recoveries in the reporting period

F. State Transferable and Non-transferable Tax Credits

The Company does not have state transferable or non-transferable tax credits.

G. Subprime Mortgage Related Risk Exposure

NOTES TO FINANCIAL STATEMENTS

- Direct investments in sub prime mortgage loans: None
- Direct investments in securities with sub prime exposure: None
- Direct exposure through other investments: None
- Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage: None

H. Retained Assets

The Company does not have retained asset accounts for beneficiaries.

22. Events Subsequent

The Company evaluated subsequent events for recognition or disclosure through March 1, 2013, which represents the date the statutory basis financial statements were available to be issued. The Company is not aware of any event occurring subsequent to December 31, 2012 that may have a material effect on its financial condition.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?
Yes () No (X)

If yes, give full details.

- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?
Yes () No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report-Part A

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?
Yes () No (X)

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

Section 3 – Ceded Reinsurance Report-Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of terminations of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. (\$0).

- (2) What Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves establishes by the company as of the effective date of the agreement?
Yes () No (X)

NOTES TO FINANCIAL STATEMENTS

- B. The Company did not have uncollectible reinsurance during the reporting period.
- C. The Company does not have commutation of ceded reinsurance during the reporting period.
- D. No certified reinsurer to which the Company cedes reinsurance has had its rating downgraded or its status subject to revocation.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. The Company provides for expected premium adjustments for certain groups whose contracts include retrospective rating features. A receivable may be established for groups whose incurred claims and retention charged exceeds earned premium. Accrued retrospective premium receivables are admitted assets.
- B. The Company records accrued retrospective premium as an adjustment to revenues.
- C. The amount of net premiums written by the Company at December 31, 2012 and 2011 that were subject to retrospective rating features were \$58,348,010 and \$65,458,734, respectively, representing three percent and six percent of total net premium in 2012 and 2011, respectively.
- D. On a quarterly basis, the Company evaluates its need for a medical loss ratio rebate reserve. This evaluation considers the ratio of the current amount of incurred claims plus quality improvement costs and earned premiums less applicable taxes and fees by market segment. Should the Company fall below the minimum medical loss ratio thresholds set by the Affordable Care Act, a reserve would be recorded for the potential payout.

Medical loss ratio rebates required pursuant to the Public Health Service Act during 2012 and 2011 were as follows:

2012

	<u>Individual</u>	<u>Small Group Employer</u>	<u>Large Group Employer</u>	<u>Other Categories with Rebates</u>	<u>Total</u>
Medical loss ratio rebates incurred	\$ -	\$ -	\$ -	\$ -	\$ -
Medical loss ratio rebates paid	-	-	-	-	-
Medical loss ratio rebates unpaid	-	142,505	752,041	-	894,546
Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ 894,546

2011

	<u>Individual</u>	<u>Small Group Employer</u>	<u>Large Group Employer</u>	<u>Other Categories with Rebates</u>	<u>Total</u>
Medical loss ratio rebates incurred	\$ -	\$ 142,505	\$ 752,041	\$ -	\$ 894,546
Medical loss ratio rebates paid	-	-	-	-	-
Medical loss ratio rebates unpaid	-	142,505	752,041	-	894,546
Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ 894,546

25. Change in Incurred Claims and Claim Adjustment Expenses

Activity in claims unpaid, accrued medical incentive pool and bonus amounts, and unpaid claims adjustment expenses are summarized as follows:

NOTES TO FINANCIAL STATEMENTS

	<u>2012</u>	<u>2011</u>
Balance at January 1	<u>\$ 211,548,160</u>	<u>\$ 170,530,802</u>
Incurred related to:		
Current year	1,731,046,744	1,743,114,307
Prior year	<u>(38,808,308)</u>	<u>(2,792,422)</u>
Total incurred	<u>1,692,238,436</u>	<u>1,740,321,886</u>
Paid related to:		
Current year	1,548,629,992	1,538,399,574
Prior year	<u>166,234,627</u>	<u>160,904,954</u>
Total paid	<u>1,714,864,619</u>	<u>1,699,304,527</u>
Balance at December 31	<u>\$ 188,921,977</u>	<u>\$ 211,548,160</u>

The following illustrates the reconciliation between incurred claims (above) and hospital and medical expenses and claims adjustment expenses as reported on the Statements of Revenues, Expenses, Changes in Capital and Surplus – Statutory Basis:

	<u>2012</u>	<u>2011</u>
Hospital and medical expenses	\$ 1,562,772,938	\$ 1,610,730,341
Claims adjustment expenses	<u>129,465,498</u>	<u>129,591,545</u>
Total incurred claims	<u>\$ 1,692,238,436</u>	<u>\$ 1,740,321,886</u>

As a result of changes in estimates of insured events in prior years, the reserve for claims unpaid and unpaid claims adjustment expenses decreased by \$38,808,308 and \$2,792,422 in 2012 and 2011, respectively. The changes resulted from differences in anticipated claims experience resulting from changes in claims trends.

26. Intercompany Pooling Arrangements

The Company does not utilize intercompany pooling arrangements.

27. Structured Settlements

Not applicable to Health entities.

28. Health Care Receivables

A. Pharmaceutical rebate receivables are derived from quarterly estimated pharmaceutical rebate billings to drug manufacturers and are the main component of health care and other amounts receivable. Estimated receivables related to prescriptions filled during the three months preceding December 31, 2012 are admitted assets. Pharmaceutical rebate receivables related to prescriptions filled more than three months prior to December 31, 2012 are nonadmitted assets. The admitted and nonadmitted asset amounts are summarized as follows (in thousands):

NOTES TO FINANCIAL STATEMENTS

Quarter	Estimated Pharmacy Rebate Receivables	Pharmacy Rebates Invoiced	Actual Rebates Collected		
			Within 90 Days of Invoicing	Within 91 to 180 Days of Invoicing	More than 180 Days after Invoicing
12/31/2012	\$ 3,424,347	\$ -	\$ -	\$ -	\$ -
9/30/2012	3,205,674	-	907,775	-	-
6/30/2012	3,433,231	3,867,373	2,668,670	1,198,703	-
3/31/2012	3,451,369	3,602,167	3,561,619	26,412	14,136
12/31/2011	\$ 2,925,178	\$ 3,025,270	\$ 3,020,381	\$ 509	\$ 4,379
9/30/2011	2,783,296	2,949,649	2,848,947	100,702	-
6/30/2011	2,644,886	3,355,979	3,355,979	-	-
3/31/2011	2,743,716	3,206,319	3,200,855	5,463	-
12/31/2010	\$ 2,727,587	\$ 3,015,413	\$ 2,998,514	\$ 16,899	\$ -
9/30/2010	2,578,596	2,773,592	2,760,555	4,578	8,459
6/30/2010	3,072,622	2,746,033	2,743,651	(2,074)	4,456
3/31/2010	4,100,280	2,634,980	2,590,695	44,132	154

Admitted pharmaceutical rebate receivables were \$3,424,347 and \$2,787,586 as of December 31, 2012 and 2011, respectively.

B. Risk Sharing Receivables.

The Company does not have any risk sharing receivables.

29. Participating Policies

The Company does not have participating policies.

30. Premium Deficiency Reserves

The Company evaluates its insurance contracts on a regular basis, and to the extent that estimated future claims and operating expenses exceed estimated future premiums, a premium deficiency reserve for expected underwriting losses is recorded. The remaining actual premiums to be received and the claims costs and operating expenses may differ from the estimated amounts. The Company does not consider anticipated investment income as a factor in the determination of premium deficiency reserves. No premium deficiency reserves were considered necessary at December 31, 2012 and 2011.

31. Anticipated Salvage and Subrogation

The Company does not have anticipated salvage and subrogation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? Oregon.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No []
- 2.2 If yes, date of change:06/26/2012
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2011
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2008
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).04/09/2010
- 3.4 By what department or departments? Oregon Department of Consumer and Business Services, Insurance Department.....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] N/A [X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [] N/A []
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes, 7.21 State the percentage of foreign control0.0
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Deloitte & Touche 111 SW Fifth Avenue, Portland, OR 97204 USA.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [] N/A []

10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 Steven J. Gaspar, FSA, MAAA, Vice President and Chief Actuarial Officer, 200 SW Market Street, Portland, OR 97201.....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No []
 200 Market Associates Limited Partnership.....
 12.11 Name of real estate holding company
 12.12 Number of parcels involved1
 12.13 Total book/adjusted carrying value \$.....(10,462,891)

12.2 If yes, provide explanation
 Regence BlueCross BlueShield of Oregon has 50% ownership in 200 Market Building Limited Partnership.....

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s)

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [] No [X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
.....
.....
.....

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$.....
 - 20.12 To stockholders not officers \$.....
 - 20.13 Trustees, supreme or grand (Fraternal only) \$.....
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$.....
 - 20.22 To stockholders not officers \$.....
 - 20.23 Trustees, supreme or grand (Fraternal only) \$.....
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$.....
 - 21.22 Borrowed from others \$.....
 - 21.23 Leased from others \$.....
 - 21.24 Other \$.....
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [X] No []
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$.....
 - 22.22 Amount paid as expenses \$.....17,237,331
 - 22.23 Other amounts paid \$.....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.....0

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes [X] No []
- 24.02 If no, give full and complete information, relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] NA [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$.....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$.....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [] No [] NA [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] NA [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [] No [] NA [X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....
 - 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....
 - 24.103 Total payable for securities lending reported on the liability page \$.....

GENERAL INTERROGATORIES

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes No

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	\$.....
25.22	Subject to reverse repurchase agreements	\$.....
25.23	Subject to dollar repurchase agreements	\$.....
25.24	Subject to reverse dollar repurchase agreements	\$.....
25.25	Pledged as collateral	\$.....
25.26	Placed under option agreements	\$.....
25.27	Letter stock or securities restricted as to sale	\$.....
25.28	On deposit with state or other regulatory body	\$.....1,412,742
25.29	Other	\$.....

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement. Yes No N/A

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes No

27.2 If yes, state the amount thereof at December 31 of the current year. \$.....

28. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes No

28.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian’s Address
US BANK.....	111 SW Fifth Ave - Portland OR 97204.....
BNYMELLON ASSET SERVICING.....	BNY Mellon Center - Pittsburgh PA 15258.....

28.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes No

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
2922393.....	JIM AITCHESON.....	Northern Trust - 50 LaSalle St - Chicago IL.....
	LAURA LAKES.....	Standish Mellon Asset Mgmt - One Boston Pl 29th Flr - Boston MA 02108.....
	GLEN DIVER.....	Turner Investment Partners - 1235 Westlakes Dr Ste 350 - Berwyn PA 19312.....

GENERAL INTERROGATORIES

1 Central Registration Depository Number(s)	2 Name	3 Address
	KEN MOTA.....	GlobeFlex Capital - 4365 Executive Dr - San Diego CA 92121.....
1911397.....	JOEL STRAUCH.....	Pacific Investment Mgmt - 840 Newport Center - Newport Beach CA 92660.....
	EDUARDO RAMERIZ.....	Dimensional Fund Advisors - 1299 Ocean Ave - Santa Monica CA 90401.....
	ERIC KLEPPE.....	Western Asset Mgmt - 385 E Colorado Blvd - Pasadena CA 91101.....

GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No []
- 29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2001. 233206-54-7.....	DFA INTERNATIONAL VALUE EX TOBACCO PORTFOLIO.....	18,323,583
29.2999 TOTAL		18,323,583

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
DFA INTL VALUE EX TOBACCO FUND.....	BP PLC.....	687,134	12/31/2012

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	484,066,652	509,606,895	25,540,243
30.2 Preferred Stocks.....	112,295	112,295	0
30.3 Totals	484,178,947	509,719,190	25,540,243

- 30.4 Describe the sources or methods utilized in determining the fair values:
Where applicable used NAIC SVO, otherwise prices provided by custodian.....
- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []
- 32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

- 33.1 Amount of payments to Trade associations, service organizations and statistical or rating bureaus, if any? \$1,375,468
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BCBSA.....	\$.....794,575

- 34.1 Amount of payments for legal expenses, if any? \$782,458
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$.....
.....	\$.....
.....	\$.....

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$277,639
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
BCBSA Dues for Lobbyin.....	\$.....130,608
John Powell & Association.....	\$.....132,000

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [X] No []
- 1.2 If yes, indicate premium earned on U. S. business only. \$25,528,331
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$0
- 1.31 Reason for excluding
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$17,274,145
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$2,111,452
- 1.62 Total incurred claims \$2,624,794
- 1.63 Number of covered lives1,224
- All years prior to most current three years:
- 1.64 Total premium earned \$23,416,879
- 1.65 Total incurred claims \$14,649,351
- 1.66 Number of covered lives7,776
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$0
- 1.72 Total incurred claims \$0
- 1.73 Number of covered lives0
- All years prior to most current three years:
- 1.74 Total premium earned \$0
- 1.75 Total incurred claims \$0
- 1.76 Number of covered lives0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$1,852,276,320	\$	.....1,845,132,905
2.2	Premium Denominator	\$1,852,276,320	\$	.....1,864,578,047
2.3	Premium Ratio (2.1/2.2)	.....1.000		.....0.990
2.4	Reserve Numerator	\$243,675,774	\$	.....264,899,384
2.5	Reserve Denominator	\$243,675,774	\$	.....264,899,384
2.6	Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No [X]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [] No [X]
- 5.2 If no, explain:
 Management periodically analyzes large claims that would fall under stop loss insurance benefits. Management also periodically seeks quotes on stop loss insurance. It is management's opinion that stop loss reinsurance would not be cost effective during the reporting period.
- 5.3 Maximum retained risk (see instructions)
- 5.31 Comprehensive Medical \$2,000,000
- 5.32 Medical Only \$2,000,000
- 5.33 Medicare Supplement \$2,000,000
- 5.34 Dental and Vision \$2,000
- 5.35 Other Limited Benefit Plan \$0
- 5.36 Other \$0
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
 The Company includes both hold harmless provisions and agreements with providers to continue rendering services to protect subscribers and their dependents against the risk of insolvency.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No []
- 7.2 If no, give details
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year17,705
- 8.2 Number of providers at end of reporting year18,173
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months
- 9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 10.2 If yes:
- | | | |
|--|---|------------------|
| | 10.21 Maximum amount payable bonuses | \$.....2,544,263 |
| | 10.22 Amount actually paid for year bonuses | \$.....242,230 |
| | 10.23 Maximum amount payable withholds | \$..... |
| | 10.24 Amount actually paid for year withholds | \$.....0 |
- 11.1 Is the reporting entity organized as:
- | | | |
|--|---|---|
| | 11.12 A Medical Group/Staff Model, | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| | 11.13 An Individual Practice Association (IPA), or, | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| | 11.14 A Mixed Model (combination of above) ? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth. Oregon and Washington.....
- 11.4 If yes, show the amount required. \$.....20,025,092
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation.
2% of the first \$150,000,000 of annual premium and 1% of the annual premium in excess of \$150,000,000
12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Clark County, Washington.....
State of Oregon.....
.....
.....

- 13.1 Do you act as a custodian for health savings accounts? Yes No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....
- 13.3 Do you act as an administrator for health savings accounts? Yes No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$.....

FIVE - YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	938,365,997	934,713,178	933,530,882	1,000,273,997	905,394,008
2. Total liabilities (Page 3, Line 24)	373,405,599	412,712,641	389,367,191	435,076,391	419,269,770
3. Statutory surplus	20,025,092	20,158,750	20,429,222	565,197,607	486,124,238
4. Total capital and surplus (Page 3, Line 33)	564,960,398	522,000,538	544,163,691	565,197,607	486,124,238
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,852,509,161	1,865,874,980	1,892,922,218	2,440,405,372	2,595,653,513
6. Total medical and hospital expenses (Line 18)	1,562,772,940	1,610,730,341	1,560,421,394	2,130,598,739	2,335,370,649
7. Claims adjustment expenses (Line 20)	129,465,498	129,591,544	122,198,162	125,214,786	123,820,274
8. Total administrative expenses (Line 21)	143,721,486	142,864,910	174,187,396	186,642,907	165,762,200
9. Net underwriting gain (loss) (Line 24)	16,549,237	(17,311,815)	36,115,266	(2,051,060)	(29,299,610)
10. Net investment gain (loss) (Line 27)	39,483,828	36,309,659	56,377,696	28,541,610	54,821,549
11. Total other income (Lines 28 plus 29)	(2,568,860)	(5,374,817)	(4,437,843)	1,536,737	2,218,029
12. Net income or (loss) (Line 32)	43,188,312	6,932,273	75,158,557	21,885,285	25,093,568
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	21,612,884	34,249,421	(8,120,356)	(3,610,017)	4,367,684
Risk-Based Capital Analysis					
14. Total adjusted capital	565,244,445	522,265,146	544,462,247	565,468,118	486,293,028
15. Authorized control level risk-based capital	56,772,482	57,938,571	56,120,978	78,112,642	86,410,886
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	472,902	468,915	513,522	718,680	776,647
17. Total members months (Column 6, Line 7)	5,617,527	5,694,874	6,687,419	8,844,842	11,411,487
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	84.4	86.3	82.4	87.3	90.0
20. Cost containment expenses	2.8	2.1	1.8	1.9	1.9
21. Other claims adjustment expenses	4.2	4.8	4.7	3.2	2.9
22. Total underwriting deductions (Line 23)	99.1	100.9	98.1	100.1	101.1
23. Total underwriting gain (loss) (Line 24)	0.9	(0.9)	1.9	(0.1)	(1.1)
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	160,216,716	157,449,575	198,996,605	210,251,911	251,516,580
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	197,149,069	160,067,307	237,402,942	256,323,716	245,178,526
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	1,640,000	1,640,000	1,640,000	1,640,000	1,640,000
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	4,942,709	5,143,189	5,074,923	4,702,390	4,130,311
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	6,565,004	0	6,302,353
32. Total of above Lines 26 to 31	6,582,709	6,783,189	13,279,927	6,342,390	12,072,664
33. Total investment in parent included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []

If no, please explain

ANNUAL STATEMENT FOR THE YEAR 2012 OF THE Regence BlueCross BlueShield of Oregon

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL	N							0	0
2. Alaska	AK	N							0	0
3. Arizona	AZ	N							0	0
4. Arkansas	AR	N							0	0
5. California	CA	N							0	0
6. Colorado	CO	N							0	0
7. Connecticut	CT	N							0	0
8. Delaware	DE	N							0	0
9. District of Columbia	DC	N							0	0
10. Florida	FL	N							0	0
11. Georgia	GA	N							0	0
12. Hawaii	HI	N							0	0
13. Idaho	ID	N							0	0
14. Illinois	IL	N							0	0
15. Indiana	IN	N							0	0
16. Iowa	IA	N							0	0
17. Kansas	KS	N							0	0
18. Kentucky	KY	N							0	0
19. Louisiana	LA	N							0	0
20. Maine	ME	N							0	0
21. Maryland	MD	N							0	0
22. Massachusetts	MA	N							0	0
23. Michigan	MI	N							0	0
24. Minnesota	MN	N							0	0
25. Mississippi	MS	N							0	0
26. Missouri	MO	N							0	0
27. Montana	MT	N							0	0
28. Nebraska	NE	N							0	0
29. Nevada	NV	N							0	0
30. New Hampshire	NH	N							0	0
31. New Jersey	NJ	N							0	0
32. New Mexico	NM	N							0	0
33. New York	NY	N							0	0
34. North Carolina	NC	N							0	0
35. North Dakota	ND	N							0	0
36. Ohio	OH	N							0	0
37. Oklahoma	OK	N							0	0
38. Oregon	OR	L	836,950,910	577,487,278	0	306,826,528	0	0	1,721,264,716	0
39. Pennsylvania	PA	N							0	0
40. Rhode Island	RI	N							0	0
41. South Carolina	SC	N							0	0
42. South Dakota	SD	N							0	0
43. Tennessee	TN	N							0	0
44. Texas	TX	N							0	0
45. Utah	UT	N							0	0
46. Vermont	VT	N							0	0
47. Virginia	VA	N							0	0
48. Washington	WA	L	76,727,572	39,258,594	0	0	0	0	115,986,166	0
49. West Virginia	WV	N							0	0
50. Wisconsin	WI	N							0	0
51. Wyoming	WY	N							0	0
52. American Samoa	AS	N							0	0
53. Guam	GU	N							0	0
54. Puerto Rico	PR	N							0	0
55. U.S. Virgin Islands	VI	N							0	0
56. Northern Mariana Islands	MP	N							0	0
57. Canada	CAN	N							0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX		913,678,482	616,745,872	0	306,826,528	0	0	1,837,250,882	0
60. Reporting entity contributions for Employee Benefit Plans	XXX								0	0
61. Total (Direct Business)	(a) 2		913,678,482	616,745,872	0	306,826,528	0	0	1,837,250,882	0
DETAILS OF WRITE-INS										
58001.	XXX									
58002.	XXX									
58003.	XXX									
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0	0	0	0
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX		0	0	0	0	0	0	0	0

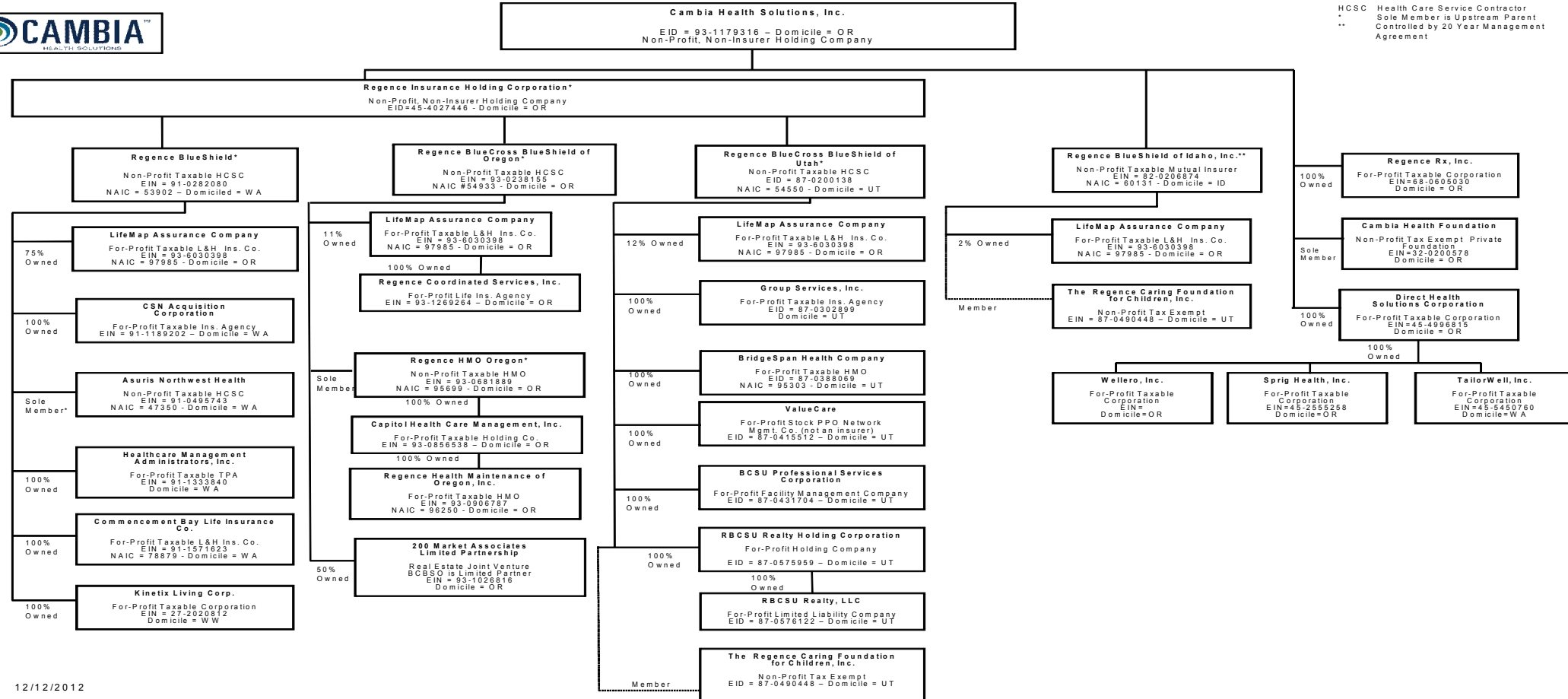
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc. Premiums on individual policies are allocated according to residence. Premiums received under group contracts are allocated to the state in which the largest number are employed.

(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

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