STATE OF NORTH DAKOTA

BISMARCK, NORTH DAKOTA

REPORT OF EXAMINATION

OF

NORIDIAN MUTUAL INSURANCE COMPANY
FARGO, NORTH DAKOTA

AS OF
DECEMBER 31, 2014

STATE OF NORTH DAKOTA

DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

Noridian Mutual Insurance Company

Fargo, North Dakota

as of December 31, 2014, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City of Bismarck, this 19th day of February, 2016.

Adam Hamm
Commissioner

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Fargo, North Dakota
December 23, 2015

Honorable Adam Hamm
Commissioner
North Dakota Insurance Department
600 East Boulevard Avenue, Dept. 401
Bismarck, ND 58505-0320

Dear Commissioner:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records, and financial condition of

Noridian Mutual Insurance Company
Fargo, North Dakota

Noridian Mutual Insurance Company, hereinafter referred to as "Noridian" or the "Company", was last examined as of December 31, 2009, by the North Dakota Insurance Department.

SCOPE OF EXAMINATION

This examination was a risk focused financial condition examination conducted in accordance with N.D.C.C. § 26.1-03-19.3 and observed guidelines and procedures contained in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review its corporate affairs and insurance operations. This statutory examination covers the period from January 1, 2010, to and including December 31, 2014, and material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Our examination was conducted in accordance with examination policies and standards established by the North Dakota Insurance Department and procedures recommended by the NAIC. In accordance with the NAIC *Financial Condition Examiners Handbook*, we planned and performed the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

Work papers provided by the Company's independent auditor, Eide Bailly, LLC, were reviewed and where deemed appropriate, certain procedures and conclusions documented in those work papers have been relied upon and copied for inclusion into the working papers for this examination.

This examination was conducted by a contract examiner, with assistance from examiners from the North Dakota Insurance Department, representing the Midwestern Zone.

STATUS OF PRIOR EXAMINATION FINDINGS

The Company was in compliance with the prior examination recommendations.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings or material changes in the financial statements.

SUBSEQUENT EVENTS

Noridian Healthcare Solutions (NHS), a wholly owned subsidiary of the Company, was the prime contractor in building the State of Maryland's (the State) health insurance web-based marketplace (MDHIX). On December 31, 2013, the State of Maryland issued a cure notice to NHS related to alleged performance issues when MDHIX went live on October 1, 2013. Following extensive negotiations, NHS and the State along with the Maryland Health Benefit Exchange (MHBE) reached a Settlement Agreement on July 21, 2015 (Settlement Agreement). The Company also entered into a Settlement Payment Guaranty Agreement with the State and MHBE on the same date for the purpose of guaranteeing the settlement obligation. The settlement was subject to multiple regulatory approvals, all of which have been received effective December 9, 2015. The Settlement Agreement requires NHS to make payments to the MHBE totaling $45 million. $20 million of that amount is due upon the agreement becoming effective, and the remaining $25 million is payable without interest over five equal yearly installments through the year 2020.

The Company is subject to an annual fee under Section 9010 of the Affordable Care Act (ACA). The annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premium written during the preceding calendar year to the amount of health insurance for all U.S. health risk that is written during the preceding calendar year. SSAP No. 35R does not require the recording of an accrual for this known liability until January 1 of the payment year. The notes to the 2014 Annual Statement disclosed that the Company estimated the amount of the ACA fee payable on September 30, 2015, to be $20,905,000. This amount is reflected in special surplus. A review of the Company's records indicated that it paid $21,286,892 for its portion of the ACA fee during 2015.

Over the course of the examination period, the Company has maintained a contract to provide healthcare benefits to members of the North Dakota Public Employees Retirement System (NDPERS). This contract is subject to renewal on a biennial basis. As discussed later in this report, NDPERS placed the contract for the 2015-2017 period out for bid and, although the Company submitted a proposal, it was not selected to continue providing services to the NDPERS members. Therefore, effective July 1, 2015, the Company experienced a significant decrease in its annual premium volume. NDPERS has about 65,000 members and represents approximately $273 million in annual revenues for 2014.

On June 12, 2015, NMIC entered into a continuing guaranty agreement related to CoreLink Administrative Solutions, LLC's lease of certain equipment necessary for CoreLink's core claims processing system development and maintenance business. Pursuant to the continuing guaranty agreement, NMIC is guaranteeing 50 percent of the total guarantee for the leased equipment resulting in NMIC's original guarantee of $13 million which will be reduced to $12 million on June 12, 2016, $9 million on June 12, 2017, $6 million on June 12, 2018, and $3 million on June 12 2019. NMIC's guarantee will extinguish upon CoreLink's final lease payment which is expected to occur on or before June 12, 2020.

On January 26, 2016, the Company sold its 51 percent interest in Discovery Benefits, Inc. (DBI) to State Bankshares, Inc., which owned the other 49 percent interest in DBI.

HISTORY

The North Dakota Hospital Service Association was incorporated on March 20, 1940, under the laws of the State of North Dakota relating to benevolent and charitable corporations. On February 28, 1964, the Articles of Incorporation were amended, changing the name to Blue Cross of North Dakota.

The North Dakota Physicians Service was incorporated on December 7, 1945, under the laws of the State of North Dakota relating to benevolent and charitable corporations. On March 27, 1971, the Articles of Incorporation were amended, changing the name to Blue Shield of North Dakota.

On July 1, 1986, the merger of the two companies was approved, with the name of the surviving company being Blue Cross Blue Shield of North Dakota.

Effective January 30, 1998, the Company converted from a not-for-profit health services corporation to a nonprofit mutual insurance company, and the Company's name was changed from Blue Cross Blue Shield of North Dakota to Noridian Mutual Insurance Company. The conversion also passed ownership to the policyholders and gave the Company ability to market products in states other than North Dakota.

The Company is incorporated as a nonprofit mutual insurance company and is governed by N.D.C.C. ch. 26.1-12 and § 26.1-17-33.1. Effective April 3, 2013, the law prohibiting the Company from forming a mutual insurance holding company was amended to allow the formation upon the Commissioner's approval although no such restructuring has taken place to date.

The Company is subject to the North Dakota premium tax statutes and has been paying premium taxes on fully insured business since 1983. As of December 31, 2014, the tax rate is 1.75 percent. The Company did not participate in the North Dakota Life and Health Insurance Guaranty Association (Guaranty Association) prior to August 1, 1993; however, a legislative change effective August 1, 1993, made the Company a member of the Guaranty Association. The Company became subject to federal income taxes under the federal Tax Reform Act of 1986.

Effective July 1, 2013, the Company began selling its BCBSND-branded vision and dental insurance for new and renewal business. Previously, the Company only administered these products through contracts with two of its affiliates, Dental Services Corporation of North Dakota

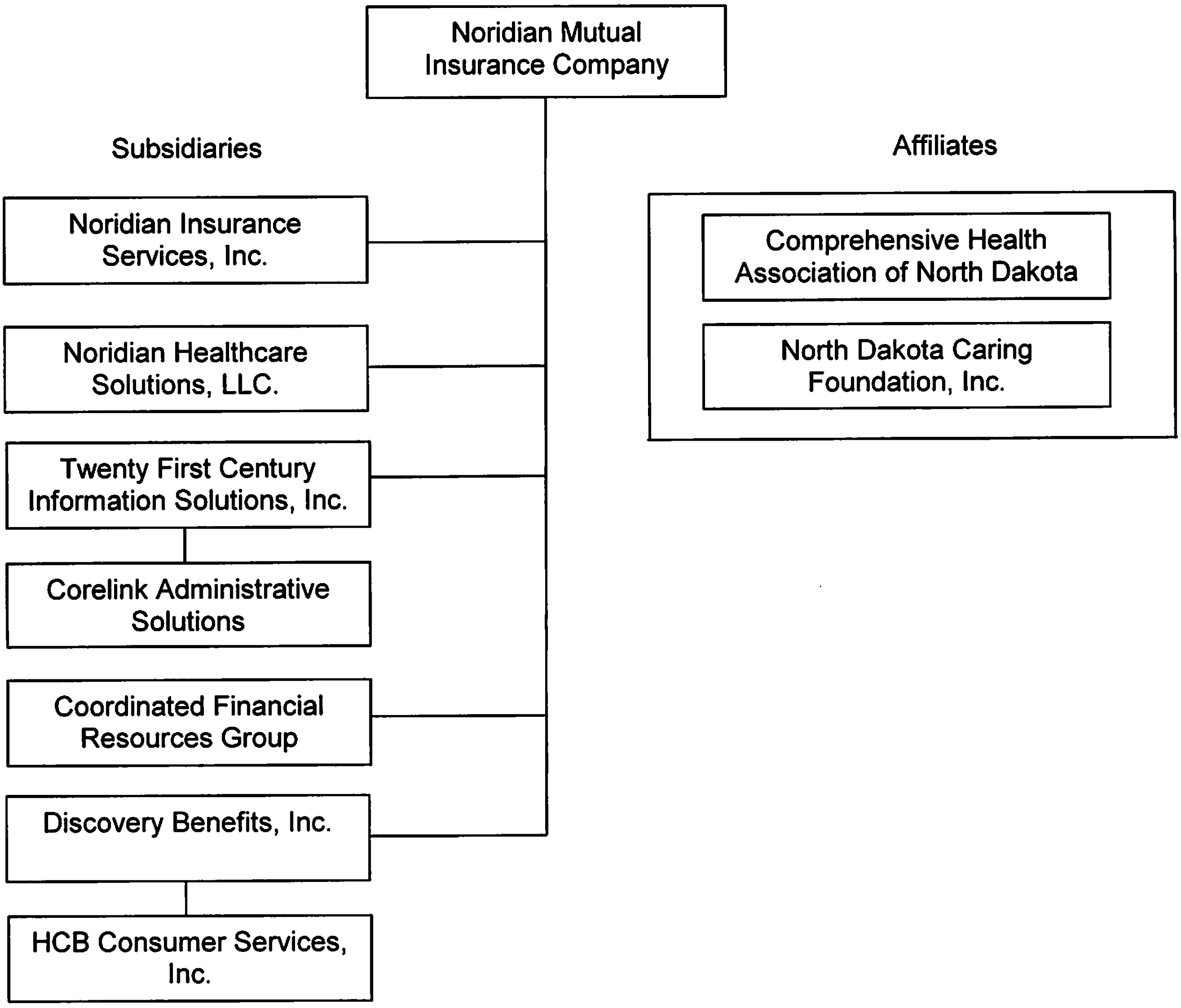
(DSC) and North Dakota Vision Services, Inc. (VSI). DSC and VSI were dissolved effective December 31, 2014. In connection with the dissolutions of DSC and VSI, the Company assumed all remaining policy liabilities of each affiliate under separate reinsurance agreements.

The Company previously had a facilities management and service contract with one of its affiliates, Lincoln Mutual Life and Casualty Insurance (Lincoln). The relationship with Lincoln was terminated effective August 1, 2013 following its reorganization as a stock insurance subsidiary of American Enterprise Mutual Holding Company.

In 2011, the Company acquired MDdatacor, a technology company, as part of its ongoing strategy to reduce medical inflation. MDdatacor owned MDinsight, which is the core of BCBSND's MediQHome program. The Company sold its ownership interest in MDdatacor on March 31, 2014.

ORGANIZATIONAL CHART

The relationship of the Company to its subsidiaries and affiliates at December 31, 2014, is shown in the following organizational chart:



Subsidiaries

Noridian Healthcare Solutions, LLC (NHS), a wholly owned subsidiary, formerly known as Noridian Administrative Services, LLC (NAS), was formed in 2002 to operate as a regional claims contractor for the federal government's Medicare program. The Company processes Medicare claims under its A/B MAC Contract for Jurisdiction F (both Part A and Part B) for North Dakota, South Dakota, Utah, Wyoming, Arizona, Montana, Washington, Alaska, Oregon and Idaho. The Company processes Medicare claims under its DME (Durable Medical Equipment) MAC Contract for Jurisdiction D for Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Northern Mariana Islands, Oregon, South Dakota, Utah, Washington, and Wyoming. The operations transferred to NHS were a line of business within the Company until 2002. At December 31, 2013, the reported value of the investment in NHS was written down to $0. The total amount of the OTTI recognized as a realized loss was $78,007,369. As a result of the Settlement Agreement discussed in the Subsequent Events section of this report, the Company's initial capital contribution of $16,500,000 to NHS required a write down of $8,141,395 in the reported value of the investment in NHS. This resulted in a carrying value of $8,358,605 in NHS at December 31, 2014.

Healthcare Administration Association of America (HAAA) was formed on February 24, 2009, as a wholly owned subsidiary of NAS. HAAA was organized to conduct business in China including healthcare financing administration and related activities in China. The investment in HAAA was written down to $0 on NAS financial statements at December 31, 2011. HAAA was sold on December 14, 2012.

Noridian Insurance Services, Inc. (NISI) is a wholly owned subsidiary of the Company, which operates as an insurance agency throughout the Upper Midwest area. On October 21, 2011, the Company formed NISI Acquisition Sub, Inc. (NISI Sub) for the purpose of acquiring all of the outstanding capital stock of MDdatacor, Inc. (MDI) through a reverse triangular merger of the Company and MDI. On July 25, 2012, NISI issued a dividend of all its ownership of MDI to the Company effective January 1, 2012. On August 24, 2012, the Company issued a dividend of all its ownership of MDI to Twenty First Century Information Solutions, Inc. At December 31, 2014, the reported value of the investment in NISI was $3,957,750.

Twenty First Century Information Solutions, Inc., (Twenty First Century) incorporated May 18, 1994, is a wholly owned subsidiary of the Company. It was initially formed to furnish computer services to allow providers to become electronically integrated with the Company. Currently, Twenty First Century is primarily the holding company for CoreLink Administrative Solutions, LLC. At December 31, 2013, Twenty First Century was the primary holding company for MDdatacor, Inc. At December 31, 2014, the reported value of the investment in Twenty First Century was $(3,091,382).

CoreLink Administrative Solutions, LLC (CoreLink) was formed on January 1, 2009, with the Company (through Twenty First Century) and Blue Cross and Blue Shield of Nebraska each holding a 50 percent interest through a downstream subsidiary. CoreLink provides information technology services to health insurers, health maintenance organizations and other managed care entities, including the Company and Blue Cross and Blue Shield of Nebraska.

Coordinated Financial Resources Group (Coordinated) was formed to coordinate the activities of the individual companies affiliated with the Company by facilitating communication and strategy for the affiliated members. At December 31, 2014, the reported value of the investment in Coordinated was $0.

Discovery Benefits, Inc. (DBI) is an employee benefits administrator jointly owned by the Company (51 percent interest) and State Bankshares, Inc. and Trust (49 percent interest). The Company acquired its ownership interest in DBI in 2008 for a cost of $4,675,159. At December 31, 2014, the reported value of the investment in Discovery Benefits was $5,132,062. On January 26, 2016, the Company sold its 51 percent interest in DBI to State Bankshares.

Affiliates

Lincoln Mutual Life and Casualty Insurance Company (Lincoln) was incorporated as a mutual insurance company in 1935 under the laws of North Dakota. From January 1, 1998, until January 15, 2010, Lincoln ceded business to the Company. The business ceded included group medical insurance and Medicare supplement insurance. Effective January 1, 2004, the Company entered into an operating agreement with Lincoln to provide it with administration, management, marketing, and insurance services. The relationship with Lincoln was terminated effective August 1, 2013, following its reorganization as a stock insurance subsidiary of American Enterprise Mutual Holding Company.

North Dakota Vision Services, Inc. (VSI) was incorporated on March 10, 1961, under the laws of North Dakota and is governed under N.D.C.C. ch. 26.1-17 pertaining to nonprofit health service corporations. Corporate membership of VSI is composed of optometrists and physicians who are licensed in North Dakota.

VSI began offering benefits for optometric services in 1974. Pursuant to an agreement effective September 23, 1974, the Company began providing sales and administrative services to VSI.

In May 2013, VSI submitted an application for voluntary withdrawal of a nonprofit health service corporation to the North Dakota Insurance Department. Under terms of the voluntary withdrawal, VSI did not renew any business after July 1, 2013. Effective July 1, 2013, the Company began selling its BCBSND-branded vision insurance for new and renewal business. The application for voluntary withdrawal was approved as of December 18, 2014, for a dissolution date of December 31, 2014. Based on the dissolution effective December 31, 2014, there are no remaining assets, liabilities or surplus of VSI as of December 31, 2014. All administrative agreements between the Company and VSI have been cancelled effective December 31, 2014.

Dental Service Corporation of North Dakota (DSC) was incorporated on May 22, 1970, under the laws of North Dakota and is governed under N.D.C.C. ch. 26.1-17 pertaining to nonprofit health service corporations. Corporate membership of DSC is composed of licensed dentists who practice in North Dakota.

DSC began offering benefits for dental care services in 1973. Pursuant to an agreement effective January 23, 1975, the Company began providing sales and administrative services to DSC.

In May 2013, DSC submitted an application for voluntary withdrawal of a nonprofit health service corporation to the North Dakota Insurance Department. Under terms of the voluntary withdrawal, DSC did not renew any business after July 1, 2013. Effective July 1, 2013, the Company began selling its BCBSND-branded dental insurance for new and renewal business. The application for voluntary withdrawal was approved as of December 18, 2014, for a dissolution date of December 31, 2014. Based on the dissolution effective December 31, 2014, there are no remaining assets, liabilities or surplus of DSC as of December 31, 2014. All administrative agreements between the Company and DSC have been cancelled effective December 31, 2014.

Comprehensive Health Association of North Dakota (CHAND) is a statutorily created association organized to provide health care coverage to high-risk individuals who would otherwise not be able to obtain coverage. The Company is the lead insurer and administrator of the program. The Company is reimbursed by CHAND for its direct and indirect expenses, but is limited to receiving no more than 12.5 percent of premiums for reimbursed expenses.

North Dakota Caring Foundation, Inc. is a not-for-profit organization developed by the Company to provide primary and preventive health services to children who reside in households that have an annual income exceeding the state's medical assistance guidelines but falling below the federal poverty level. The Company provides all administrative services for the foundation at no cost.

INTERCOMPANY AGREEMENTS

Noridian Insurance Services, Inc. (NISI)

The Company contracts with NISI to provide administrative and related services to NISI with expenses allocated by the Company based on actual utilization. Total operating and commission expenses allocated by the Company to NISI were $2,758,000 in 2014.

Noridian Healthcare Solutions, LLC (NHS)

The Company and its subsidiary NHS entered into an Administrative Services Agreement, dated as of September 30, 2002. The agreement incorporates several sub-agreements that are appended to the agreement as exhibits.

- Building Service Level Agreement
- Corporate Communication Service Level Agreement
- Financial Service Level Agreement
- Human Resources and Training Service Level Agreement
- Internal Audit Service Level Agreement
- Information Technology Service Level Agreement

Under the agreements, the Company will provide finance services (including payroll), information services, HR and training, communications, building services, compliance and legal services, MIS, and purchasing. These agreements automatically renew year to year.

NHS will reimburse the Company, within 90 days of the invoice date, for actual costs incurred in the performance of services wherein actual costs mean the fully allocated costs in accordance with standard cost accounting principles. Administrative and operating expenses allocated by the Company to NHS were $53,095,000 in 2014.

North Dakota Vision Services, Inc. (VSI)

Effective September 23, 1974, the Company and VSI entered into an agreement under which the Company establishes subscriber contract benefits and files same with the state, recommends rates, establishes enrollment regulations, issues contracts and ID cards, markets and advertises the vision service contract, issues billing notices, provides administrative services, pays claims, provides professional relations services, establishes and administers program designs to minimize fraud and abuse, answers subscriber inquiries, provides accounting, maintains statistical data, and provides on-going professional management. The agreement automatically renews year to year.

Under the agreement, VSI reimbursed the Company on the basis of actual reasonable cost. Administrative and operating expenses allocated by the Company to VSI were $104,000 in 2014.

As noted in the History section of this report, the administrative agreement between the Company and VSI was cancelled effective December 31, 2014.

Dental Service Corporation of North Dakota (DSC)

Effective January 23, 1975, the Company and DSC entered into an agreement under which the Company establishes subscriber contract benefits and files same with the state, recommends rates, establishes enrollment regulations, issues contracts and ID cards, markets and advertises the dental service contract, issues billing notices, provides administrative services, pays claims, provides professional relations services, establishes and administers program designs to minimize fraud and abuse, answers subscriber inquiries, provides accounting, maintains statistical data, and provides ongoing professional management. The agreement automatically renews year to year.

Under the agreement, DSC reimbursed the Company on the basis of reasonable cost. Administrative and operating expenses allocated by the Company to DSC were $358,000 in 2014.

As noted in the History section of this report, the administrative agreement between the Company and DSC was cancelled effective December 31, 2014.

Twenty First Century Information Solutions, Inc. and CoreLink Administrative Solutions, LLC

The Company entered into the following agreements relating to the formation and operation of CoreLink Administrative Solutions, LLC (CoreLink):

1. **Limited Liability Company Agreement,** dated November 17, 2008, and an amendment to the agreement, dated January 1, 2009, between CoreLink, Twenty First Century, Blue Cross Blue Shield of Nebraska (BCBSNE), Azure Equity Management, LLC and the Company setting out the rights, powers and interests of membership in CoreLink and to providing for management of CoreLink.

   The second amendment, dated November 14, 2011, was to amend the agreement to provide for the addition of two additional directors to be appointed to the Board of Directors, with such additional Directors being the Chief Information Officers of Blue Cross Blue Shield of Nebraska and Noridian Mutual Insurance Company respectively.

2. **Contribution Agreement for the Formation of CoreLink Administrative Solutions, LLC,** dated November 20, 2008, between CoreLink, Twenty First Century, and the Company under which the Company transfers certain

intellectual property in software and delivers certain assets and liabilities to CoreLink in exchange for a membership interest in CoreLink. The Company also transfers its membership interest in CoreLink to Twenty First Century as an additional capital contribution.

An amendment to the agreement, dated December 10, 2011, between Noridian Mutual Insurance Company and Twenty First Century Information Solutions, Inc. and CoreLink Administrative Solutions, LLC was to accurately reflect the legal name of Twenty First Century Information Solutions.

3. **CoreLink Trademark Assignment**, dated November 20, 2008, between CoreLink and the Company under which the Company did sell, assign, and transfer all rights to a registered trademark.

4. **Software License and Purchase Agreement** between CoreLink and the Company, dated January 1, 2009, under which CoreLink obtains license and the right to purchase the Company's core system software related to the administration of health plans.

5. **Information Technology Services and Support Agreement** between CoreLink and the Company, dated January 1, 2009, under which CoreLink will implement, maintain and enhance a comprehensive computerized information system to support the Company's products.

6. **Facility License Agreement** between CoreLink and the Company, dated January 1, 2009, under which CoreLink may access and occupy portions of the Company's home office building.

7. **Hardware Time Sharing Agreement** between CoreLink and the Company, dated January 1, 2009, under which the Company grants CoreLink the right to use as needed time, processing capacity, and storage capacity of computer hardware and equipment.

8. **Operating Level Agreement** between CoreLink and the Company, dated January 1, 2009, under which the Company provides to CoreLink certain information technology and back office support services.

The administrative and operating expenses paid to the Company by CoreLink under these agreements totaled $8,591,000 in 2014.

MDdatacor, Inc.

Effective August 1, 2008, the Company and MDdatacor, Inc. (MDI), entered into a Master Software License and Services Agreement. This agreement is in place to set forth the terms and conditions upon which MDdatacor will provide to BCBSND and the Quality Program Providers, including providing software for the Company's patient-centered medical home program.

As discussed earlier in this report, the Company sold its ownership interest in MDdatacor on March 31, 2014. As a result, these two parties entered into an entire new Master Software License and Services Agreement to provide the same services effective March 31, 2014.

BLUE CROSS BLUE SHIELD ASSOCIATION

The Blue Cross Blue Shield Association (Association) is a national trade association and coordinating agency of the 36 Blues plans throughout the United States including the District of Columbia, and Puerto Rico, and the owner and licensor of the Blue Cross and Blue Shield names and trademarks. The Association performs three primary roles: those of a trademark licensor, a trade association, and a provider of various business and coordinating plan services.

The Association protects the value of the Blue Cross and Blue Shield names and trademarks by requiring plans to comply with the terms of a license agreement. The agreement defines the geographic boundaries within which plans may use the names and trademarks and the conditions of that usage. The Association also represents the collective interests of plans before the federal and state governments and certain other national organizations. Additionally, the Association administers programs designed to coordinate plan coverage nationwide for private business and government contracts and provides consulting services to individual plans.

The Association is governed by a Board of Directors composed of the chief executive officers from most Blues plans and is primarily funded by plan dues. Dues paid by the Company to the Association for the years under examination, are as follows:

Year	Amount Paid
2010	$725,186
2011	695,277
2012	670,415
2013	726,722
2014	797,260

MANAGEMENT AND CONTROL

Membership

A member is defined in the Bylaws as (a) an owner of an individual accident and health policy or health service contract or an owner of a stop-loss insurance policy, and (b) a person named as a subscriber or certificate holder under a group accident and health insurance policy or health service contract. According to the Bylaws, each member of the Company shall be entitled to one vote on each matter submitted to a vote of the members.

The annual meeting of the members shall be held in the month of December of each year at the time, day, and place determined by the Board of Directors (Board) for the purpose of electing directors and transacting any other business as may properly come before the meeting.

Special meetings of the members may be called at any time upon written request of the President/CEO, the Chairman of the Board, 5 or more Directors, the lesser of 50 members or 10 percent of the members, or as otherwise required by law.

Written or printed notice stating the place, day, and hour of any meeting of members shall be delivered by mail to each member entitled to vote at the meeting. A quorum for the annual meeting is those members present in person or represented by written proxies.

Board of Directors

The Bylaws provide that the Board of Directors shall consist of 13 directors, consisting of 8 member directors; 2 physicians; 2 Chief Executive, Chief Operation or Chief Financial Officers of hospitals; and 1 representative of the healthcare industry. Member directors are defined as follows: members of the Company, or officers, directors, or trustees of Members of the Company, who are not providers of health care services and who are not employees or persons having a financial interest in any provider of health care services. All directors must be members of the Company or have health coverage through a person or entity that is a member.

The directors shall be elected by a majority of the members present or represented by proxy at the annual meeting. Each director shall be elected for a term of three years. No director shall serve more than four successive three-year terms. The terms of the directors are staggered so that approximately one-third of the terms expire each year.

According to the Bylaws, the Board of Directors shall meet not fewer than six times annually. The annual meeting of the Board is in December. Special meetings of the Board may be called at any time by the Chairman of the Board, the President/CEO, or any two directors.

Directors may receive a retainer and may receive compensation for attendance at a regular or special meeting of the Board of Directors. As of December 31, 2014, the Board Directors receive a $12,000 annual retainer as well as $1,200 per day for attendance in person at each meeting and $600 per conference call, with the exception of the Western Conference and Board retreat at which Directors receive $1,000 per day for attendance. Directors also receive $600 for attendance at any Committee meeting or $300 per conference call.

Following is a list of the directors and their principal business affiliations as of December 31, 2014:

Name	Category	No. of Years as Director	Business Affiliation
Jodi Lynn Atkinson	P	8	President/CEO St. Andrew's Health Center and Clinic
Lynette Johnston Dickson	P	5	Associate Director Center for Rural Health
James Lovell Larson	C	1	Director of Finance Fargo Park District
Greg C. Glasner	P	5	President/CMO Essentia Health – West Region
George Albert Koeck	C	1	General Counsel Otter Tail Corporation
Dale Albert Klein	P	4	Physician Sanford Health
Robert Louis Lamp	C	13	Associate Executive Association Services, Inc.
Ann Melvey McConn (Chair)	C	6	Market President Alerus Financial
Gary Peter Miller	P	10	President/CEO St. Alexius Medical Center
Dennis Arnold Hill	C	1	VP and General Manager North Dakota Association of Rural Electric Cooperatives
David Allen Sprynczynatyk	C	2	Adjutant General North Dakota National Guard
Casey Douglas Stoudt	C	2	President R.M. Stoudt, Inc.
Peter Chase Zimmerman	C	6	Managing Partner Constant Angel, LLC

Category: P - Provider, C – Consumer

Officers

The managing corporate officers of the Company are determined by the Board of Directors and include a President and Chief Executive Officer, one or more Vice Presidents, and other officers as authorized by the Board. The President is elected annually at the annual meeting of the Board of Directors.

The officers serving as of December 31, 2014, were as follows:

Timothy James Huckle	President and Chief Executive Officer
Daniel Robert Conrad	Secretary
David John Breuer	Treasurer

Committees

Finance and Investment Committee

The Finance and Investment Committee is composed of five members of the Board of Directors. The Finance and Investment Committee met seven times in 2010 and 2011, six times in 2012 and 2013, and eight times in 2014. The Committee approves all investments in accordance with formal guidelines established by the Board of Directors. As of December 31, 2014, the Finance and Investment Committee was comprised of:

Dale Klein, MD	Chair
Peter Zimmerman	Member
Dennis Hill	Member
Gary Miller	Member
Robert Lamp	Member
Ann McConn	Ex-officio

Audit and Compliance Committee

The Audit and Compliance Committee is composed of four directors. The Audit Committee met five times each year for the period under examination. As of December 31, 2014, the Audit and Compliance Committee was comprised of:

George Koeck	Chair
Casey Stoudt	Member
Jodi Atkinson	Member
Greg Glasner, PhD	Member
Ann McConn	Ex-officio

Other Committees

Other committees designated by the Bylaws and composed only of Board members are Governance and Nominating Committee, Quality Committee, and Human Resources and Compensation Committee. The Board of Directors may designate additional committees as it deems necessary.

CORPORATE RECORDS

Articles of Incorporation

The Company's Articles of Incorporation were amended effective December 2, 1010, to change:

1. The Company's registered address of the Company from 4510 13th Avenue "Southwest", Fargo, North Dakota 58121, to 4510 13th Avenue "South", Fargo, North Dakota 58121.

2. The name of the registered agent of the Company from Michael B. Unhjem to Paul von Ebers.

Subsequent to the exam period, the Company's Articles of Incorporation were amended effective December 4, 2015, to update the registered agent of the Company due to Paul von Ebers' departure.

Bylaws

The Company filed amended and restated Bylaws with the North Dakota Insurance Department on April 23, 2010, and April 29, 2011.

Board of Directors, Policyholders and Committee Minutes

The minutes of the Board of Directors, policyholders, and committee meetings for the period under examination were read.

The minutes of the various meetings indicate that the meetings were well attended and were held in accordance with the Bylaws, Articles of Incorporation, and statutory requirements. The deliberations of the board were adequately documented and supported the Company's transactions and events.

Investment transactions were ratified by the full board during its quarterly meetings in compliance with N.D. Admin. Code § 45-03-12-05(4)(a).

The Company's Board, or committee thereof, did not formally resolve within its minutes that all investments held were pursuant to the Company's approved investment guidelines per the requirements of N.D. Admin. Code § 45-03-12-05(03), which states:

> Investments shall be acquired and held under the supervision and direction of the board of directors and the board shall evidence by formal resolution, at least annually, that it has determined whether all investments have been made in accordance with delegations, standards, limitations, and investment objectives prescribed by the board or committee of the board charged with the responsibility to direct its investments.

It is recommended that the Company's Board of Directors formally resolve within its minutes, at least annually, that all investments have been made in accordance with delegations, standards, limitations, and investment objectives per the requirements of N.D. Admin. Code § 45-03-12-05(3).

Conflict of Interest

The Board of Directors adopted and published a resolution concerning conflict of interest, which is provided to the directors, officers, and key employees. The resolution requires full disclosure of any interest that might result in a conflict for a director, and forbids a material conflict of interest on the part of an officer or employee.

Conflict of interest statements are completed each year by directors, officers, and key employees disclosing any material interest or affiliation likely to cause any conflict. The statements are reviewed by the Director of Compliance and Corporate Ethics. If a conflict is disclosed, the affected party is notified and a review of the situation occurs. Resolution is usually obtained by discussing the situation with the party involved and developing parameters for dealing with potential conflicts. Significant conflicts of interest, in particular those involving directors or officers, are reported by the Director of Compliance and Corporate Ethics to the Board of Directors.

Conflict of interest statements executed during the period under examination were reviewed with no material conflicts noted.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2014, the Company is the named insured on a financial institution bond issued by the Travelers Indemnity Company. The bond has an aggregate loss limit of $5,000,000 which exceeds the minimum coverage suggested by the National Association of Insurance Commissioners.

PENSION AND INSURANCE PLANS

Group Life and Accidental Death and Dismemberment

Group life on the term plan is made available to employees working at least 30 hours per week, effective the first of the month following the date of hire (if the hire date was the first, coverage is effective that day). The entire cost is paid by the Company. The amount of the policy for basic insurance equals two times the employee's annual salary.

Hospital, Medical, Surgery, Vision, and Dental Coverage

Hospital, medical, surgery, major medical, and related benefits are available to employees of the Company on the first of the month following hire date (if hire date is on the first, coverage is effective that day). The Company's participation in the cost of these health benefits is based on the employee's months of service. Dental and vision benefits are also provided on the first of the month following the date of hire unless hired on the first.

National Retirement Program

The Company has a defined benefit pension plan which covers a significant percentage of its employees through the National Retirement Program, a self-administered pension trust set up under the laws of Illinois through the Blue Cross Blue Shield Association. This mutual program was organized to provide retirement income for Blue Cross and Blue Shield employees. The plan was amended to exclude all Noridian Administrative Services (now known as Noridian Healthcare Solutions) employees hired on or after September 1, 2006, and all Noridian employees hired on or after January 1, 2010.

The Company's funding and accounting policies are to contribute annually the minimum amount required by applicable regulations plus such additional amounts as the employer may determine to be appropriate from time to time, and to charge such contributions to expense as allowed under statutory accounting principles. The Company contributed the following amounts to the pension plan during the period under review:

Year	Amount
2010	$12,000,000
2011	12,000,000
2012	15,200,000
2013	12,000,000
2014	8,000,000

Beginning in 2001, the Company was required to adopt statutory accounting principles which recognize the funded status of the plan as allowed under Statement of Statutory Accounting Principles, No. 89 – Accounting for Pensions (SSAP No. 89). The Company elected to amortize the incremental liability resulting from the change in the accounting principle as a component of the periodic pension cost over a period of 20 years. Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principles No. 102 – Accounting for Pensions (SSAP No. 102). SSAP No. 102 replaced SSAP No. 89, with the change in accounting principle requiring recognition of the projected benefit obligation and underfunded status to surplus.

Defined Contribution Plans

The Company has a defined contribution pension plan covering substantially all of its employees. The Company will match up to four percent of an employee's eligible compensation. The Company's contribution for the plan was $1,896,000 and $1,955,000 for the years 2014 and 2013, respectively.

The Company also established a qualified defined contribution plan covering Noridian Healthcare Solutions employees hired after September 1, 2006, who are not eligible for the defined benefit pension plan. The Company contribution is a discretionary amount as determined by the Company year to year. The Plan has been frozen since January 1, 2011. The Company's contribution for the plan was $398,000 and $482,000 for the years 2014 and 2013, respectively.

Supplemental Retirement Program

The Company established an unfunded supplemental employee retirement plan (SERP) for certain management employees that meet the required provisions. To become eligible, an employee must meet the requirements of the National Retirement Program and exceed the maximum compensation level or maximum annual benefit as set by the Internal Revenue Code.

The costs of the program include the expected cost of benefits for newly eligible employees, interest costs, and gains and losses arising from differences between actuarial assumptions and actual experience.

The program is funded on a pay-as-you-go basis. Therefore, no assets are accumulated to pay benefits under the program.

Beginning in 2001, the Company was required to adopt statutory accounting principles which recognize the funded status of the plan as allowed under Statement of Statutory Accounting Principles, No. 89 – Accounting for Pensions (SSAP No. 89). The Company elected to amortize the incremental liability resulting from the change in the accounting principle as a component of the periodic pension cost over a period of 20 years. Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principles No. 102 – Accounting for Pensions (SSAP No. 102). SSAP No. 102 replaced SSAP No. 89, with the change in accounting principle requiring recognition of the projected benefit obligation and underfunded status to surplus.

Post Retirement Benefits

In addition to pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while working for the Company. Life insurance benefits are generally set at a fixed amount. In 2003, the Company established a Retiree Voluntary Employee Benefit Association Trust (VEBA Trust) to fund this plan.

The plan was amended to exclude any new employees hired on or after January 1, 2006. In December 2009, the plan was amended to phase out the Company contributions for retiree health over a 10-year period beginning in 2012 with a 10 percent reduction each year.

National Long-Term Disability Program

This program is operated similarly to the National Retirement Program and was adopted to insure a monthly disability pension for employees who become totally and permanently disabled. An employee must have worked for the Company for six months and 1,000 hours in a 12-month period to become eligible. The benefit is computed at 60 percent of the employee's monthly salary on January 1 preceding the date of disability, less any payment due under Social Security and workers compensation. Long-term disability benefits are payable commencing on the first day of the month after the month the disability has lasted for five months. The entire cost of this plan is paid by the Company.

Certain employee benefit expenses incurred by the Company during 2010 through 2014 are shown in the following schedule:

	2010	2011	2012	2013	2014
Employee Group Life Insurance	$ 130,000	$ 134,000	$ 109,000	$ 139,000	$ (48,000)
Employee Health Insurance	5,262,000	5,484,000	4,605,000	5,385,000	6,400,000
Employee Retirement Expense	4,705,000	4,603,000	4,194,000	6,014,000	5,007,000
Supplemental Employee Retirement Plan (SERP)	(129,000)	185,000	513,000	631,000	1,566,000
Post Retirement Benefits – Health & Life	(395,000)	(543,000)	(447,000)	(194,000)	(170,000)

TERRITORY AND PLAN OF OPERATION

Territory

The Company is duly licensed and qualified to transact the business of a nonprofit mutual insurance company in North Dakota, South Dakota, and Minnesota. The Certificate of Authority issued by the State of North Dakota was reviewed and found to be in proper order and effect.

During the period under examination, the Company's share of the accident and health business written in North Dakota was as follows:

Premiums Written (Millions of Dollars)

	2014		2013		2012		2011		2010	
	Premium	Market Share	Premium	Market Share	Premium	Market Share	Premium	Market Share	Premium	Market Share
Group Accident and Health	$829.1	92.5%	$780.9	93.7%	$719.7	93.6%	$668.8	94.5%	$625.8	94.9%
Individual Accident and Health	$174.5	92.6%	$132.9	93.4%	$122.7	94.7%	$114.0	96.5%	$104.0	98.3%
Medicare Supplement Policies	$80.3	97.9%	$74.0	99.5%	$70.6	99.7%	$70.7	99.9%	$67.7	100.0%

Generally, accident and health business written by life and accident and health insurers and property casualty insurers includes disability income, accident insurance, nursing home insurance, dread disease insurance, and various other types of accident and health insurance. In contrast the business written by the Company consists mainly of comprehensive health and Medicare supplement coverages.

Plan of Operation

The Company is duly licensed and qualified to transact accident and health business as a nonprofit mutual insurance company in North Dakota.

The Company's enrollment at December 31, 2014, was approximately 430,015 which consisted of the following:

Type	Totals
Individual	43,446
Group	188,343
Medicare	36,405
Vision	46,300
Dental	74,188
Federal Employees	19,647
Other	21,686
Total Enrollment	430,015

Other Significant Accounts and Functions

Federal Employee Program

The Federal Employee Program (FEP) is a Blue Cross Blue Shield program that serves the Federal Employees Health Benefit Program (FEHBP). The Blue Cross Blue Shield Association coordinates the FEP for Blue Cross Blue Shield Plans electing to participate in the program. A Plan Participation Agreement spells out the respective duties of the Plans and the Association. Claims incurred under FEP are paid by the participating Plans where services are rendered. The Plans are reimbursed by the Association from a central account funded by the federal government and FEHBP employee premiums. Participating Plans recover their approved costs of administration from the program. In addition, the FEP is paid a service charge by the government for operating the program, which is distributed to participating Plans based upon performance and service.

The FEP operates on a yearly cycle. The federal government and eligible carriers negotiate the benefit package, subscriber rates, and cost of administration of the FEP annually. All participating Plans are required by the federal program to jointly underwrite the benefits of the FEP.

The FEP premiums represented approximately seven percent of the total premiums earned as reported on the 2014 Annual Statement Underwriting and Investment Exhibit Part 1.

The following schedule shows the amount of FEP business transacted during the period under examination:

Year	Premiums Written
2010	$79,398,619
2011	85,350,581
2012	94,978,235
2013	97,628,357
2014	94,692,991

North Dakota Public Employees Group Health Plan

The North Dakota Public Employees Group Health Plan (Health Plan), the Company's largest group account, is administered under an administrative service agreement between the Company and the North Dakota Public Employees Retirement System (NDPERS). The agreement specifies the monthly premium to be paid by the Health Plan and the amount of administrative expenses allowed the Company. The agreement also provides that any surplus generated be returned to NDPERS, except for a portion of the net gain shared with the Company.

On February 19, 2015, NDPERS announced that the contract for the NDPERS administered Health Plan will be awarded to Sanford Health Plan (SHP). The Health Plan contract with SHP takes effect on July 1, 2015. As a result, a significant portion of the Company's gross premiums will not be renewed.

Administrative Services Only Contracts (ASO)

During 2010 through 2012, the Company functioned as an administrator for various self-insured plans, providing claim processing services to the plan sponsors which bear the risk for payment of claims. Payments were made from accounts funded by the plan sponsor so the Company did not bear any credit risk during the claim payment cycle. In return for the claim processing services, the Company received an administrative fee. Starting in 2013, the Company stopped administrating ASO business, and all of the Company's self-insured plans were under Administrative Service Contracts.

The following schedule shows the amount of ASO business transacted during the period under examination as reported by the Company:

Year	ASO Admin Fee Income	ASO Expenses	Claim Payments	Gain/(Loss)
2010	$2,519,621	$3,261,340	$29,497,672	($741,719)
2011	3,276,837	3,971,845	27,057,313	(695,007)
2012	1,648,068	2,113,355	9,704,378	(465,287)
2013	0	0	0	0
2014	0	0	0	0

Administrative Services Contracts (ASC)

The Company functions as an administrator for various self-insured plans, providing claim processing services to the plan sponsors which bear the ultimate risk for payment of claims. Claims are paid by the Company and then reimbursement is obtained from the plan sponsor. The Company bears credit risk from the time the claim is paid until reimbursement is received from the plan sponsor. In return for the claim processing services, the Company receives an administrative fee. For some uninsured plans, the Company issues a stop-loss insurance policy in conjunction with the administrative service contract. The stop-loss policy covers claims incurred by the plan sponsor above a minimum amount. Uninsured plans with insurance coverage are classified as partially insured plans.

The following schedule shows the amount of ASC business transacted during the period under examination as reported by the Company:

Year	ASC Admin Fee Income	ASC Expenses	Claim Payments	Gain/(Loss)
2010	$22,384,409	$22,049,728	$388,780,474	$ 334,681
2011	22,875,870	27,877,446	411,275,639	(5,001,576)
2012	23,448,304	26,369,284	405,853,093	(2,920,980)
2013	28,303,523	30,288,020	493,590,925	(1,984,497)
2014	35,357,252	32,262,123	519,677,465	3,095,129

Prime Therapeutics, Inc./Pharmacy Benefits Management

The Company has contracted with Prime Therapeutics, Inc., a pharmacy benefit management company located in Eagan, Minnesota, to provide pharmaceutical services and obtain pharmacy rebates from drug manufacturers. Pharmaceutical rebate receivables are estimated quarterly based on previous quarters actual prescriptions. Each quarterly estimate is confirmed/invoiced by the Company's pharmaceutical benefit manager within 60 days. The Company's holdings in Prime Therapeutics, Inc. common stock had a fair value of $6,619,872 at December 31, 2014.

The examiners reviewed the Company's compliance with the pharmacy benefit management provisions of N.D.C.C. § 26.1-27.1-06 and the related requirements of SSAP No. 84, paragraphs 10-13, that address pharmaceutical rebate receivables.

The examiners concluded the Company applied rebates received from its pharmacy benefit manager, related to the pharmaceutical purchases under the fully insured plans, to reduce the claims expense for fully insured plans. The Company's self-funded groups received 100 percent of the rebate received for pharmaceutical purchases made by the self-funded groups. The Company is in compliance with SSAP No. 84 requirements to report income from pharmaceutical rebates of insured plans as a reduction to claims expense in the summary of operations.

GROWTH OF THE COMPANY

The growth of the Company for the years 2010 through 2014 is shown on the following schedule:

Year	Admitted Assets	Liabilities	Capital & Surplus	Net Premium Earned	Members	Member Months
2010	$454,780,893	$196,818,463	$257,962,429	$ 961,449,708	281,695	3,364,964
2011	508,515,458	238,219,999	270,295,455	1,027,853,541	285,897	3,399,439
2012	505,889,952	233,923,013	271,966,938	1,106,308,984	299,603	3,529,611
2013	458,189,154	259,101,563	199,087,591	1,195,644,399	385,522	3,983,822
2014	513,473,147	282,339,852	231,133,295	1,328,150,446	430,015	5,069,573

The Company experienced a decrease in surplus of 10 percent during the examination period. The Company had a 13 percent growth in total admitted assets and a 43 percent increase in total liabilities. The Company increased net premiums earned by 38 percent over the exam period, which can be attributed to the Company's 53 percent increase in members.

LOSS EXPERIENCE

The ratio of claims and expenses incurred to premiums earned for years 2010 through 2014 is shown in the following schedule:

Year	Net Premium Earned	Hospital & Medical Benefits	Loss Ratio	Expenses Incurred	Expense Ratio	Loss and Expense Ratio
2010	$ 961,449,708	$ 874,586,091	91.0%	$ 76,907,683	8.0%	99.0%
2011	1,027,853,541	917,252,652	89.2%	84,758,020	8.2%	97.5%
2012	1,106,308,984	997,075,875	90.1%	95,126,638	8.6%	98.7%
2013	1,195,644,399	1,097,468,016	91.8%	112,493,843	9.4%	101.2%
2014	1,328,150,446	1,177,135,501	88.6%	143,037,070	10.8%	99.4%

The Company's loss ratio remained relatively static during the exam period, remaining within a range of 3.2 percentage points. At the same time, the Company's expense ratio also remained relatively stable. The variation in the expense ratio was 2.8 percentage points. A review of the Company's underwriting and investment expense exhibit showed numerous significant year over year increases, while the Company's losses stayed relatively flat.

Expenses Incurred

For the period 2010 to 2014, the percentage growth of expenses incurred is shown below as compared to growth percentages for premiums earned and claims incurred. Expenses incurred represent the sum of claims adjustment expenses and general administrative expenses

Year	Net Premium Earned	Percent Increase	Hospital & Medical Benefits	Percent Increase	Expenses Incurred	Percent Increase
2010	$ 961,449,708	5.7%	$ 874,586,091	6.2%	$ 76,907,683	(3.6)%
2011	1,027,853,541	6.9%	917,252,652	4.9%	84,758,020	10.2%
2012	1,106,308,984	7.6%	997,075,875	8.7%	95,126,638	12.2%
2013	1,195,644,399	8.1%	1,097,468,016	10.1%	112,493,843	18.3%
2014	1,328,150,446	11.1%	1,177,135,501	7.3%	143,037,070	27.2%**

** The incurred expenses for 2014 include approximately $30.2 million in fees and taxes required by the Patient Protection and Affordable Care Act, more commonly known as Obamacare,which were not applicable in prior years. Without these additional expenses, the percent increase was 0.3 percent.

REINSURANCE

The Company assumed business from Lincoln Mutual and Casualty Insurance Company (Lincoln), an affiliate. The reinsurance agreement was effective January 1, 1998, and was terminated January 15, 2010. During 2010, no business was assumed under this agreement.

Under this agreement, Lincoln ceded and the Company assumed Lincoln's group medical insurance and Medicare supplement insurance on all business written in South Dakota.

This agreement was automatic 100 percent indemnification reinsurance, and the contract included the standard clauses for insolvency, errors and omissions, and arbitration. There was no intermediary utilized.

The Company cedes long-term care insurance to Med America Insurance Company. The reinsurance agreement was effective September 7, 1999. During 2014, $1,622,111 in premiums were ceded to Med America Insurance Company under this agreement.

During the exam period, the Company entered into a medical excess of loss reinsurance agreement with Munich Reinsurance America, Inc. (Munich) effective January 1, 2014. The majority of this contract covers any single claim exceeding $2 million. However, retention limits under this agreement range from $2.4 to $2.8 million for certain covered persons. There are no aggregate limits within this contract. During 2014, $1,481,550 in premiums were ceded to Munich Company under this agreement.

The Transitional ACA Reinsurance Program is a temporary risk mitigation program afforded under the ACA for qualified health plans in the individual market. All issuers of major medical commercial insurance products and self-insured plan sponsors are required to contribute funding in amounts set by the government. Funds collected will be utilized to reimburse certain expenses between an attachment point and maximum retention level. The expense related to this required funding is reflected in general and administrative expenses for all insurance products with the exception of products associated with qualified individual members. This expense for qualified individual members is reflected as a reduction of premium revenue. The receivable represents the estimate of the ultimate recovery under the reinsurance program.

The Company's admitted assets, liabilities, and revenue as a result of the reinsurance provisions are as follows as of December 31, 2014:

Assets:	
Amounts recoverable for claims paid due to ACA Reinsurance included in amounts recoverable from reinsurers	$10,900,000
Amounts recoverable for claims unpaid due to ACA Reinsurance (contra liability)	0
Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	0
Liabilities:	
Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	$14,051,465
Ceded reinsurance premiums payable due to ACA	$793,659
Liabilities for amounts held under uninsured plan contributions for ACA reinsurance	0
Operations/Revenue and Expense Elements:	
Ceded reinsurance premiums due to ACA Reinsurance	$793,659
Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	$10,900,000
ACA Reinsurance contributions (not reported as ceded premium)	$14,051,465

ACCOUNTS AND RECORDS

The Company utilizes a general ledger system which includes general ledger, payroll, accounts payable, and fixed asset modules. An in-house electronic data processing system generates other records and processes premium and claim transactions through services provided by CoreLink.

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination. A trial balance was obtained for the year ending December 31, 2014, and traced to the appropriate assets, liabilities, income, and expense exhibits of the annual statement.

The Company is audited annually by Eide Bailly, LLP (Eide Bailly), an outside firm of independent certified public accountants. Eide Bailly's work papers were made available to the Examiners and were used to the extent deemed appropriate for this examination.

FINANCIAL STATEMENTS

The Financial Statements section includes the following:

Statement of Assets, Liabilities, Capital and Surplus, December 31, 2014
Statement of Revenue and Expenses for the Year Ended December 31, 2014
Reconciliation of Capital and Surplus, January 1, 2010 through December 31, 2014

Noridian Mutual Insurance Company
Statement of Assets
as of December 31, 2014

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$300,835,131		$300,835,131
Common stocks	21,827,607		21,827,607
Real Estate:			
Properties occupied by the company	23,605,659	$ 446,836	23,158,823
Cash	14,940,211		14,940,211
Short-term investments	31,969,642		31,969,642
Other invested assets	221,084	177,245	43,839
Investment income due and accrued	2,563,204		2,563,204
Uncollected premiums	5,546,219	150,913	5,395,306
Amounts recoverable from reinsurers	11,690,000		11,690,000
Amounts receivable relating to uninsured plans	22,689,083	1,047,586	21,641,497
Federal income tax recoverable	7,724,636		7,724,636
Net deferred tax asset	38,400,000	32,600,000	5,800,000
Electronic data processing equipment and software	10,380,181		10,380,181
Furniture and equipment	18,087,928	18,087,928	0
Receivables from parent, subsidiaries and affiliates	2,692,374		2,692,374
Health care and other amounts receivable	51,467,928	2,301,505	49,166,423
Aggregate write-ins:			
Intangible pension benefit	32,815,910	32,815,910	0
PRW Overfunded Plan	10,818,528	10,818,528	0
Prepaid expenses	12,039,608	12,039,608	0
Intangible SERP Benefit	12,342,095	12,342,095	0
Miscellaneous Accounts Receivable	33,460	33,460	0
ACA Risk Adjustment Recoveries	2,800,000		2,800,000
Part D Risk Sharing Receivable	844,273		844,273
Pension Overfunded Plan	(32,602,124)	(32,602,124)	0
TOTAL ADMITTED ASSETS	$603,732,637	$90,259,490	$513,473,147

Noridian Mutual Insurance Company
Statement of Liabilities, Capital and Surplus
as of December 31, 2014

Claims unpaid	$148,990,721
Unpaid claims adjustment expenses	3,502,717
Aggregate health policy reserves	19,806,398
Aggregate health claim reserves	1,745,000
Premiums received in advance	25,087,315
General expenses due or accrued	32,549,744
Amounts withheld or retained for the account of others	7,799,715
Amounts due to parent, subsidiaries and affiliates	22,348,770
Liability for amounts held under uninsured plans	12,795,007
Aggregate write-ins for other liabilities:	
Provision for experienced rating refunds	5,781,591
Accrued benefits cost SERP	1,244,133
Unclaimed property payable	688,741
TOTAL LIABILITIES	282,339,852
2015 ACA Health Insurer Fee	20,905,000
Unassigned funds (surplus)	210,228,295
TOTAL CAPITAL AND SURPLUS	$231,133,295
TOTAL LIABILITIES, CAPITAL, AND SURPLUS	$513,473,147

Noridian Mutual Insurance Company
Statement of Revenue and Expenses
for the Year Ended December 31, 2014

Underwriting Income

Premiums earned		$1,328,150,446
Deductions:		
Hospital/medical benefits	$1,005,666,646	
Prescription drugs	171,468,855	
Subtotal	1,177,135,501	
Net Reinsurance Recoveries	(11,869,794)	
Total Medical and Hospital	1,165,265,707	
Claims Adjustment Expenses	42,519,335	
General Administrative	100,517,735	
Increase in reserves for accident and health contracts	(7,600,000)	
Total underwriting deductions		1,300,702,777
Net underwriting gain or (loss)		$ 27,447,669

Investment Income

Net investment income earned	$ 4,461,636	
Net realized capital gains (losses)	24,032,713	
Net investment gains (losses)		$ 28,494,349

Other Income

Aggregate write-ins for income and expense:		
Reversal of 2013 Guarantee Accrual		$ 5,000,000
Net miscellaneous income and miscellaneous expenses		(442,819)
NHS Tax Sharing Expense		(2,599,423)
Net gain or (loss) before federal income taxes		$ 57,899,776
Federal income taxes incurred		13,605,820
NET INCOME		$ 44,293,956

Noridian Mutual Insurance Company
Reconciliation of Capital and Surplus
January 1, 2010 through December 31, 2014

	2010	2011	2012	2013	2014
Capital and Surplus December 31, prior year	$216,140,107	$257,962,428	$270,295,452	$271,966,935	$199,087,591
Net income or (loss)	18,926,167	22,862,479	22,093,242	(80,787,933)	44,293,956
Change in net unrealized capital gains or (losses)	14,758,091	(9,324,923)	(13,232,201)	15,715,584	(14,328,979)
Change in net deferred income tax	(5,066,931)	2,233,887	2,285,637	1,228,896	7,517,755
Change in nonadmitted assets	13,204,994	(3,438,419)	(9,475,195)	15,860,853	(11,189,360)
Cumulative effect of changes in accounting principles	0	0	0	(24,896,744)	5,752,332
Net change in capital and surplus	41,822,321	12,333,024	1,671,483	(72,879,344)	32,045,704
Capital and Surplus December 31, current year	$257,962,428	$270,295,452	$271,966,935	$199,087,591	$231,133,295

COMMENTS ON FINANCIAL STATEMENTS

Financial statement balances at December 31, 2014, are commented upon only if financial changes, recommendations, or special explanations are considered necessary.

CONCLUSION

The financial condition of the Company, as of December 31, 2014, as determined by this examination is summarized as follows:

Admitted Assets		$513,473,147
Total Liabilities	$282,339,852	
Total Capital and Surplus	231,133,295	
Liabilities, Capital and Surplus		$513,473,147

No adjustments were made to the amounts reported by the Company in its 2014 annual statement as a result of this examination.

Since the last examination conducted as of December 31, 2009, the Company's admitted assets have increased $120,899,224, its total liabilities have increased $105,906,037, and its capital and surplus have increased $14,993,187.

In addition to the undersigned, Joseph W. Detrick, CPA, CISA, CFE, AES, and Jenny Jeffers, CISA, AES of Jennan Enterprises and Department staff including Edward J. Moody, CFE, Colton A. Schulz, CFE, Mary K. Raps, AFE, and Nish Goradia participated in this examination.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,

James B. Morris, CPA, CFE, CGMA, CICA
Examiner-In-Charge
North Dakota Insurance Department

SUMMARY OF RECOMMENDATIONS

It is recommended that the Company's Board of Directors formally resolve within its minutes, at least annually, that all investments have been made in accordance with delegations, standards, limitations, and investment objectives per the requirements of N.D. Admin. Code § 45-03-12-05(3).