



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. 15-144
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>AMERIGROUP Washington, Inc.</b>	)	AND ORDER ADOPTING REPORT
	)	OF FINANCIAL EXAMINATION
	)	

A Domestic Health Care Service Contractor (HCSC).

**BACKGROUND**

An examination of the financial condition of **AMERIGROUP Washington, Inc.**, (the Company) as of December 31, 2013, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health care service contractor (HCSC). This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings (See Exhibit A) was transmitted to the Company for its comments on June 3, 2015. The Company's response to the report is attached to this order (See Exhibit B) only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

**FINDINGS**

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 11 of the report.



## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **AMERIGROUP WASHINGTON, INC.**, and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

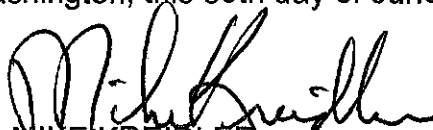
The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-2.

1. The Company is ordered to comply with RCW 48.13.051 by having its Board of Directors (BOD) review and approve the Company's investment policy at least annually. Instruction 1, Examination Report, page 1.
2. The Company is ordered to comply with RCW 48.13.051(4) by revising its investment policy so that investments are required to be managed in an ethical and capable manner. Instruction 2, Examination Report, page 2.
3. The Company is ordered pursuant to RCW 48.05.250 and with WAC 284-07-050(2), which requires adherence to the NAIC Annual Statement Instructions, by completing its MD&A with sufficient and adequate discussion of the reasons for, and drivers of, material account changes. Instruction 3, Examination Report, page 2.
4. The Company is ordered to comply with WAC 284-07-050(2) and the NAIC Annual Statement Instructions by including all elements required in the technical component of the actuarial memorandum. Specifically, the Company should include the analysis from the basic data, (e.g., claim lags) to the conclusions; include an exhibit which ties to the NAIC Annual Statement and compares the actuary's conclusions to the carried amounts; and organize the technical appendices in a manner such that the analysis can be followed from the data to the conclusions. Instruction 4, Examination Report, page 2.



IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 30th day of June, 2015.

  
MIKE KREIDLER  
Insurance Commissioner





**Amerigroup  
RealSolutions**  
in healthcare

June 30, 2015

James T. Odiorne  
Chief Deputy Insurance Commissioner  
State of Washington Office of Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

Re: Financial Examination Report of AMERIGROUP Washington, Inc. As of December 31, 2013

Dear Chief Deputy Commissioner Odiorne:

This letter is in regards to the draft financial examination report of AMERIGROUP Washington, Inc. as of December 31, 2013. The company has reviewed the report and believes that it to be factually correct and the financial statements have been compared to the 2013 annual statement submitted by the company without exception.

We are including a pdf copy of a few formatting corrections that we believe will make the financial statements easier to follow.

If you have any questions, please do not hesitate to contact me at (206) 695-7081.

Sincerely,

Daryl W. Edmonds  
President and CEO  
AMERIGROUP Washington, Inc

Order No. 15-144  
Amerigroup Washington, Inc.  
Exhibit B

705 5<sup>th</sup> Avenue South, Suite 110  
Seattle, Washington 98104  
206-695-7081

[www.amerigroup.com](http://www.amerigroup.com)

**AMERIGROUP Washington, Inc.**  
**Statement of Revenue and Expenses**  
**For the Year Ended December 31, 2013**

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Member months	354,131		354,131
Net premium income	\$143,031,340	\$0	\$143,031,340
Change in unearned premium reserves and reserve for rate credits	(9,105,737)		(9,105,737)
Total revenues	<u>133,925,603</u>	<u>0</u>	<u>133,925,603</u>
<b>Hospital and Medical:</b>			
Hospital/medical benefits	69,631,126		69,631,126
Other professional services	2,150,814		2,150,814
Aggregate write-ins for other hospital and medical	1,490,742		1,490,742
Emergency room and out-of-area	14,027,875		14,027,875
Prescription drugs	21,988,362		21,988,362
Incentive pool, withhold adjustments and bonus amounts	689,265		689,265
Subtotal	<u>109,978,184</u>	<u>0</u>	<u>109,978,184</u>
<b>Less:</b>			
Total hospital and medical	<u>109,978,184</u>		<u>109,978,184</u> - SUB TOTAL
Claims adjustment expenses	9,092,063		9,092,063
General administrative expenses	10,861,435		10,861,435
Total underwriting deductions	<u>129,931,682</u>	<u>0</u>	<u>129,931,682</u>
Net underwriting gain or (loss)	3,993,921	0	3,993,921
Net investment income earned	969,264		969,264
Net realized capital gains (losses) less capital gains tax	(78,210)		(78,210)
Net investment gains (losses)	<u>891,054</u>	<u>0</u>	<u>891,054</u>
Net income or (loss) after capital gains tax and before all other federal income taxes	4,884,975		4,884,975
Federal and foreign income taxes incurred	<u>2,372,844</u>		<u>2,372,844</u>
Net income or (loss)	<u>\$2,512,131</u>	<u>\$0</u>	<u>\$2,512,131</u>

**CAPITAL AND SURPLUS ACCOUNT**

Capital and surplus prior reporting year	\$30,197,234	\$0	\$30,197,234
Net income or (loss)	2,512,131		2,512,131
Change in net unrealized capital gains (losses)	120,408		120,408
Change in net deferred income tax	711,188		711,188
Change in nonadmitted assets	2,169,761		2,169,761
Net change in capital & surplus	<u>5,513,488</u>	<u>0</u>	<u>5,513,488</u>
Capital and surplus end of reporting period	<u>\$35,710,722</u>	<u>\$0</u>	<u>\$35,710,722</u>

*underline not needed*

**AMERIGROUP Washington, Inc.  
Two Year Reconciliation of Surplus  
For the Years Ended December 31,**

	<u>2013</u>	<u>2012</u>	
Capital and surplus prior reporting year	<u>\$30,197,234</u>	<u>\$3,051,115</u>	<i>underline not needed</i>
Net income or (loss)	2,512,131	(4,882,711)	
Change in net unrealized capital gains (losses)	120,408	0	
Change in net deferred income tax	711,188	2,629,373	
Change in nonadmitted assets	2,169,761	(4,102,314)	
Surplus adjustments:			
Paid in	0	33,501,771	
Net change in capital & surplus	<u>5,513,488</u>	<u>27,146,119</u>	
Capital and surplus end of reporting year	<u>\$35,710,722</u>	<u>\$30,197,234</u>	