

Report of Examination of

Community Insurance Company
Mason, Ohio

As of December 31, 2007

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Columbus, Ohio
April 10, 2009

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code “ORC”, an examination was made of

Community Insurance Company

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 4361 Irwin Simpson Road, Mason, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2002, by the Ohio Department of Insurance (Department). Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2007.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

Name	Principal Occupation
Erin P. Hoeflinger	Chairman and Chief Executive Officer, The Company
Carter A. Beck	Vice President and Counsel, WellPoint, Inc.
Wayne S. DeVeydt	Executive Vice President, and CFO, WellPoint, Inc.
John Cannon III	Senior Vice President, WellPoint, Inc.
Nancy L. Purcell	Vice President and Corporate Secretary, WellPoint, Inc.

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Erin P. Hoeflinger	President/Chairman
Nancy L. Purcell	Vice President/Secretary
Robert D. Kretschmer	Vice President/Treasurer
Judy L. Pershem	Assistant Secretary
Tim P. Deno	Actuary

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The following displays the chain of ownership of the insurance companies as of December 31, 2007:

WellPoint, Inc. – Indiana
 WellPoint Holding Corp. – Delaware
 Reliance Safeguard Solutions, Inc. – New York
 Empire Medicare Services, Inc. – New York
 EHC Benefits Agency, Inc. – New York
 WellChoice Holdings of New York, Inc. – New York
 Empire HealthChoice Assurance, Inc. – New York
 Empire HealthChoice HMO, Inc. – New York
 WellChoice Insurance of New Jersey, Inc. – New Jersey

Anthem Insurance Companies, Inc. – Indiana
 National Government Services, Inc. – Indiana
 Arison Insurance Services, Inc. – Kentucky
 OneNation Benefit Administrators, Inc. – Ohio
 Associated Group, Inc. – Indiana
 Anthem Financial, Inc. – Delaware
 Lease Partners, Inc. – Delaware

WellPoint Insurance Services, Inc. – Hawaii
Arcus Financial Holding Corp. – Indiana
ATH Holding Company, LLC – Indiana
 Rocky Mountain Hospital and Medical Service, Inc. – Colorado
 HMO Colorado, Inc. – Colorado
 Anthem HMO of Nevada – Nevada
 Anthem Health Insurance Company of Nevada – Nevada
 Rocky Mountain Health Care Corporation – Delaware
 Anthem Life Insurance Company – Indiana
 Anthem Health Plans, Inc. – Connecticut
 HealthReach Services, Inc. – Connecticut
 Anthem Health Plans of New Hampshire, Inc. – New Hampshire
 Matthew Thornton Health Plan, Inc. – New Hampshire
 Health Initiatives, Inc. – New Hampshire
 Anthem Health Plans of Maine, Inc. – Maine
 Machigonne, Inc. – Maine

Anthem Credentialing Services, Inc. – Delaware
 WPMI, LLC – Delaware
 WPMI (Shanghai) Enterprise Consulting and Service Co., Ltd. (China)
Community Insurance Company – Ohio
 NextRx, LLC – Ohio
 Anthem Blue Cross Blue Shield Partnership Plan, Inc. – Ohio
 The WellPoint Companies, Inc. – Indiana
 OneNation Insurance Company – Indiana
 Anthem Health Plans of Kentucky, Inc. – Kentucky
 Imaging Management Holdings, LLC – Delaware
 American Imaging Management, Inc. – Illinois
 American Imaging Management Connecticut, LLC – Delaware
 UtileMED IPA, Inc. – New York
 American Imaging Management East, LLC – Delaware
 IMASIS, LLC – Delaware
 Imaging Providers of Texas (non-profit) – Texas
 American Imaging Management Services, LLC – Delaware
 Anthem Holding Corp. – Indiana
 WellPoint California Services, Inc. – Delaware
 Blue Cross of California – California
 Blue Cross of California Partnership Plan, Inc. – California
 Anthem Blue Cross Life and Health Insurance Company – California
 Golden West Health Plan, Inc. – California
 SellCore, Inc. – Delaware
 Comprehensive Integrated Marketing Services, Inc. – California
 Group Benefits Plus, Inc. – California
 Insurance4 Agency, Inc. – Delaware
 Park Square Holdings, Inc. – California
 BCC Holding Corporation – California
 Park Square I, Inc. – California
 Park Square II, Inc. – California
 Cerulean Companies, Inc. – Georgia
 Blue Cross Blue Shield Healthcare Plan of Georgia, Inc. – Georgia
 Group Benefits of Georgia, Inc. – Georgia
 Atlanta Healthcare Partners, Inc. – Georgia
 CSRA Healthcare Partners, Inc. – Georgia
 Blue Cross and Blue Shield of Georgia, Inc. – Georgia
 Greater Georgia Life Insurance Company – Georgia
 RightCHOICE Managed Care, Inc. – Delaware
 Healthy Alliance Life Insurance Company – Missouri
 RightCHOICE Insurance Company – Illinois
 Diversified Life Insurance Agency of Missouri, Inc. – Missouri
 R&P Realty, Inc. – Missouri
 Preferred Health Plans of Missouri, Inc. – Missouri
 Forty-Four Forty-Four Forest Park Redevelopment Corp. – Missouri
 HMO Missouri, Inc. – Missouri
 Summit Administrative Services, LLC – Missouri
 HealthLink, Inc. – Illinois
 HealthLink HMO, Inc. – Missouri
 UNICARE National Services, Inc. – Delaware
 UNICARE Life & Health Insurance Company – Indiana
 National Capital Preferred Provider Organization, Inc. – Maryland
 WellPoint Development Company, Inc. – Delaware
 National Capital Health Plan, Inc. – Virginia
 UNICARE of Texas Health Plans, Inc. – Texas

HealthKeepers, Inc. – Virginia
 AHI Healthcare Corporation – Texas
 Affiliated Provider Systems, Inc. – Texas
 American Managing Company – Texas
 Affiliated Healthcare, Inc. – Texas
 MCS Holdings, Inc. – Puerto Rico
 UNICARE Health Benefit Services of Texas, Inc. – Texas
 UNICARE Health Plans of Texas, Inc. – Texas
 UNICARE Health Insurance Company of Texas – Texas
 Texas Managed Care Administrative Services, Inc. – Texas
 Health Ventures Partner, LLC – Illinois
 WellPoint Partnership Plan, LLC – Illinois
 UNICARE Health Plans of the Midwest, Inc. – Illinois
 UNICARE Health Insurance Company of the Midwest – Illinois
 UNICARE Illinois Services, Inc. – Illinois
 UNICARE Health Plan of West Virginia, Inc. – West Virginia
 UNICARE Health Plan of Kansas, Inc. – Kansas
 UNICARE Health Plan of south Carolina, Inc. – South Carolina
 UNICARE Specialty Services, Inc. – Delaware
 WellPoint Dental Services, Inc. – Delaware
 NextRx Services, Inc. – New York
 NextRx, Inc. – Delaware
 WellPoint Pharmacy IPA, Inc. – New York
 Anthem UM Services, Inc. – Indiana
 WellPoint Behavioral Health, Inc. – Delaware
 Crossroads Acquisition Corp. – Delaware
 Blue Cross Blue Shield of Wisconsin – Wisconsin
 Claim Management Services, Inc. – Wisconsin
 Government Health Services, LLC – Wisconsin
 TrustSolutions, LLC – Wisconsin
 United Government Services, LLC – Wisconsin
 Compcare Health Services Insurance Corporation – Wisconsin
 CC Holdings, LLC – Wisconsin
 Meridian Resource Company, LLC – Wisconsin
 Arcus Enterprises, Inc. – Delaware
 Highway to Health, Inc. – Delaware
 HTH Re, Ltd. – Bermuda
 Arcus Financial Services, Inc. – Indiana
 ARCUS HealthyLiving Services, Inc. – Indiana
 Health Core, Inc. – Delaware
 WellPoint Acquisition, LLC – Indiana
 Anthem Life & Disability Insurance Company – New York
 Behavioral Health Network, Inc. – New Hampshire
 Landmark Solutions, LLC – New Hampshire
 Anthem Southeast, Inc. – Indiana
 Anthem Health Plans of Virginia, Inc. – Virginia
 HealthKeepers, Inc. – Virginia
 Peninsula Health Care, Inc. – Virginia
 Southeast Services, Inc. – Virginia
 Priority, Inc. – Virginia
 Priority Health Care, Inc. – Virginia
 Priority Insurance Agency, Inc. – Virginia
 Monticello Service Agency, Inc. – Virginia
 Health Management Corporation – Virginia
 Healthy Homecomings, Inc. – Missouri

Reinsurance

Ceded

The Company does not cede any reinsurance.

Assumed

Reinsured: Anthem Blue Cross Blue Shield & Qualchoice Select, Inc.
Type of contract: Specific Excess of Loss
Effective date: August 1, 2006
Term: Continuous
Business covered: Inpatient/transplant services allowable under Evidence of Coverage.
Company retention: Eighty (80) percent of loss in excess \$150,0000
Reinsurance limits: A maximum limit of \$2,500,000, per single event

All reinsurance agreements appear to transfer risk and have the NAIC required clauses.

Territory and Plan of Operations

The Company was licensed to transact business in the states of Indiana and Ohio.

<u>Percentage of Net Business Written by Line</u>	
<u>Description</u>	<u>2007</u>
Comprehensive	71.5%
Medicare supplement	2.5%
Dental	1.0%
Vision	0.1%
Federal employee health benefit plan	4.6%
Medicare	18.9%
Medicaid	0.1%
Other health	1.3%
Total	<u>100.00%</u>

Scope of Examination

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2007. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency.

Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

For each year during the period under examination, the Certified Public Accounting (CPA) firm of Ernst and Young, LLP, has provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The Department's actuary reviewed the relevant work performed by the opining actuary to report on the adequacy of the carried reserves and to comment on any other statutory matters relating to reserves.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and
7. Articles of Incorporation and Bylaws.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of Operations
Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds

December 31, 2007

Admitted assets

Cash and invested assets:

Bonds	\$ 900,402,142
Preferred Stocks	59,255,635
Common Stocks	218,596,603
Real estate	31,589,855
Cash	(47,202,374)
Other invested assets	75,629,970
Receivable for securities	2,960
Total cash and invested assets	<u>1,238,274,791</u>

Accrued investment income	11,266,236
Uncollected premiums and agents' balances	58,297,787
Deferred premiums, agents' balances and installments booked but deferred and not yet due	17,691,000
Amounts receivable relating to uninsured plans	97,157,266
Current federal and foreign income tax recoverable	21,001,363
Electronic data processing equipment and software	825,308
Net deferred tax asset	22,553,370
Receivables from parent, subsidiaries and affiliates	53,795,603
Health care and other amounts receivable	48,638,088
Aggregate write-ins for other than invested assets	32,636,552
Total admitted assets	<u>\$1,602,137,364</u>

December 31, 2007

Liabilities, capital and surplus

Liabilities:

Claims unpaid	\$398,417,256
Accrued medical incentive pool and bonus amounts	9,654,618
Unpaid claims adjustment expenses	16,821,344
Aggregate health policy reserves	103,759,534
Premiums received in advance	61,320,564
General expenses due or accrued	81,164,258
Current federal and foreign income tax payable	42,394,346
Amounts withheld or retained for the account of others	1,016,461
Remittances and items not allocated	62,232,626
Amounts due to parent, subsidiaries and affiliates	142,317,465
Payable for securities	2,167,375
Liability for amounts held under uninsured plans	7,884,355
Aggregate write-ins for other liabilities	33,062,488
Total liabilities	<u>962,212,690</u>

Capital and surplus:

Aggregate write-ins for special surplus funds	1,142,307
Common capital stock	195,393,523
Gross paid in and contributed surplus	443,388,844
Unassigned funds	<u>639,924,674</u>
Total capital and surplus	<u>639,924,674</u>
Total liabilities, capital and surplus	<u>\$1,602,137,364</u>

Statement of Operations

December 31, 2007

Net premium income	\$4,135,544,691
Change in unearned premium reserves	15,161,540
Total revenues	<u>4,150,706,231</u>
Hospital and Medical:	
Hospital/medical benefits	2,411,138,148
Other professional services	163,929,239
Outside referrals	470,346
Emergency room and out-of-area	270,205,042
Prescription drugs	521,433,748
Incentive pool	(2,404,802)
Subtotal	<u>3,364,771,721</u>
Less:	
Claims adjustment expenses	70,767,628
General administrative expenses	256,861,706
Increase in reserves for life and accident and health contracts	708,600
Total underwriting deductions	<u>3,693,109,655</u>
Net underwriting gain	457,596,576
Net investment income earned	149,001,813
Net realized capital losses	(10,160,888)
Net investment gains	<u>138,840,925</u>
Aggregate write-ins for other income or expenses	(13,957)
Net income after capital gains tax	596,423,544
Federal and foreign income taxes incurred	176,298,565
Net income	<u>\$420,124,979</u>

Statement of Changes in the Capital and Surplus Account

(In thousands)

	2003	2004	2005	2006	2007
Capital and surplus December 31, previous year	<u>\$257,337</u>	<u>\$352,119</u>	<u>\$436,734</u>	<u>\$591,966</u>	<u>\$574,914</u>
Net income	204,204	200,223	317,986	378,288	420,125
Net unrealized capital gains (losses)	(5,507)	16,990	15,547	(11,586)	(44,182)
Change in net deferred income tax	(20,829)	34,296	9,084	5,189	430
Change in nonadmitted assets	5,893	13,153	12,946	(30,957)	(1,362)
Dividends to stockholders	(89,000)	(180,000)	(200,200)	(357,986)	(310,000)
Aggregate write-ins	21	(47)	(130)		
Net change in capital and surplus	<u>94,782</u>	<u>84,615</u>	<u>155,232</u>	<u>(17,052)</u>	<u>65,011</u>
Capital and surplus December 31, current year	<u>\$352,119</u>	<u>\$436,734</u>	<u>\$591,966</u>	<u>\$574,914</u>	<u>\$639,925</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with Section 3925.08 of the ORC.

Loss and Loss Adjustment Expense Reserves

The Company's actuary, Tim P. Deno, certify the total reserves for the years covered by the examination. The Department's actuary, Alan Furan, FSA, MAAA, reviewed the detailed calculations for the reserves of the major lines of business as of December 31, 2007.

On the basis of the above-mentioned analysis, it was determined that the loss and loss adjustment expense reserves were reasonable as of December 31, 2007.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2007, and is summarized as follows:

Total Admitted Assets	<u>\$1,602,137,364</u>
Liabilities	\$962,212,690
Surplus as Regards Policyholders	<u>639,924,674</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$1,602,137,364</u>

Acknowledgement

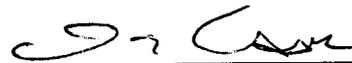
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Jyotika Patel, CPA and Patricia Severs, CPA.

Respectfully,



Donnie G. Wells, CFE
Examiner-In-Charge
Ohio Department of Insurance



David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2007.

[Signature]
Examiner-In-Charge

4/22/09
Date

[Signature]
Assistant Chief Examiner

4/22/09
Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Donnie G. Wells, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 22 day of April, 2009.

[Signature]
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~My Commission Expires~~ **MAY 22, 2012**

State of Ohio
County of Franklin

Personally appeared before me the above named, David A. Cook, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 22 day of April, 2009.

[Signature]
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~My Commission Expires~~ **MAY 22, 2012**