



STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**ONE HEALTH PLAN OF OREGON, INC.
PORTLAND, OREGON**

NAIC COMPANY CODE 47080

AS OF

December 31, 2000

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April 1, 2002

Honorable Mary C. Neidig, Director
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE, Room 440
Salem, Oregon 97301-3883

Dear Director:

In accordance with your instructions and pursuant to the provisions of ORS 731.300,
we have examined the business affairs and financial condition of

**ONE HEALTH PLAN OF OREGON, INC.
1800 SW First Avenue, Suite 230
Portland, Oregon 97201**

NAIC Company Code 47080

hereinafter referred to as the "Company." The following report of examination is
respectfully submitted.

SCOPE OF EXAMINATION

The examination of the Company was conducted as of December 31, 2000, covering the three year period then ended, and included a review of material transactions or events which occurred subsequent to the examination cut-off date and were noted during the examination.

The examination was conducted pursuant to ORS 731.300 and in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining the Company's financial condition, ability to fulfill and the manner of fulfillment of its obligations, the nature of its operations, and compliance with the Insurance Code. Accounting methods, internal control procedures, records and other supporting evidence were examined or tested by appropriate methods to the extent deemed necessary and appropriate for the type, volume and complexity of the accounting system and operations utilized by the Company.

In addition to the above, work papers were reviewed that were prepared by the Company's independent auditors in their audit of the Company's accounts for the year ended December 31, 2000. A portion of the CPA's work papers have been incorporated into our work papers, and have been utilized in determining the scope and areas of emphasis in conducting the examination.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed, including officer, employee, and agent welfare and pension plans that require no further comment.

COMPANY HISTORY

The Company was incorporated as a healthcare service contractor in the State of Oregon on August 29, 1996. It was licensed on August 27, 1997.

CAPITALIZATION

The Company was capitalized on April 29, 1997 through a \$2,100,000 cash investment from One Corporation for 210 shares of common stock.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws vest the Company's management and control in a Board of Directors consisting of three members.

Directors serving the Company at December 31, 2000, were as follows:

<u>Name and Address</u>	<u>Position and Association</u>	<u>Director Since</u>
Donna Anne Goldin* 8505 East Orchard Road Greenwood Village, CO 80111	Senior Vice President Healthcare Operations Great West Life & Annuity Insurance Company; Executive Vice President and Chief Operating Officer One Corporation	1997
Sharon Merz Galluzzo 5055 North Greeley Avenue Portland OR, 97217	National Key Account Customer Satisfaction Representative Adidas America	1997
Martin Rosenbaum 8505 East Orchard Road Greenwood Village, CO 80111	Senior Vice President Employee Benefit Operations Great West Life & Annuity Insurance Company	1999

*Chairman of the Board

At least one-third of the members of the Board of Directors are representatives of the public pursuant to ORS 750.015(1).

Officers

The following officers were elected and serving at December 31, 2000:

<u>Name</u>	<u>Position</u>
Christine Ann Miller	President - One Health Plan of OR, Inc.; One Health Plan of CO, Inc.; One Health Plan of WA, Inc.
Richard George Schultz	Secretary of One Health Plan of Oregon, Vice President - Counsel and Associate Secretary of Great West Life & Annuity Insurance Company
Glen Ray Derback	Treasurer of One Health Plan of OR; Vice President and Controller of Great West Life & Annuity Insurance Company
Stephen Mitchell Gorshow MD	Vice President and Medical Director of One Health Plan of OR; One Health Plan of CO.; One Health Plan of WA, Inc.

AFFILIATED COMPANIES

One Corporation (the immediate parent) bought 100% of the 210 issued and outstanding shares of the Company on April 27,1997 for \$2,100,000. One Corporation is wholly owned by Great West Life & Annuity Insurance Company of Colorado. Power Corporation of Canada is the ultimate controlling parent.

Administrative Agreement: Great West Life & Annuity Insurance Company (GWLA) entered into an administrative agreement with the Company, whereby GWLA furnishes the employees and all the services and goods necessary to operate the Company. However, the Company remains subject to the oversight and approval of its own Board of Directors.

Tax Allocation Agreement: The Company's Federal income tax return is consolidated with One Corporation and its subsidiaries. The method of allocation

between the companies is subject to a written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Inter-company tax balances are settled annually.

MANAGEMENT AFFIRMATION

CONFLICT OF INTEREST

The Company has an established policy requiring disclosure of any material interest or affiliation on the part of any of its directors and officers which may conflict with official duties. A review of the disclosures completed by management did not reveal any exceptions.

CORPORATE RECORDS

Board of Director Minutes

Corporate minutes were reviewed for the period under examination. It was noted that the Board minutes were recorded in sufficient detail to determine the actions taken by the Board. A review of all minutes for the period under examination revealed no acts inconsistent with the Company's Articles of Incorporation or Bylaws. A quorum was achieved at all meetings held during the period under examination.

A review of 1997, 1998, 1999 and 2000 Board minutes indicated that the minutes support the transactions of the Company and the actions taken by its officers. The Board also approved investments in accordance with the provisions of ORS 733.730 and ORS 733.740. In addition, the minutes indicated the Board approves officer salaries in accordance with the provisions of ORS 732.320(3).

Articles of Incorporation

The Articles of Incorporation were in conformity with Oregon statutes. No amendments were made to the articles during the period covered by this examination.

Bylaws

The Bylaws were in conformity with Oregon statutes. No amendments were made to the Bylaws during the period covered by this examination.

HOLDING COMPANY REGISTRATION STATEMENT

The Company, as a member of a holding insurance company system, made timely holding company registration filings in accordance with ORS 732.552, ORS 732.554, and OAR 836-27-020(1) no exceptions were noted.

REINSURANCE

Ceded Reinsurance

Health insurance losses in excess of \$100,000 are covered by a reinsurance agreement with Great West Life & Annuity Insurance Company (GWLA), a Colorado company licensed to sell insurance in Oregon. Risk retention of \$100,000 is in compliance with ORS 731.504, since it is less than 10% of surplus as regards policyholders. Effective January 1, 2001, the Company ceded a 90% quota share of all premiums, reserves and medical expenses to GWLA under a new reinsurance agreement.

Insolvency Clause

The reinsurance treaty's insolvency clause is in compliance with the provisions of ORS 731.508(3).

Assumed Reinsurance

The Company did not assume any business in 2000.

FIDELITY BONDS AND OTHER INSURANCE

The examination of insurance coverages included a review of adequacy of limits, retentions, and the solvency of the insurers providing the coverages. No exceptions were noted in the examination of the Company's coverages.

The Company is insured for up to \$5,000,000 of professional liability after a retention of \$1,000,000. This policy met the minimum limits required by the National Association of Insurance Commissioners.

Other types of coverages provided the Company include:

General aggregate – liability	Product compensation
Excess liability	Personal and advice injury
Financial institution bond	Fiduciary liability

The coverages listed above were found to be adequate as of December 31, 2000.

RETIREMENT PLANS, AND OTHER POSTRETIREMENT BENEFITS

Since the Company has no employees, it has no retirement plans or postretirement benefits. Employees are provided by Great West Life & Annuity Insurance Company under an administrative agreement.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to write health insurance in Oregon. Policies are sold by independent agents throughout Oregon. Most agents sell a package of insurance products offered by Great West Life & Annuity Insurance Company and its subsidiaries (including the Company).

GROWTH OF THE COMPANY

The following exhibit reflects the growth of the Company since 1997. The stated amounts were compiled from copies of the Company's filed annual statements and, where indicated, previous financial examination reports.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Net Income</u>
1997	\$2,026,141	174,348	1,851,793	\$ (40,931)
1998	3,499,550	1,755,644	1,743,906	(54,560)
1999	4,094,578	2,953,075	1,141,503	(1,211,705)
2000*	8,142,068	5,077,600	3,064,468	1,646,526

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the loss experience of the Company since 1998. The Company was granted a Certificate of Authority to write health insurance in Oregon in 1997, but did not commence writing until 1998. The stated amounts were compiled from copies of the Company's filed annual statements and, where indicated, financial examination reports.

<u>Year</u>	(1) <u>Premiums Earned</u>	(2) Claims and Claim Adjustment <u>Expenses</u> <u>Incurred</u>	(2/1) <u>Ratio</u>
1998	1,566,365	2,388,011	152.46%
1999	6,242,617	8,076,502	129.38%
2000*	19,782,287	18,465,486	93.34%

*Per examination

ACCOUNTS AND RECORDS

Disbursements were evidenced by bills, invoices or statements and all disbursements in excess of \$100 were supported by signed vouchers or related documents pursuant to the provisions of ORS 732.320. The Company presently has procedures to account for unclaimed funds as required by ORS 98.352. As of December 31, 2000, the Company had no management contract or exclusive agency contract in effect, which are prohibited by the provisions of ORS 732.215 and ORS 732.220. However, attention is directed to the following issues as a result of this examination.

Other Accounts and Records Items

All accounts and records are kept at the Company's parent offices at Greenwood Village, Colorado. This is in violation of ORS 732.245(1) which specifies: every domestic insurer shall have and maintain its principal place of business and home office in this state and shall keep therein accurate and complete records of its assets, transactions, and affairs in accordance with the provisions of the Insurance Code. **I recommend the Company keep a complete record of its assets, transactions, and affairs in this state in accordance with the provisions of ORS 732.245(1).**

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The only prior examination was a qualifying examination in 1997, which did not generate any recommendations.

ONE HEALTH PLAN OF OREGON, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2000

<u>ASSETS</u>	<u>Per Company</u>	<u>Examinatio n Adjustme nts</u>	<u>Per Examinatio n</u>
Bonds (Note 1)	\$4,118,160	\$ 0	4,118,160
Cash and short term investments	2,761,844		2,761,844
Amounts recoverable from reinsurers	339,206		339,206
Interest & other investment income due and accrued	54,604		54,604
Receivable from parent, subsidiaries and affiliates	642,593		642,593
Aggregate write-ins for other than invested assets	225,661		225,661
Total	<u>\$8,142,068</u>		<u>\$8,142,068</u>
 <u>LIABILITIES</u>			
Claims unpaid (Note 2)	\$3,844,698		\$3,844,698
Unpaid claims adjustment expenses	223,046		223,046
Taxes, licenses and fees	1,958		1,958
Federal and foreign income taxes	0		0
Other expenses due or accrued	9,000		9,000
Amounts withheld or retained by Company for account of others	0		0
Aggregate write-ins for other liabilities	<u>998,898</u>	<u>0</u>	<u>998,898</u>
Total Liabilities	<u>\$5,007,600</u>		<u>\$5,077,600</u>
 <u>RESERVES AND OTHER FUNDS</u>			
Statutory reserve	269,823		269,823
Aggregate write-ins for reserves and other funds (Note 3)	2,794,644	1,055,356	3,850,000
Unassigned funds (Note 3)	0	(1,055,356)	(1,055,356)
Total Capital and Surplus	<u>3,063,467</u>	<u>(0)</u>	<u>3,063,467</u>
Total Liabilities, Capital, and Surplus	<u>\$8,142,068</u>	<u>(\$ 0)</u>	<u>\$8,142,068</u>

ONE HEALTH PLAN OF OREGON, INC.
UNDERWRITING AND INVESTMENT EXHIBIT
AS OF DECEMBER 31, 2000

UNDERWRITING INCOME

Premiums earned	\$19,792,830
Claims incurred	14,895,287
Expenses incurred	
Claim adjustment	0
Administrative	3,264,508
Soliciting	305,691
Total underwriting deductions	<u>18,466,486</u>
Net underwriting gain or (loss)	1,317,344

INVESTMENT INCOME

Net investment income earned	336,049
Net realized capital gains and (losses)	<u>(270)</u>
Net Investment gain or (loss)	335,779

OTHER INCOME OR EXPENSE

Net gain or loss from agents or premium balances charged off	0
Aggregate write-in for other income or expense	891,830
Net gain or loss before federal income taxes	2,544,953
Federal income taxes incurred	898,427
Net Income (loss)	<u>\$ 1,646,526</u>

RESERVES AND UNASSIGNED FUNDS

Reserves and unassigned funds December 31, prior year	\$1,141,504
Net gain or (loss)	1,646,526
Net unrealized capital gains or (losses)	
Change in nonadmitted assets	(869,024)
Change in surplus notes	
Change in unauthorized reinsurance	
Aggregate write-ins for changes to reserves and unassigned funds	<u>1,145,462</u>
Change in reserves and unassigned funds for the year	<u>1,922,964</u>
Reserves and unassigned funds December 31, current year	3,064,468

NOTES TO FINANCIAL STATEMENTS

Note 1 - Investments

Most of the Company's investments were in bonds and short term investments. A multiyear comparison of the investments is shown below:

Year	(1) Bonds	(2) Cash and Short Term Investments	Ratio (1/ Total Assets	Ratio (2 / Total Assets
1997	891,929	1,111,157	44%	55%
1998	2,077,427	1,124,748	59%	32%
1999	2,337,853	739,424	57%	18%
2000	4,118,160	2,761,844	50%	34%

Investment guideline revisions and approval of investment transactions were conducted by the Board of Directors pursuant to the provisions of ORS 733.730 and such investments were properly recorded pursuant to ORS 733.740. As of December 31, 2000, invested assets of \$5,783,005 or 71% of the total assets were invested in amply secured obligations of the United States, a state, a political subdivision of this state or FDIC insured certificates of deposit, which exceeded the required capitalization amount required by ORS 733.580.

Note 2 - Claims Unpaid

The reported balance of \$3,844,693 claims unpaid and \$223,046 unpaid claim adjustment expense were determined to be adequate by David Ball - FSA, MAAA actuary.

Note 3 - Unassigned Funds

Retained earnings were classified with aggregate write-ins for reserves and other funds in the 2000 Annual Statement. The correct method classifies retained earnings as unassigned funds on the 2000 Annual Statement. This has no effect on the total reserves and unassigned funds as of December 31, 2000.

Summary of Adjusted Differences

Surplus reported per Company, December 31, 2000 \$3,064,468

	<u>Surplus Increase</u>	<u>Surplus Decrease</u>
<u>Assets</u>		0
<u>Liabilities</u>		0

Total adjustments \$ (0)

Surplus reported per examination if adjustments
are made, December 31, 2000 \$3,064,468

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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- 12 I recommend the Company keep a complete record of its accounts and records in its home office in Oregon, to comply with ORS 732.245(1).

CONCLUSION

During the four year period covered by this examination, the reserves and other funds increased from \$1,851,793 as presented in the December 31, 1997, annual statement, to \$3,064,468 as shown in this report of examination.

The comparative assets and liabilities are shown below:

	December 31,		
	<u>2000</u>	<u>1997</u>	<u>Change</u>
Assets	\$8,142,068	\$2,026,141	\$6,115,927
Liabilities	<u>5,077,600</u>	<u>174,348</u>	<u>4,903,252</u>
Reserves & other funds	<u>\$3,064,468</u>	<u>\$1,851,793</u>	<u>\$1,212,675</u>

SUBSEQUENT EVENTS

During the course of this examination it was determined that certain transactions that occurred subsequent to December 31, 2000, significantly affected the operations and financial statements of the Company. These events are disclosed as follows:

Effective January 1, 2001, the Company (the reassured) entered into a 90% quota share reinsurance agreement with its parent, Great West Life & Annuity Insurance Company (the reinsurer).

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Company during the examination process are gratefully acknowledged.

In addition to the undersigned, Mark A. Giffin, CFE, insurance examiner for the State of Oregon, Department of Consumer and Business Services, Insurance Division, participated in the examination.

Respectfully submitted,

Mike Phillips CFE, CPA, AES
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Mike P. Phillips, being duly sworn, deposes and says the preceding report of financial examination as of December 31, 2000, of One Health Plan of Oregon, Inc., Portland, Oregon, subscribed by him is true and correct to the best of his knowledge and belief.

Michael P. Phillips, CFE, CPA, AES
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this _____ day of _____, 2002.

Notary Public for the State of Oregon
My Commission Expires:_____