



# COMMISSIONER OF SECURITIES AND INSURANCE

James Brown  
Commissioner

Office of the  
Montana State Auditor

## SENT VIA EMAIL

November 4, 2025

John Morrison  
MORRISON SHERWOOD WILSON DEOLA PLLP  
401 North Last Chance Gulch  
Helena, MT 59624-0557  
[john@mswdlaw.com](mailto:john@mswdlaw.com)

RE: October 22, 2025, Public Information Request  
CSI Request No. CSI PRR-22

Dear Requestor,

On October 22, 2025, the Montana Commissioner of Securities and Insurance (CSI) received your Public Records Request, a copy of which is enclosed for reference. In accordance with your request, CSI is providing the documents labeled **CSI PRR-22 000001–196**.

CSI is committed to transparency and to fulfilling its obligations under Montana's public records laws. We value your engagement in this process and appreciate the opportunity to assist you in accessing public information. Should you need any additional records or information, please feel free to reach out to us directly.

Finally, in accordance with Montana law, a copy of your original request and this response will be posted on the CSI website.

Sincerely,  
*Brandy Morrison*  
Brandy Morrison  
Paralegal

**From:** [Morrison, Brandy](#)  
**To:** [john@mswdlaw.com](mailto:john@mswdlaw.com)  
**Cc:** [CSI Public Information Requests](#)  
**Subject:** FW: HCSC annual statements  
**Date:** Wednesday, October 22, 2025 2:38:45 PM  
**Attachments:** [image002.gif](#)  
[image001.png](#)  
[image003.png](#)  
[image004.png](#)  
[image005.png](#)  
[image006.png](#)  
[image007.png](#)  
[image002.png](#)

---

Dear Mr. Morrison,

Kari forwarded your email below to our Public Information Request inbox. This email is acknowledging receipt of your request. Furthermore, in the future if you have a public information request, please submit it on our website at <https://csimt.gov/public-information-request/>.

Thank you,

*-Brandy Morrison*

**BRANDY MORRISON**

***Paralegal***

Office of the Montana State Auditor | Commissioner of Securities and Insurance

840 Helena Ave. | Helena, Montana 59601

(o) 406.444.1942



This e-mail transmission and any attachments may contain information from the Office of the Montana State Auditor, Commissioner of Securities, and Insurance, which is confidential and/or privileged. The information is intended solely for the use of the individual or entity named above. If you are not the intended recipient, any disclosure, copying, distribution, or use of the contents of this information is prohibited. If you received this e-mail in error, please immediately notify me by return e-mail and delete the information you received in error immediately. Thank you.

---

**From:** John Morrison <[john@mswdlaw.com](mailto:john@mswdlaw.com)>  
**Sent:** Wednesday, October 22, 2025 10:46 AM  
**To:** Leonard, Kari <[kari.leonard@mt.gov](mailto:kari.leonard@mt.gov)>  
**Cc:** Scott Peterson <[speterson@mswdlaw.com](mailto:speterson@mswdlaw.com)>  
**Subject:** [EXTERNAL] HCSC annual statements

Hi Kari. Can you please provide me the annual statements for HCSC 2021-2024? Please let me know if there is a cost and we will get you a check. Thanks very much.

JOHN MORRISON  
MORRISON SHERWOOD WILSON DEOLA PLLP  
401 North Last Chance Gulch,  
P.O. Box 557  
Helena, Montana 59624-0557  
406-442-3261

406-443-7294 FAX

[john@mswdlaw.com](mailto:john@mswdlaw.com)

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

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



This e-mail message is PRIVILEGED AND CONFIDENTIAL communication and is transmitted for the sole and exclusive use of the named addressee(s). This communication may not be copied or disseminated except as directed by the named addressee(s). If you receive this communication and you are not a named addressee, please notify us immediately. In such an event, you may not retain a copy of this communication, or any part thereof, and may not retain, preserve, divulge or use in any way whatsoever any of the information contained or transmitted herein.



**ANNUAL STATEMENT**  
 For the Year Ending December 31, 2021  
 OF THE CONDITION AND AFFAIRS OF THE  
**HCSC Insurance Services Company**

NAIC Group Code 0917 0917 NAIC Company Code 78611 Employers ID Number 73-1350270  
(current period) (prior period)

Organized under the Laws of Illinois State of Domicile or Port of Entry IL

Country of Domicile United States of America

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

Incorporated/Organized 02/06/1958 Commenced Business 02/23/1958

Statutory Home Office 300 East Randolph Street Chicago, IL, 60601-5099  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 300 East Randolph Street  
(Street and Number)  
Chicago, IL, US 60601-5099 (312)463-6000  
(City or Town, State, Country and Zip Code) (Area Code)(Telephone Number)

Mail Address 300 East Randolph Street Chicago, IL, US 60601-5099  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 300 East Randolph Street  
(Street and Number)  
Chicago, IL, US 60601-5099 (312)463-6000  
(City or Town, State, Country and Zip Code) (Area Code)(Telephone Number)

Internet Website Address www.hcsc.net

Statutory Statement Contact Mark W Larson (312)796-4360  
(Name) (Area Code)(Telephone Number)(Extension)  
Mark\_Larson@cbcbstr.com (312)796-4360  
(E-Mail Address) (Fax Number)

**OFFICERS**

Name	Title
Stephen Devon Harris	President & Chief Executive Officer
Eric Sean Nilles	Treasurer
Arlene Kah Lim	Secretary

**OTHERS**

Scott Allen Wornack, VP, Corp Tax and Finance  
 Cory Foster Hennek, Asst Treas & CFO NMI Medical  
 Thomas Charles Lubben, Senior Vice President  
 Stephen Devon Harris, President, Medicaid  
 James Edward Walsh, Sr. Vice President and CFO

Kimberly Ann Green, Vice President  
 Sharon Lutero Huerta, VP & CEO NMI Medicaid  
 Janice Marie Torrez, President, NMI Div  
 Christine M Kouroukitis, President, Medicare

**DIRECTORS OR TRUSTEES**

Stephen Devon Harris  
 Janice Marie Torrez  
 Christine M. Kouroukitis

Thomas Charles Lubben  
 James Edward Walsh  
 Nathan William Unslay

State of Illinois  
 County of Cook ss

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

_____ (Signature) Stephen Devon Harris (Printed Name) 1. President and CEO (Title)	_____ (Signature) Eric Sean Nilles (Printed Name) 2. Treasurer (Title)	_____ (Signature) Arlene Kah Lim (Printed Name) 3. Secretary (Title)
--	--	--

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2022

\_\_\_\_\_  
 (Notary Public Signature)

a. Is this an original filing? Yes  No

b. If no: 1. State the amendment number 0  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached 0

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1-2)	Net Admitted Assets
1. Bonds (Schedule D)	498,797,751		498,797,751	478,451,700
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common Stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....2,611,608, Schedule E Part 1), cash equivalents (\$.....63,908,852, Schedule E Part 2) and short-term investments (\$.....0, Schedule DA)	66,520,460		66,520,460	74,207,813
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities Lending Reinvested Collateral Assets (Schedule DL)				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	565,318,211		565,318,211	552,659,513
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,455,387		1,455,387	1,574,962
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	7,539,663		7,539,663	8,440,838
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums (\$.....2,690,497) and contracts subject to redetermination (\$.....11,105,000)	13,795,487		13,795,487	13,527,494
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	145,114,229		145,114,229	126,971,995
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	117,671,325	2,945,402	114,725,923	66,716,920
18.1 Current federal and foreign income tax recoverable and interest thereon	19,465,659		19,465,659	13,744,448
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$.....0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	113,217		113,217	217,182
24. Health care (\$.....126,621,393) and other amounts receivable	141,095,700	14,474,308	126,621,392	120,736,506
25. Aggregate write-ins for other than invested assets	1,090,550	638,536	452,014	296,933
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,012,659,428	18,056,246	994,601,182	904,886,791
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. TOTAL (Lines 26 and 27)	1,012,659,428	18,056,246	994,601,182	904,886,791
<b>DETAILS OF WRITE-INS</b>				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Prepaid Expenses	638,536	638,536		
2502. State Income Tax Receivable	452,014		452,014	296,933
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,090,550	638,536	452,014	296,933

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... 157,385,000 reinsurance ceded) .....	26,988,614		26,988,614	35,454,842
2. Accrued medical incentive pool and bonus amounts .....	2,643,000		2,643,000	36,000
3. Unpaid claims adjustment expenses .....	15,180,000		15,180,000	17,168,000
4. Aggregate health policy reserves, including the liability of \$..... 134,786,274 for medical loss ratio rebata per the Public Health Service Act .....	176,716,298		176,716,298	72,171,255
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserves .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....				
9. General expenses due or accrued .....	42,519,345		42,519,345	28,824,157
10.1 Current federal and foreign income tax payable and interest thereon (including \$..... 0 on realized capital gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....	162,871,716		162,871,716	150,245,838
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$..... 0 current) and interest thereon \$..... 0 (including \$..... 0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	377,193,504		377,193,504	392,969,795
16. Derivatives .....				
17. Payable for securities .....	156		156	940,101
18. Payable for securities lending .....				
19. Funds held under reinsurance treaties (with \$..... 0 authorized reinsurers, \$..... 0 unauthorized reinsurers and \$..... 0 certified reinsurers) .....				
20. Reinsurance in unauthorized and certified (\$..... 0) companies .....				
21. Net adjustments in assets and liabilities due to foreign exchange rates .....				
22. Liability for amounts held under uninsured plans .....	10,901,145		10,901,145	
23. Aggregate write-ins for other liabilities (including \$..... 7,067,708 current) .....	7,067,708		7,067,708	21,735,456
24. TOTAL Liabilities (Lines 1 to 23) .....	822,081,486		822,081,486	719,545,444
25. Aggregate write-ins for special surplus funds .....	X X X	X X X		
26. Common capital stock .....	X X X	X X X	2,500,000	2,500,000
27. Preferred capital stock .....	X X X	X X X		
28. Gross paid in and contributed surplus .....	X X X	X X X	957,264,898	917,264,898
29. Surplus notes .....	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
31. Unassigned funds (surplus) .....	X X X	X X X	(787,245,202)	(734,423,551)
32. Less treasury stock, at cost:				
32.1 ..... 0 shares common (value included in Line 26 \$..... 0) .....	X X X	X X X		
32.2 ..... 0 shares preferred (value included in Line 27 \$..... 0) .....	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32) .....	X X X	X X X	172,519,696	185,341,347
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) .....	X X X	X X X	994,601,182	904,886,791
<b>DETAILS OF WRITE-INS</b>				
2301. Due to NM Human Services Department .....	7,067,708		7,067,708	21,735,456
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	7,067,708		7,067,708	21,735,456
2501. ....	X X X	X X X		
2502. ....	X X X	X X X		
2503. ....	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	X X X	X X X		
3001. ....	X X X	X X X		
3002. ....	X X X	X X X		
3003. ....	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above) .....	X X X	X X X		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	6,422,932	6,380,902
2. Net premium income (including \$.....0 non-health premium income)	X X X	668,498,667	624,157,712
3. Change in unearned premium reserves and reserve for rate credits	X X X	(134,533,043)	3,514,531
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL Revenues (Lines 2 to 7)	X X X	533,965,624	627,672,243
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits		1,634,637,984	1,613,664,840
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		412,569,519	415,286,590
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts		552,954	(5,250,220)
16. Subtotal (Lines 9 to 15)		2,047,760,457	2,023,901,210
<b>Less:</b>			
17. Net reinsurance recoveries		1,583,253,302	1,548,463,455
18. TOTAL Hospital and Medical (Lines 16 minus 17)		464,507,155	475,437,755
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....42,154,640 cost containment expenses		53,976,011	92,922,399
21. General administrative expenses		116,896,184	190,244,294
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)		(29,988,000)	(59,301,000)
23. TOTAL Underwriting Deductions (Lines 18 through 22)		605,391,350	699,303,448
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(71,425,726)	(71,631,205)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		9,467,522	11,626,473
26. Net realized capital gains (losses) less capital gains tax of \$.....27,339		(219,988)	1,754,583
27. Net investment gains (losses) (Lines 25 plus 26)		9,247,534	13,381,056
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses			(26,239)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(62,178,192)	(58,276,388)
31. Federal and foreign income taxes incurred	X X X	(20,490,488)	30,034,645
32. Net income (loss) (Lines 30 minus 31)	X X X	(41,687,704)	(88,311,033)
<b>DETAILS OF WRITE-INS</b>			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. Miscellaneous Expense			(26,239)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			(26,239)

## STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33.	Capital and surplus prior reporting year .....	185,341,347	236,352,448
34.	Net income or (loss) from Line 32 .....	(41,687,704)	(88,311,033)
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....1,524,407 .....	(8,783,488)	7,334,807
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....	1,524,407	1,949,758
39.	Change in nonadmitted assets .....	(3,674,865)	13,015,367
40.	Change in unauthorized and certified reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....	40,000,000	15,000,000
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	(12,821,650)	(51,011,101)
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	172,519,697	185,341,347
<b>DETAILS OF WRITE-INS</b>			
4701.	.....		
4702.	.....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		



**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	642,900,299	658,084,402
2. Net investment income .....	11,485,160	13,750,495
3. Miscellaneous income .....		
4. TOTAL (Lines 1 through 3) .....	654,385,459	671,834,897
5. Benefit and loss related payments .....	488,650,174	370,480,695
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	198,296,911	291,010,387
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... 27,339 tax on capital gains (losses) .....	(17,034,469)	(9,070,019)
10. TOTAL (Lines 5 through 9) .....	669,912,616	652,421,063
11. Net cash from operations (Line 4 minus Line 10) .....	(15,527,157)	19,413,834
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	82,353,743	174,407,224
12.2 Stocks .....		
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7 Miscellaneous proceeds .....	516	979,758
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7) .....	82,354,259	175,386,983
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	112,050,269	176,385,811
13.2 Stocks .....		
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....	2,464,185	1,950,248
13.7 TOTAL investments acquired (Lines 13.1 to 13.6) .....	114,514,454	178,336,059
14. Net increase (decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(32,160,195)	(2,949,076)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....	40,000,000	15,000,000
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	40,000,000	15,000,000
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(7,687,352)	31,464,757
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	74,207,813	42,743,055
19.2 End of year (Line 18 plus Line 19.1) .....	66,520,460	74,207,813

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
---------	--	--

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	The MVA	The XXI Medical	Other Health	Other Non-Health
1. Net premium income	662,488,647						577,247,138	290,971,656	221,779,873	
2. Change in unearned premium reserves and reserve for rate credit	(134,533,943)						(6,833,493)	(128,000,000)	422,430	
3. Fee-to-service (net of \$.....0 medical expenses)										XXX
4. Risk revenue										XXX
5. Aggregate write-ins for other health care related revenues										XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7. TOTAL Revenues (Lines 1 to 6)	527,954,704						570,413,645	131,971,656	221,802,303	XXX
8. Hospital/medical benefits	1,834,637,894						133,229,781	1,497,402,541	2,285,882	XXX
9. Other professional services										XXX
10. Office salaries										XXX
11. Emergency room and out-of-area										XXX
12. Prescription drugs	412,568,518						11,182,033	268,071,022	145,304,464	XXX
13. Aggregate write-ins for other hospital and medical										XXX
14. Incentive pool, utilization adjustments and losses accounts	532,804						2,917,022	(2,384,080)		XXX
15. Subtotal (Lines 8 to 14)	2,047,768,457						149,388,846	1,703,758,283	187,682,346	XXX
16. Net reinsurance recoveries	1,883,233,313						145,267	1,383,407,905		XXX
17. TOTAL Hospital and Medical (Lines 15 minus 16)	464,535,135						149,233,449	117,654,360	187,682,346	XXX
18. Non-health claims (net)		XXX	XXX	XXX	XXX	XXX				XXX
19. Claims adjustment expenses including \$.....42,129,849 cost containment expenses	53,876,811						9,131,453	32,325,571	12,419,887	
20. General administrative expenses	116,888,194						24,163,255	43,678,869	39,730,861	
21. Increase in reserves for accident and health contracts	(28,968,245)							(23,660,000)	2,702,000	XXX
22. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX				XXX
23. TOTAL Underwriting Deductions (Lines 17 to 22)	805,397,353						179,366,257	147,293,639	264,532,196	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(71,425,728)						(30,132,808)	(29,349,243)	(76,849,850)	
<b>DETAILS OF WRITE-INS</b>										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page										XXX
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0698. Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page										XXX
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)										XXX

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS**

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employee Health Benefits Plan				
6. Title XVII - Medicare	177,630,640		283,702	177,347,138
7. Title XIX - Medicaid	2,245,480,185		1,988,508,528	256,971,657
8. Other health	231,178,672			231,178,672
9. Health subtotal (Lines 1 through 8)	2,657,290,697		1,960,782,230	696,508,667
10. Life				
11. Property/casualty				
12. TOTALS (Lines 6 to 11)	2,657,290,697		1,960,782,230	696,508,667

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefits Plan	Title XVII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	2,061,562,125						149,694,076	1,722,064,101	209,789,940	
1.2 Reinsurance assumed							448,397	1,604,271,003		
1.3 Reinsurance ceded	1,604,417,400									
1.4 Net	477,144,725						149,547,679	117,513,098	209,789,940	
2. Paid medical incentive pools and bonuses	310,052						310,052			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	194,355,614						19,365,614	157,359,000	7,631,000	
3.2 Reinsurance assumed	18,000									18,000
3.3 Reinsurance ceded	157,386,000						8,000	157,368,000		18,000
3.4 Net	26,968,614						19,357,614		7,631,000	
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	2,843,000						2,843,000			
6. Net healthcare receivables (a)	7,066,094						1,466,094	161,739	5,460,601	
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	211,621,842						21,111,842	178,158,000	14,352,000	
8.2 Reinsurance assumed	22,725									22,725
8.3 Reinsurance ceded	178,189,725						8,000	178,158,000		22,725
8.4 Net	35,454,842						21,132,842		14,352,000	
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	36,000						36,000			
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	2,047,207,503						146,481,794	1,703,129,362	197,602,347	
12.2 Reinsurance assumed	(4,725)									(4,725)
12.3 Reinsurance ceded	1,525,612,675						945,397	1,526,472,003		(4,725)
12.4 Net	481,590,103						146,336,397	117,651,369	197,602,347	
13. Incurred medical incentive pools and bonuses	2,917,052						2,917,052			

(a) Excludes (1) loans or advances to providers not yet expensed.

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

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVI Medicare	Title XX Medicaid	Other Health	Other Non-Health
<b>1. Reported to Process of Adjustment:</b>										
1.1 Direct .....	38,894,814						2,068,814	28,252,000	7,578,000	
1.2 Reinsurance assumed .....	18,000									18,000
1.3 Reinsurance ceded .....	32,902,000						1,000	32,883,000		18,000
1.4 Net .....	6,010,814						2,065,814	3,631,000	7,578,000	
<b>2. Incurred but Unreported:</b>										
2.1 Direct .....	145,461,000						17,298,000	128,107,000	55,000	
2.2 Reinsurance assumed .....										
2.3 Reinsurance ceded .....	134,403,000						7,000	134,478,000		
2.4 Net .....	20,978,000						17,292,000	3,631,000	55,000	
<b>3. Amounts Withheld from Paid Claims and Capitations:</b>										
3.1 Direct .....										
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....										
<b>4. TOTALS</b>										
4.1 Direct .....	184,355,814						18,366,814	157,359,000	7,631,000	
4.2 Reinsurance assumed .....	18,000									18,000
4.3 Reinsurance ceded .....	157,345,000						8,000	157,359,000		18,000
4.4 Net .....	26,968,814						18,357,814	7,631,000		

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....						
2. Medicare Supplement .....						
3. Dental only .....						
4. Vision only .....						
5. Federal Employees Health Benefits Plan .....						
6. Title XVIII - Medicare .....	16,211,928	133,335,751	152,000	19,205,814	18,363,826	21,102,542
7. Title XIX - Medicaid .....	(1,658,734)	119,472,833			(1,658,734)	
8. Other health .....	15,087,753	181,896,195	26,000	7,895,000	15,113,753	14,352,000
9. Health subtotal (Lines 1 to 8) .....	32,639,947	444,504,779	178,000	28,910,614	32,917,897	35,454,942
10. Healthcare receivables (a) .....	132,057,347	7,088,394			132,057,347	132,057,347
11. Other non-health .....						
12. Medical incentive pool and bonus amounts .....	618	308,434	70,000	2,573,000	70,618	38,000
13. TOTALS (Lines 9 - 10 + 11 + 12) .....	(93,416,782)	432,725,818	248,000	29,323,614	(93,158,782)	(96,566,505)

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

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

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	1,206,718	1,207,529	1,207,359	1,208,478	1,208,478
2. 2017	1,208,154	1,210,794	1,212,908	1,212,158	1,211,486
3. 2018	X X X	1,321,429	1,328,250	1,328,684	1,327,725
4. 2019	X X X	X X X	332,182	370,425	379,685
5. 2020	X X X	X X X	X X X	432,278	468,278
6. 2021	X X X	X X X	X X X	X X X	437,726

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Expenses Outstanding at End of Year				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	1,206,629	1,207,702	1,207,359	1,208,478	1,208,478
2. 2017	1,322,653	1,211,960	1,213,080	1,212,158	1,211,486
3. 2018	X X X	1,448,462	1,329,962	1,328,810	1,327,725
4. 2019	X X X	X X X	359,948	371,462	378,704
5. 2020	X X X	X X X	X X X	468,624	468,528
6. 2021	X X X	X X X	X X X	X X X	487,110

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 5/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2017	1,391,873	1,211,498	139,570	11.520	1,351,068	97.068			1,351,068	97.068
2. 2018	1,528,513	1,327,725	157,860	11.890	1,485,585	97.319			1,485,585	97.319
3. 2019	469,470	370,685	72,542	18.582	443,187	96.249	18	1	443,217	98.253
4. 2020	627,872	468,278	90,545	18.419	558,824	88.713	229	152	557,205	88.779
5. 2021	533,968	437,726	49,747	11.385	487,473	91.290	29,384	15,027	531,884	99.610

12 Grand Total

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP . . . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP . . . . . NONE



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Title XVIII - Medicare**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	94,404	99,384	99,618	99,678	99,678
2. 2017	63,301	97,286	97,896	97,873	97,892
3. 2018	X X X	125,269	133,987	140,530	140,622
4. 2019	X X X	X X X	99,415	118,580	118,617
5. 2020	X X X	X X X	X X X	108,641	122,736
6. 2021	X X X	X X X	X X X	X X X	132,178

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Size of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Benefits Outstanding at End of Year				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	99,678	99,505	99,818	99,678	99,678
2. 2017	93,847	98,078	96,074	97,673	97,892
3. 2018	X X X	150,875	141,180	140,670	140,622
4. 2019	X X X	X X X	117,754	117,395	118,628
5. 2020	X X X	X X X	X X X	127,955	122,949
6. 2021	X X X	X X X	X X X	X X X	153,958

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2017	146,605	97,892	8,358	5.36	106,248	94.064			106,248	94.064
2. 2018	146,605	140,622	7,508	5.340	148,131	101.041			148,131	101.041
3. 2019	146,301	118,617	6,201	7.020	125,018	85.453			125,028	85.459
4. 2020	165,323	122,736	7,473	6.080	130,211	78.762	213	18	130,446	78.900
5. 2021	170,332	132,178	7,812	5.759	133,291	82.041	21,778	2,180	163,760	96.109

12 Title XVIII Medicare

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Title XDX - Medicaid**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	798,198	798,634	798,389	797,722	797,722
2. 2017	703,619	768,654	790,287	789,774	789,104
3. 2018	X X X	781,981	865,707	865,347	864,358
4. 2019	X X X	X X X	18,102	18,102	18,102
5. 2020	X X X	X X X	X X X	139,361	139,361
6. 2021	X X X	X X X	X X X	X X X	119,311

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Benefits Outstanding at End of Year				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	798,773	798,735	798,389	797,722	797,722
2. 2017	797,096	788,839	790,287	789,774	789,104
3. 2018	X X X	881,418	886,109	865,347	864,358
4. 2019	X X X	X X X	18,102	18,102	18,102
5. 2020	X X X	X X X	X X X	139,361	139,361
6. 2021	X X X	X X X	X X X	X X X	119,311

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2017	892,841	783,104	97,524	12.397	880,628	89.371			880,628	98.371
2. 2018	1,008,002	864,358	125,677	14.200	1,009,935	100.192			1,009,935	100.192
3. 2019	22,008	18,102	42,080	281.334	60,182	284.368			60,182	284.368
4. 2020	189,207	139,361	72,128	51.766	211,489	112.370		136	211,625	112.443
5. 2021	131,672	119,311	31,328	26.256	150,637	114.143		12,635	163,272	123.869

12 Title XDX - Medicaid

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

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	309,115	309,451	309,351	309,076	309,076
2. 2017	414,154	384,574	324,725	324,511	324,500
3. 2018	X X X	404,479	302,676	302,757	302,745
4. 2019	X X X	X X X	216,665	237,763	237,766
5. 2020	X X X	X X X	X X X	158,074	204,182
6. 2021	X X X	X X X	X X X	X X X	158,236

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2017	2 2018	3 2019	4 2020	5 2021
1. Prior	309,180	309,462	309,351	309,076	309,076
2. 2017	425,908	324,893	324,727	324,511	324,500
3. 2018	X X X	418,409	302,683	302,793	302,745
4. 2019	X X X	X X X	225,790	237,965	237,776
5. 2020	X X X	X X X	X X X	200,169	204,188
6. 2021	X X X	X X X	X X X	X X X	193,841

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Legal Claims Adjustment Expenses	Total Claims and Claims Adjustments Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2017	366,403	324,500	33,380	10.280	357,880	92.621			357,880	92.621
2. 2018	371,806	302,745	24,774	8.183	327,519	88.068			327,519	88.065
3. 2019	282,181	237,766	22,231	9.350	259,997	89.991	10		260,007	88.984
4. 2020	274,142	204,182	10,942	5.358	215,124	78.472	18		215,140	78.478
5. 2021	231,602	158,236	10,609	5.804	167,045	65.079	7,805	2	204,652	88.364

12 Other

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

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefits Plan	Title XVII Medicare	Title XX Medicaid	Other
1. Unearned premium reserves .....	5,036,024						406,916		4,629,108
2. Additional policy reserves (A) .....	38,665,000							34,183,000	2,702,000
3. Reserve for future contingent benefits .....									
4. Reserve for rate credits or experience rating refunds (including \$..... 0 for investment income) .....	134,788,274						6,766,274	126,000,000	
5. Aggregate write-ins for other policy reserves .....									
6. TOTALS (direct) .....	178,718,298						7,193,190	162,183,000	7,330,108
7. Reinsurance ceded .....									
8. TOTALS (Net) (Page 3, Line 4) .....	178,718,298						7,193,190	162,183,000	7,330,108
9. Present value of amounts not yet due on claims .....									
10. Reserve for future contingent benefits .....									
11. Aggregate write-ins for other claim reserves .....									
12. TOTALS (direct) .....									
13. Reinsurance ceded .....									
14. TOTALS (Net) (Page 3, Line 7) .....									
<b>DETAILS OF WRITE-INS</b>									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page .....									
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....									
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....									
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....									

(A) Includes \$.....38,665,000 premium deficiency reserve.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building) .....		3,345	2,219,194		2,222,539
2. Salaries, wages and other benefits .....	72,683,504	17,274,706	35,965,248		125,923,458
3. Commissions (less \$.....0 ceded plus \$.....0 assumed) .....			5,014,656		5,014,656
4. Legal fees and expenses .....	133		881,251		881,384
5. Certifications and accreditation fees .....					
6. Auditing, actuarial and other consulting services .....	10,140		296,615		306,755
7. Traveling expenses .....	10,997	16,399	403,620		431,016
8. Marketing and advertising .....	12,672	9,414	2,810,838		2,832,924
9. Postage, express and telephone .....	511,304	1,506,897	6,149,328		10,167,529
10. Printing and office supplies .....	2,086,767	1,201,376	4,058,771		7,346,914
11. Occupancy, depreciation and amortization .....		(491)	1,687,251		1,686,760
12. Equipment .....	242,360	1,688,322	760,047		2,690,729
13. Cost or depreciation of EDP equipment and software .....	75,749	1,554,770	1,471,916		3,102,435
14. Outsourced services including EDP, claims, and other services .....	9,368,364	8,169,115	73,380,655		90,918,134
15. Boards, bureaus and association fees .....	63,842	467	2,779,141		2,843,450
16. Insurance, except on real estate .....			3,023,000		3,023,000
17. Collection and bank service charges .....			241,758		241,758
18. Group service and administration fees .....	34,426,136	244,945	192,773		34,863,854
19. Reimbursements by uninsured plans .....			(3,234,519)		(3,234,519)
20. Reimbursements from fiscal intermediaries .....					
21. Real estate expenses .....					
22. Real estate taxes .....			670,217		670,217
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....			(537,130)		(537,130)
23.2 State premium taxes .....			78,467,100		78,467,100
23.3 Regulatory authority licenses and fees .....			5,650		5,650
23.4 Payroll taxes .....			7,907,421		7,907,421
23.5 Other (excluding federal income and real estate taxes) .....		6,070	40,797,951		40,804,021
24. Investment expenses not included elsewhere .....				228,353	228,353
25. Aggregate write-ins for expenses .....	(77,337,328)	(19,853,964)	(150,516,569)		(247,707,861)
26. TOTAL Expenses Incurred (Lines 1 to 25) .....	42,154,640	11,821,371	116,896,183	228,353	(a) 171,100,547
27. Less expenses unpaid December 31, current year .....		15,180,000	42,519,345		57,699,345
28. Add expenses unpaid December 31, prior year .....		17,168,000	28,824,157		45,992,157
29. Amounts receivable relating to uninsured plans, prior year .....					
30. Amounts receivable relating to uninsured plans, current year .....					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	42,154,640	13,809,371	103,200,985	228,353	159,393,359
<b>DETAILS OF WRITE-INS</b>					
2501. Sundry Expenses .....	118		(122,500)		(122,382)
2502. Reinsurance Ceded .....	(77,337,446)	(19,853,964)	(150,394,069)		(247,585,479)
2503. .....					
2598. Summary of remaining write-ins for Line 25 from overflow page .....					
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	(77,337,328)	(19,853,964)	(150,516,569)		(247,707,861)

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 378,152	363,510
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 9,419,427	9,316,150
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 17,871	16,215
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. TOTAL gross investment income	9,815,450	9,695,875
11. Investment expenses		(g) 229,353
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. TOTAL Deductions (Lines 11 through 15)		229,353
17. Net investment income (Line 10 minus Line 16)		9,467,522

**DETAILS OF WRITE-INS**

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above)		

(a) Includes \$ 157,075 accrual of discount less \$ 2,055,138 amortization of premium and less \$ 311,738 paid for accrued interest on purchases.  
 (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.  
 (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.  
 (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.  
 (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.  
 (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.  
 (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.  
 (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	7,997		7,997		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(201,461)		(201,461)	(7,259,248)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	516		516	166	
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. TOTAL Capital gains (losses)	(192,649)		(192,649)	(7,259,082)	

**DETAILS OF WRITE-INS**

0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)					

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	2,945,402		(2,945,402)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	14,474,308	13,674,697	(799,411)
25. Aggregate write-ins for other than invested assets	638,536	508,484	(130,052)
26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	18,058,246	14,183,381	(3,874,865)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. TOTAL (Lines 26 and 27)	18,058,246	14,183,381	(3,874,865)
<b>DETAILS OF WRITE-INS</b>			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expenses	638,536	508,484	(130,052)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	638,536	508,484	(130,052)

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....						
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....						
6. Aggregate auto-ins for other lines of business .....	542,788	531,818	534,188	538,435	541,117	6,422,932
7. TOTAL .....	542,788	531,818	534,188	538,435	541,117	6,422,932
<b>DETAILS OF WRITE-DNS</b>						
0601. Medicare Part D Drug .....	258,712	240,698	238,440	236,848	234,140	2,859,610
0602. Staples .....	2,308	2,825	2,738	2,731	2,852	32,678
0603. Medical .....	281,068	274,299	278,063	284,583	289,583	3,380,374
0698. Carryover of remaining write-ins for Line 6 from overflow page .....	13,698	14,038	14,151	14,482	14,712	171,472
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	542,788	531,818	534,188	538,435	541,117	6,422,932



## Notes to Financial Statements

## 1. Summary of Significant Accounting Policies and Going Concern

## A. Accounting Practice

The financial statements of HCSC Insurance Services Company (the Company) are presented in conformity with accounting practices and procedures of the National Association of Insurance Commissioners (NAIC) as prescribed or permitted by the Illinois Department of Insurance.

The Illinois Department of Insurance recognizes only statutory practices prescribed or permitted by the State of Illinois for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under Illinois Insurance Law. The NAIC's Accounting Practices and Procedures Manual, (SAP), has been adopted as a component of prescribed or permitted practices by the State of Illinois.

For both 2021 and 2020, the Company did not have any prescribed or permitted practice exceptions.

	SSAP #	FS Para #	FS Line #	2021	2020
<b>NET INCOME</b>					
(1) The Company rate basis (Pg. 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ (41,697,704)	\$ (88,311,033)
(2) State Prescribed Practices that are an increase/(decrease) NAIC SAP.				—	—
(3) State Permitted Practices that are an increase/(decrease) NAIC SAP.				—	—
(4) NAIC SAP (1-3-3=0)	XXX	XXX	XXX	\$ (41,697,704)	\$ (88,311,033)
<b>SHARES</b>					
(5) The Company rate basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 172,519,694	\$ 183,341,347
(6) State Prescribed Practices that are an increase/(decrease) NAIC SAP.				—	—
(7) State Permitted Practices that are an increase/(decrease) NAIC SAP.				—	—
(8) NAIC SAP (5-6-7=0)	XXX	XXX	XXX	\$ 172,519,694	\$ 183,341,347

## B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could affect the amounts reported and disclosed therein such that actual results differ from management's estimates.

## C. Accounting Policies

## Investments

Investments are stated at values prescribed or permitted by the NAIC as follows:

- (1) Cash equivalents, including money market mutual funds, are investments with original maturities of three months or less. Cash equivalents are principally stated at amortized cost, which approximates fair value. All money market mutual funds are stated at net asset value (NAV) as a practical expedient for the measurement of fair value. Short-term investments are those investments that, when purchased, have a maturity between three months and one year and are stated at amortized cost, except for short-term bonds with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest rate method, except for those bonds with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value. Fair values are calculated based on market prices provided by the custodian. If there are no market prices provided by the custodian, the fair value is calculated by the Company in conjunction with its investment advisors. All NAIC Securities Valuation Office (SVO) identified bond exchange-traded funds (ETFs) held by the Company are reported at fair value.
- (3) Common stocks: Not Applicable
- (4) Preferred stocks: Not Applicable
- (5) Mortgage Loans: Not Applicable
- (6) Basis at which the loan-backed securities are stated and the adjustment methodology used for each type of security (prospective or retrospective): Not Applicable
- (7) Investments in subsidiaries, controlled and affiliated entities: Not Applicable
- (8) Investments in joint ventures, partnerships and limited liability companies: Not Applicable
- (9) Derivatives: Not Applicable

## Notes to Financial Statements

### Other Investment Accounting Policies

The net unrealized capital gains (losses) on investments carried at fair value are reported in surplus and are not recognized in income, unless there is deemed to be an Other Than Temporary Impairment (OTTI), in which case the loss is charged to income.

Realized gains and losses are determined on a specific lot identification basis. Security transactions are accounted for on a trade-date basis, with any unsettled transactions recorded as due to or due from investment broker and included in receivables for securities and payables for securities in the balance sheets.

Impairments are recognized for investments where the decline in fair value is determined to be other-than-temporary. Investments in bonds not backed by other loans, common stocks, or preferred stocks are written down to fair value as the new cost basis. Investments in bonds backed by other loans are written down to the present value of cash flows expected to be collected, discounted at the loan-backed securities' effective yield immediately preceding the OTTI determination. In all cases, the amount of the write-down is accounted for as a realized loss in the Company's statements of revenues and expenses. In addition, unrealized losses would be considered realized for interest-related declines in fair value should the Company lack the intent and ability to hold these securities.

### Other Accounting Policies

#### (10) Premium Deficiency Reserves (PDR)

The Company assesses the underwriting gains of contracts providing insurance coverage to members, further examining segments of business where current operating results and forecasts indicate probable future losses. The Company establishes a PDR in current operations to the extent that the sum of expected future claims and incurred costs, including claims adjustment expenses and administration costs, exceed related future premiums. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the method in which the Company manages, prices and markets such contracts. Estimates are continually reviewed, with any necessary adjustments reflected in current operations. Changes in assumptions for such items as medical cost, as well as changes in actual experience, could cause these estimates to change in the near term.

As of December 31, 2021 and 2020, the Company had liabilities of \$36,895,000 and \$66,883,000, respectively, related to PDRs. The PDRs established in 2021 relate to Medicaid and PDP in the amount of \$34,193,000 and \$2,702,000, respectively. The PDR established in 2020 relates to Medicaid. The PDR was established for policies the Company was committed to for 2022 and 2021, and was driven by a higher anticipated risk and associated cost of claims than were anticipated in the premium rates. The Company did not consider anticipated investment income when calculating PDRs.

#### (11) Claims Unpaid, Unpaid Claims Adjustment Liability, and Accident and Health Policy Reserves

Claims unpaid and unpaid claims adjustment liabilities on insured policies represent management's best estimate of the ultimate net cost to process and pay all reported and unreported claims incurred through December 31. The Company does not discount unpaid claims and claims adjustment liabilities. Although such amounts are based on estimates, management believes that the reserves are reasonable and adequate.

These estimates are continually reviewed, and, as adjustments to these liabilities become necessary, such adjustments are reflected in current operations. Changes in assumptions for such items as medical cost, as well as changes in actual experience, could cause these estimates to change in the near term.

Reserves for unearned premium income; premium deficiency reserves; risk adjustment payables; medical loss ratio rebates and risk corridor payables are shown as accident and health policy reserves on the balance sheets.

An estimate of future claim payments is not recorded for uninsured plans.

#### (12) Changes in Capitalization Policy

The Company has not made any significant changes to its capitalization policy from the prior period.

#### (13) Pharmacy Rebate Receivables

The Company contracts mainly with Prime Therapeutics, LLC (Prime), an affiliated Pharmacy Benefit Manager (PBM), for the administration of pharmaceutical drug claims.

Pharmacy rebate receivables are based on the PBM's estimate of the actual amounts due to the Company and an estimated amount calculated by the Company. The Company's estimated amount is based on the claims processed by the PBM in the current quarter multiplied by a contractual rate based

## Notes to Financial Statements

on utilization. Pharmacy rebate receivables are included in amounts receivable related to uninsured plans and health care receivables in the balance sheets depending on the type of business.

### Premium Revenue

Insurance premiums are recorded on the accrual basis of accounting and are recognized as income during the period of coverage.

### Uncollected Premiums

Uncollected premiums consist of the members' portion of the Part D and MAPD premiums due. Due to collectability concerns for aged accounts receivable, an allowance for doubtful accounts is recorded. The balance reported for uncollected premiums in the accompanying balance sheets was net of an allowance for doubtful accounts of \$19,993,354 and \$17,767,204 at December 31, 2021 and 2020, respectively.

### Uninsured plans

The Company charges uninsured plans an administrative fee, which is usually calculated on a per subscriber basis, for processing claims and administering the plan. Administrative fee revenue is shown as a reduction of claims adjustment expenses and general and administrative expenses in the statements of revenues and expenses, while the claims processed, and associated claims reimbursements received from uninsured plans are excluded from the statements of revenues and expenses. The primary type of uninsured plan contracts for which the Company receives an administrative fee for providing services is Administrative Services Contracts (ASC). ASC includes business where the Company pays benefits on behalf of employers using HCSC's check stock.

### Income Taxes

Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities. Changes in deferred tax assets and liabilities are recorded as an addition or reduction to capital and surplus. Deferred taxes do not include amounts for state taxes. The application of SSAP No. 101—*Income Taxes* (SSAP No. 101) requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized. The admissibility of deferred tax assets is limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse within three years of the balance sheet date; plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date, or an amount that is no greater than the applicable percentage of capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for the current reporting period's statement filed with the domiciliary state commissioner adjusted to exclude any net deferred tax assets, electronic data processing equipment and operating system software, and any net positive goodwill; plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted.

### Medicare Standalone Part D and Medicare Advantage Prescription Drug

The Company offers standalone Medicare Part D prescription drug and Medicare Advantage and Prescription Drug (MAPD) insurance coverage under contracts with The Centers for Medicare and Medicaid Services (CMS). These contracts consist of an insurance component where the insurance company assumes the risk for individuals in exchange for a fixed premium that is paid in part by CMS and in part by the covered individual. This activity is reported as insurance premiums and claims. After the end of each calendar year, for the standalone Medicare Part D and the Medicare Part D portion of the MAPD contract, the net gain or loss on each Part D contract is calculated and a settlement amount is determined. Based on the agreed upon formula, a portion of any gains in excess of the target are returned to CMS and are reported as a reduction to premium revenues. Any losses outside the agreed upon target result in an additional premium payment from CMS to the Company and are reported as an increase to premium revenues.

CMS also pays 80% of all Part D net claim costs in excess of a predetermined threshold per person, per year. Amounts received from CMS are reported as deposits and are not included in the statements of revenues and expenses. Instead, they are reported as uninsured payments pursuant to SSAP No. 47, *Uninsured Plans*, which pertains to accounting for uninsured business. The claim amounts over the threshold are reported as receivables due from CMS, and payments received from CMS are reported as collection of the receivable. Lastly, for certain low-income members, CMS is responsible for part or all of the members' cost sharing amounts, such as deductibles. This program is known as Low Income Member Cost share. CMS pays the Company each month an amount that is expected to cover these cost sharing amounts. The Company pays these claims on behalf of CMS and then settles with CMS based on actual experience after the end of the contract year. Revenues and claims under this arrangement are reported as deposits, and, as such, are excluded from the statements of revenues and expenses.

## Notes to Financial Statements

In addition, CMS implemented the Coverage GAP Discount Program, in which the drug manufacturers provide a 50% discount on brand drugs to Part D members in the coverage gap. CMS pays monthly cash advances to the Company and then on a quarterly basis, after the manufacturers have reimbursed the Company for the actual cost of the 50% discount, nets the actual cost against the next advance. Revenues and claims under this arrangement are reported as deposits and, as such, are excluded from the statements of revenues and expenses.

### Indian Health Services

Under the New Mexico Medicaid contract, the Company is fully reimbursed by the State of New Mexico Human Services Department (HSD) for costs incurred for services of Native Americans provided by authorized Indian Health Services providers and facilities and, accordingly, there is no insurance risk to the Company.

### D. Going Concern

In connection with preparing financial statements for each annual and interim reporting period, management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. There are no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

## 2. Accounting Changes and Corrections of Errors

SSAP No. 25, *Affiliates and Other Related Parties*, was revised to clarify that an ownership greater than 10% in a reporting entity results in a related party designation, regardless of any disclaimer of control or affiliation. The update also requires disclosure of such instances and identification of an insurer's ultimate controlling party. The revised guidance was effective on January 1, 2021. The adoption of this new guidance did not have a material impact on the Company's financial position or operating results.

SSAP No. 55, *Unpaid Claims, Losses and Loss Adjustment Expenses*, was revised to clarify that subrogation recoveries should be reported as a reduction of losses and/or loss adjusting expense reserves, depending on the nature of the costs being recovered. The adoption also updated the related disclosures to isolate the reporting of estimated salvage and subrogation and their impact on unpaid claims, losses, or associated loss adjusting expenses. The revised guidance was effective on January 1, 2021. The adoption of this new guidance did not have a material impact on the Company's financial position or operating results.

Interpretation 20-08, *COVID-19 Premium Refunds, Limited-Time Exception, Rate Reductions and Policyholder Dividends* (INT 20-08), prescribed statutory accounting guidance for insurance entities providing refunds, rate reductions and/or policyholder dividends in response to the decreased activity resulting from COVID-19. Pursuant to this guidance, entities that provide voluntary or jurisdiction-directed refunds which are not required under the policy terms shall recognize such refunds as a reduction of premium. Rate reductions on future renewals shall be reflected in the premium rate charged on renewal. INT 20-08 did not change existing policyholder dividend disclosure or reporting requirements; however, it did provide additional guidance on policyholder dividends issued in response to COVID-19. INT 20-08 automatically nullified on January 1, 2021. The Company did not provide any refunds, rate reductions or policyholder dividends in response to COVID-19 in 2021.

## 3. Business Combinations and Goodwill

### A. Statutory Purchase Method

Not Applicable

### B. Statutory Merger

Not Applicable

### C. Assumption Reinsurance

Not Applicable

### D. Impairment Loss

Not Applicable

### E. Subcomponents and Calculation of Adjusted Surplus and Total Admitted Goodwill

Not Applicable

## Notes to Financial Statements

### 4. Discontinued Operations

Not Applicable

### 5. Investments

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

Not Applicable

#### B. Debt Restructuring

Not Applicable

#### C. Reverse Mortgages

Not Applicable

#### D. Loan-Backed Securities

(1) Prepayment assumptions for fixed-rate agency mortgage-backed securities are determined utilizing Mortgage Industry Advisor Committee (MIAC) Mortgage Industry Medians (MIMs). MIMs are derived from a semimonthly dealer-consensus survey of long-term prepayment projections. Prepayment assumptions for other mortgage-backed, loan-backed and structured securities are obtained from Moody's Analytics. Moody's applies a flat economic credit model and utilizes a vector of multiple monthly speeds as opposed to a single speed for more robust projections. In instances where Moody's projections are not available, data is obtained from Reuters which utilizes the median prepayment speed from contributors' models.

(2) In 2021, the Company did not recognize any OTTI on loan-backed securities that are classified under either intent to sell or under inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.

(3) The Company did not recognize any OTTI on loan-backed securities in 2021.

(4) All securities with an unrealized loss (fair value is less than cost or amortized cost) for which an OTTI has not been recognized in earnings as a realized loss (including securities with a recognized OTTI for non-interest related declines when a non-recognized interest related impairment remains), segregated by the amount of time the securities have been in an unrealized loss position, are as follows:

a. The aggregate amount of unrealized losses:

1 Less than 12 months		\$ 1,788,504
2 12 months or longer		<u>\$ 89,160</u>

b. The aggregate related fair value of securities with unrealized losses:

1 Less than 12 months		\$ 116,039,056
2 12 months or longer		<u>\$ 1,709,002</u>

(5) The Company believes that all unrealized losses on individual securities are the result of normal price fluctuations due to market conditions and are not an indication of OTTI. Market conditions include interest rate fluctuations, credit quality, supply, and demand.

#### E. Dollar Repurchase Agreements and/or Securities Lending Transactions

Not Applicable

#### F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

#### G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

## Notes to Financial Statements

### H. Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

### I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

### J. Real Estate

(1-5) Not Applicable

### K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable

### L. Restricted Assets

#### (1) Restricted Assets (Including Pledged)

Restricted Asset Category	1	2	3	4	5	6	7
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase/(Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Percentage Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Percentage Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
b. Collateral held under security lending agreements	--	--	--	--	--	--	--
c. Subject to repurchase agreements	--	--	--	--	--	--	--
d. Subject to reverse repurchase agreements	--	--	--	--	--	--	--
e. Subject to dollar repurchase agreements	--	--	--	--	--	--	--
f. Subject to dollar reverse repurchase agreements	--	--	--	--	--	--	--
g. Placed under option contracts	--	--	--	--	--	--	--
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	--	--	--	--	--	--	--
i. FHLB capital stock	4,277,113	4,275,447	1,666	--	4,277,113	0.42%	0.43%
j. On deposit with states	--	--	--	--	--	--	--
k. On deposit with other regulatory bodies	--	--	--	--	--	--	--
l. Pledged as collateral to FHLB (including assets backing funding agreements)	--	--	--	--	--	--	--
m. Pledged as collateral not captured in other categories	--	--	--	--	--	--	--
n. Other restricted assets	161,439,171	148,759,074	12,680,097	--	161,439,171	15.94%	16.23%
<b>o. Total Restricted Assets</b>	<b>\$ 165,716,284</b>	<b>\$153,034,521</b>	<b>\$ 12,681,763</b>	<b>\$ --</b>	<b>\$ 165,716,284</b>	<b>16.56%</b>	<b>16.66%</b>

(a) Column 1 divided by Asset Paga, Column 1, Line 28

(b) Column 5 divided by Asset Paga, Column 3, Line 28

#### (2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

Not Applicable

#### (3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate)

Description of Asset	1	2	3	4	5	6
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase/(Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Solvency Cash Reserve with New Mexico Human Services Department	\$ 161,439,171	\$ 148,759,074	\$ 12,680,097	\$ 161,439,171	15.94%	16.23%
<b>GR 3999 Total (a)</b>	<b>\$ 161,439,171</b>	<b>\$ 148,759,074</b>	<b>\$ 12,680,097</b>	<b>\$ 161,439,171</b>	<b>15.94%</b>	<b>16.23%</b>

#### (4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Not Applicable

### M. Working Capital Finance Investments

Not Applicable

### N. Offsetting and Netting of Assets and Liabilities

Not Applicable

## Notes to Financial Statements

## O. SGI Securities

Not Applicable

## P. Short Sales

Not Applicable

## Q. Prepayment Penalty and Acceleration Fees

December 31,  
2021

General Account

(1) Number of CUSIPs

4

(2) Aggregate Amount of Investment Income

\$ 303,869

## R. Reporting Entity's Share of Cash Pool by Asset type.

Not Applicable

## 6. Joint Ventures, Partnerships and LLCs

## A. Investments That Exceed 10% of the Admitted Assets

Not Applicable

## B. Impaired Investments

Not Applicable

## 7. Investment Income

## A. Bases, By Category of Investment Income, For Excluding (Nonadmitting) Any Investment Income Due and Accrued

Not Applicable

## B. Total Amount Excluded

Not Applicable

## 8. Derivative Instruments

A. Derivatives Under SSAP No. 86 - *Derivatives*

Not Applicable

B. Derivatives Under SSAP No. 108 - *Derivative Hedging Variable Annuity Guarantees*

Not Applicable

## Notes to Financial Statements

## 9. Income Taxes

## A. SSAP No. 101 Paragraph 22 Disclosure

(1) The components of the net deferred tax asset/(liability) at December 31, 2021 are as follows:

	12/31/2021		
	(1) Ordinary	(2) Capital	(3) (Col. 1+2) Total
(a) Gross Deferred Tax Assets	\$ 63,431,045	\$ —	\$ 63,431,045
(b) Statutory Valuation Allowance Adjustments	61,329,866	—	61,329,866
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	2,101,179	—	2,101,179
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	2,101,179	—	2,101,179
(f) Deferred Tax Liabilities	353,577	1,747,602	2,101,179
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 1,747,602	\$ (1,747,602)	\$ —

The components of the net deferred tax asset/(liability) at December 31, 2020 are as follows:

	12/31/2020		
	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total
(a) Gross Deferred Tax Assets	\$ 69,422,407	\$ —	\$ 69,422,407
(b) Statutory Valuation Allowance Adjustments	65,829,313	—	65,829,313
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	3,593,094	—	3,593,094
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	3,593,094	—	3,593,094
(f) Deferred Tax Liabilities	321,085	3,272,009	3,593,094
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 3,272,009	\$ (3,272,009)	\$ —

The change in the components of the net deferred tax asset (liability) is as follows:

	Change During 2021		
	(7) Ordinary	(8) Capital	(9) (Col. 7+8) Total
(a) Gross Deferred Tax Assets	\$ (5,991,362)	\$ —	\$ (5,991,362)
(b) Statutory Valuation Allowance Adjustments	(4,499,447)	—	(4,499,447)
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	(1,491,915)	—	(1,491,915)
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	(1,491,915)	—	(1,491,915)
(f) Deferred Tax Liabilities	32,492	(1,524,407)	(1,491,915)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ (1,524,407)	\$ 1,524,407	\$ —



**Notes to Financial Statements**

(2) Admission Calculation Components SSAP No. 101

12/31/2021		
(1)	(2)	(3)
Ordinary	Capital	(Col. 1+2) Total

Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$	—	\$	—	\$	—
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)		—		—		—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date		—		—		—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold		XXX		XXX		25,877,954
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities		2,101,179		—		2,101,179
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	\$	2,101,179	\$	—	\$	2,101,179

12/31/2020		
(4)	(5)	(6)
Ordinary	Capital	(Col. 4+5) Total

Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$	—	\$	—	\$	—
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)		—		—		—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date		—		—		—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold		XXX		XXX		27,801,202
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities		3,593,094		—		3,593,094
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	\$	3,593,094	\$	—	\$	3,593,094

## Notes to Financial Statements

	Change During 2021		
	(7) Ordinary	(8) Capital	(9) (Col. 7+8) Total
<b>Admission Calculation Components SSAP No. 101</b>			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ —	\$ —	\$ —
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	—	—	—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date	—	—	—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXXX	XXXX	(1,923,248)
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	(1,491,915)	—	(1,491,915)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total 2(a)+2(b)+2(c)	\$ (1,491,915)	\$ —	\$ (1,491,915)

- (3) The following table provides the authorized control level risk-based capital ratio percentage and the amount of adjusted capital and surplus, excluding deferred tax assets, used to determine the recovery period and threshold limitation amounts under SSAP No. 101 paragraphs 11.b.i and 11.b.ii as of December 31:

	2021	2020
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	544 %	639 %
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation in 2(b)2 Above	\$ 172,519,696	\$ 185,341,347

- (4) Impact of Tax Planning Strategies

	12/31/2021		12/31/2020		2020 Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
(a) Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As a Percentage.						
1 Adjusted Gross DTAs Amount From Note 9A1(e)	\$ 2,101,179	\$ —	\$ 3,593,094	\$ —	\$(1,491,915)	\$ —
2 Percentage Of Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
3 Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 2,101,179	\$ —	\$ 3,593,094	\$ —	\$(1,491,915)	\$ —
4 Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

- (b) Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_ No

#### B. SSAP No 101 Paragraph 23 Disclosure

At December 31, 2021 and 2020, the Company had no unrecognized deferred tax liabilities.

## Notes to Financial Statements

### C. SSAP No. 101 Paragraph 24 Disclosure

Current income taxes incurred consist of the following major components:

(1) Current Income Tax

	(1)	(2)	(3)
	12/31/2021	12/31/2020	Col (1-2) Change
a. Federal	\$ (20,490,488)	\$ 30,034,645	\$ (50,525,133)
b. Foreign	—	—	—
c. Subtotal	<u>(20,490,488)</u>	<u>30,034,645</u>	<u>(50,525,133)</u>
d. Federal income tax on net capital gains	27,339	393,269	(365,930)
e. Utilization of capital loss carry-forwards	—	—	—
f. Other	—	—	—
g. Federal and foreign income taxes incurred	<u>\$ (20,463,149)</u>	<u>\$ 30,427,914</u>	<u>\$ (50,891,063)</u>

At December 31, 2019 it was anticipated that the Company would be able to utilize all prior year and 2019 net operating losses against the taxable income generated by the other members in the 2019 consolidated income tax return. However, upon the filing of the 2019 consolidated income tax return changes were made such that these tax attributes were never utilized. As a result, in 2020 a return to provision adjustment was recorded for \$44,172,364, increasing the Company's December 31, 2020 incurred federal taxes.

## Notes to Financial Statements

The tax effects of the change in temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	(1) 12/31/2021	(2) 12/31/2020	(3) Col. (1 - 2) Change
<b>2. Deferred Tax Assets:</b>			
<b>(a) Ordinary:</b>			
(1) Discounting of unpaid losses	\$ 3,783,889	\$ 3,473,654	\$ 310,235
(2) Unearned premium reserve	211,471	222,107	(10,636)
(3) Capital and surplus reserves	7,747,950	14,045,430	(6,297,480)
(4) Investments	—	—	—
(5) Deferred acquisition costs	—	—	—
(6) Capital and surplus dividends accrual	—	—	—
(7) Fixed assets	—	—	—
(8) Compensation and benefits accrual	—	—	—
(9) Pension accrual	—	—	—
(10) Receivables - nonadmitted	134,893	106,782	27,311
(11) Net operating loss carryforward	47,218,691	47,218,691	—
(12) Tax credit carry-forward	—	—	—
(13) Other (including items <5% of total ordinary tax assets)	—	—	—
(14) Contingent Liabilities	105,045	624,630	(519,585)
(15) Allowance for doubtful accounts	4,229,906	3,731,113	498,793
(16) Benefit Plan AML (OCI)	—	—	—
(17) Intangible assets	—	—	—
(99) Subtotal	63,431,045	69,422,407	(5,991,362)
(b) Statutory valuation allowance adjustment	\$ 61,329,866	\$ 65,829,313	\$ (4,499,447)
(c) Nonadmitted	\$ —	\$ —	\$ —
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 2,101,179	\$ 3,593,094	\$ (1,491,915)
<b>(e) Capital:</b>			
(1) Investments	\$ —	\$ —	\$ —
(2) Net capital loss carry-forward	—	—	—
(3) Real estate	—	—	—
(4) Unrealized gains/losses	—	—	—
(5) Other (including items <5% of total capital tax assets)	\$ —	\$ —	\$ —
(99) Subtotal	\$ —	\$ —	\$ —
(f) Statutory valuation allowance adjustment	—	—	—
(g) Nonadmitted	—	—	—
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ —	\$ —	\$ —
(i) Admitted deferred tax assets (2d + 2h)	\$ 2,101,179	\$ 3,593,094	\$ (1,491,915)
<b>3. Deferred Tax Liabilities:</b>			
<b>(a) Ordinary:</b>			
(1) Investments	\$ 117,679	\$ 87,428	\$ 30,251
(2) Fixed assets	—	—	—
(3) Deferred and uncollected premium	—	—	—
(4) Capital and surplus reserves	—	—	—
(5) Other (including items <5% of total ordinary tax liabilities)	—	—	—
(6) Prepaid Expenses	134,677	107,130	27,547
(7) TCJA transitional discounting of Sec 846	\$ 101,221	\$ 126,527	\$ (25,306)
(99) Subtotal	\$ 353,577	\$ 321,085	\$ 32,492
<b>(b) Capital:</b>			
(1) Investments	1,747,602	3,272,009	(1,524,407)
(2) Real estate	—	—	—
(3) Other (including items <5% of total capital tax liabilities)	\$ —	\$ —	\$ —
(99) Subtotal	\$ 1,747,602	\$ 3,272,009	\$ (1,524,407)
(c) Deferred tax liabilities (3a99 + 3b99)	2,101,179	3,593,094	(1,491,915)
<b>4. Net deferred tax assets/liabilities (2i - 3c)</b>			
	\$ —	\$ —	\$ —

The change in net deferred income taxes is comprised of the following:

	2021	2020	Change
Total of adjusted gross deferred tax assets, including valuation allowance	\$ 2,101,179	\$ 3,593,094	\$ (1,491,915)
Total of all deferred tax liabilities	2,101,179	3,593,094	(1,491,915)
Net deferred tax asset	\$ —	\$ —	\$ —
Less: Change in unrealized capital gains/losses & benefit plan AML			1,524,407
Change in benefit plans			—
Change in deferred tax asset recorded in surplus			\$ (1,524,407)

## Notes to Financial Statements

## D. SSAP No. 101 Paragraph 25 Disclosure

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for 2021 are as follows:

Description	Amount	Effective Tax Rate
Provision computed at statutory rate	\$ (13,246,621)	21.0 %
Permanent Differences	—	0.0
Prior Year True-Up	(997,488)	1.6
Change in Nonadmitted Assets	(195,187)	0.3
Other	1	0.0
Change in Valuation Allowance	(4,499,447)	7.1
Total	\$ (18,938,742)	30.0 %
Federal Income Taxes Incurred	\$ (20,463,149)	32.4 %
Change in net deferred income taxes	1,524,407	(2.4)
Total statutory income taxes	\$ (18,938,742)	30.0 %

## E. SSAP No. 101 Paragraph 26 Disclosure

- (1) As of December 31, 2021, the Company had tax benefits from operating loss carryforwards of \$8,241 from the 2003 tax year, \$98,489 from the 2005 tax year, \$1,012,382 from the 2014 tax year, \$472,861 from the 2015 tax year, \$87,151 from the 2016 tax year, \$734,510 from the 2017 tax year, \$13,007,676 from the 2018 tax year, \$28,751,054 from the 2019 tax year, and \$3,046,327 from the 2020 tax year, which are expected to expire in 2023, 2025, 2034, 2035, 2036, 2037, 2038, 2039 and 2040, respectively.
- (2) There were no federal income taxes incurred in the current year and the preceding two years, which are available for recoupment in the event of future net losses.
- (3) The Company has not made any protective tax deposits under IRC §6603 of which it reasonably expects to recover in a subsequent period.

## F. SSAP No. 101 Paragraph 28 Disclosure

The Company is included in the consolidated federal income tax return with its parent, Health Care Service Corporation, a Mutual Legal Reserve Company (HCSC). The following entities are included in the consolidated federal income tax return:

Health Care Service Corporation, a Mutual Legal Reserve Company	HCSC Insurance Services Company (HISC)
505 Insurance Company d/b/a Blue Cross and Blue Shield of New Mexico Insurance Company (NM PPO)	HCSC ITC, LLC
CMH Technology Subsidiary, LLC	HCSC Purchasing, LLC
Dearborn Life Insurance Company (DLIC)	HCSC Ventures, Inc. (HCSCV)
Dearborn National Life Insurance Company of New York	Illinois Blue Cross Blue Shield Insurance Company (IL PPO)
Dental Network of America, LLC (DNoA)	Innovista, LLC (Innovista)
Dental Solutions, Inc.	Medecision, Inc. (Medecision)
DenteMax, LLC	South Water Insurance Company
GHS General Insurance Agency, Inc.	Texas Blue Cross Blue Shield Insurance Company (TX PPO)
GHS Health Maintenance Organization, Inc. (GHS HMO or BlueLines)	USB HTC Fund 2017-2, LLC
GHS Insurance Company (GHSIC)	USB RETC Fund 2017-2, LLC
GSI Health, LLC	

The method of allocation between the companies is subject to a written agreement, approved by the Company's Board of Directors, whereby allocation is made primarily on a separate return basis, with a current credit for net operating losses or other items utilized in the consolidated return. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

## Notes to Financial Statements

### G. SSAP No. 101 Paragraph 27 Disclosure

The Company has no material positions for which management believes it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date. As of December 31, 2021 management considers the Company's open tax years to include returns filed for 2009 through 2020, as well as the return that will be filed for 2021.

### H. Repatriation Transition Tax (RTT)

Not Applicable

### I. Alternative Minimum Tax (AMT) Credit

The Company has no AMT credits as of December 31, 2021 and 2020.

## 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

### A. Nature of Relationship

The Company is directly owned by HCSC, an Illinois domiciled company.

In addition, the Company has a master service agreement with Prime, a third-party PBM, to perform certain claims processing and customer services for the Company's business. Prime is partially owned by HCSC.

### B. Description of the Transactions

HCSC made cash capital contributions in the amount of \$40,000,000 and \$15,000,000 to the Company in 2021 and 2020, respectively.

Effective January 1, 2019, the Company entered into a reinsurance agreement with its parent, HCSC, in which HCSC shall assume 100% of the Company's total incurred medical liability for dates of service beginning January 1, 2019, under the Company's Medicaid agreement with HSD. The Company shall pay a reinsurance premium, net of an expense allowance, in an amount equal to a percentage of all Medicaid premiums earned under the NM HSD agreement, for the earned period beginning January 1, 2019. The agreement reprices annually. For 2021 and 2020, the percentage was 87.5% and 91.8%, respectively. The reinsurance agreement shall automatically renew for additional, consecutive one-year periods while the Company's Medicaid agreement with NM HSD remains in full force. In the event the Medicaid agreement with NM HSD terminates for any reason, this reinsurance agreement shall automatically terminate upon written notice to HCSC.

Effective February 1, 2019, the Company entered into a three year loan agreement with HCSC, whereby HCSC agrees to make the Company revolving loans (Loans) at any time not to exceed in aggregate a principal amount of \$15,000,000. The Company will pay interest to HCSC on the unpaid principal amount, which will accrue daily at a variable interest rate per annum equal to the prime rate as published by the Wall Street Journal, plus 1.25%. Interest on each Loan shall accrue from the date of the borrowing and shall be paid monthly in arrears 15 days after the end of each month. In the event that, and for so long as, any event of default shall have occurred and be continuing, overdue interest in respect of all Loans, shall bear interest at a rate per annum equal to 2%. HCSC may demand payment at any time and without any reason. No principal payments are required until the loan maturity date of February 1, 2022. However, the Company has the right to make voluntary prepayments in increments not less than \$50,000 without penalty. During 2021 and 2020, the Company has not borrowed any amounts against the revolving loan. The agreement was not renewed and expired on February 1, 2022.

### C. Transactions with related parties who are not reported on Schedule Y

Not Applicable

### D. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

The Company reported net amounts due to HCSC of \$371,387,630 and \$385,721,542 at December 31, 2021 and 2020, respectively. The amount due to HCSC is related to administrative fees due to HCSC in addition to claims paid on the Company's behalf.

At December 31, 2021 and 2020, the Company reported amounts due to GHSIC for amounts collected on its behalf, primarily related to coverage gap discounts from the manufacturers of \$801,753 and \$1,772,187, respectively.

## Notes to Financial Statements

At December 31, 2021, the Company reported amounts due from GHS HMO primarily for claims paid on its behalf of \$113,217. In 2020, the Company reported amounts due to GHS HMO for amounts collected on its behalf, primarily related to coverage gap discounts from the manufacturers, of \$217,182.

At December 31, 2021 and 2020, the Company reported amounts due to IL PPO for amounts collected on its behalf, primarily related to coverage gap discounts from the manufacturers, of \$170,858 and \$0, respectively.

The Company reported amounts due to Prime of \$4,833,264 and \$5,476,066 at December 31, 2021 and 2020, respectively.

### E. Material Management or Service Contracts and Cost-Sharing Arrangements

The Company and HCSC are parties to an administrative services agreement under which HCSC provides certain managerial, technical, and marketing services. During 2021 and 2020, the total amounts billed by HCSC, based upon actual costs incurred were \$211,237,253 and \$202,862,878, respectively.

The Company has a master services agreement with Prime to perform certain claims processing and customer services for the Company. During 2021 and 2020, the total amounts billed by Prime for incurred expenses were \$27,206,120 and \$22,097,951, respectively.

### F. Guarantees/Undertakings

HCSC has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company to its customers in order for the Company to be licensed by the Blue Cross and Blue Shield Association. If the Company ceases operations, HCSC is required to provide coverage to the Company's subscribers without consideration of health status.

### G. Control Relationships

Refer to Schedule Y.

### H. Amount deducted from the Value of an Upstream Intermediate Entity or Ultimate Parent Owned

Not Applicable

### I. Investments in Subsidiary, Controlled Affiliate (SCA) entities that Exceed 10% of Admitted Assets

Not Applicable

### J. Impairment of SCA entities

Not Applicable

### K. Investments in foreign insurance subsidiaries

Not Applicable

### L. Investment in a downstream noninsurance holding company

Not Applicable

### M. All SCA investments

Not Applicable

### N. Investments in Insurance SCAs Audited Statutory Equity Reflects a Departure from NAIC Guidance

Not Applicable

### O. SCA and SSAP No. 48 Entity Loss Tracking

Not Applicable

## 11. Debt

### A. Debt and Holding Company Obligations, including Capital Notes

Not Applicable

## Notes to Financial Statements

### B. Federal Home Loan Bank (FHLB) Agreements

Not Applicable

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

Not Applicable. The Company does not have employees.

### 13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

#### A. The number of shares of each class of capital stock authorized, issued and outstanding as of the balance sheet date and the par value or stated value of each class.

The Company has 500 shares, at \$5,000 par value, of common stock authorized, issued and outstanding. All shares are held by the Company's parent, HCSC.

#### B. The dividend rate, liquidation value and redemption schedule (including prices and dates) of any preferred stock issues.

Not Applicable

#### C. Dividend restrictions, if any, and an indication if the dividends are cumulative.

The maximum dividends which can be paid by an insurance company domiciled in the State of Illinois to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus and net gain from operations. Statutory surplus at December 31, 2021 was \$172,519,696 and the net loss at December 31, 2021 was \$41,687,704. The Company would not be permitted to pay dividends in 2022 because it is reporting negative unassigned funds.

#### D. The dates and amounts of dividends paid. Note for each payment whether the dividend was ordinary or extraordinary.

Not Applicable

#### E. The portion of the reporting entity's profits that may be paid as ordinary dividends to stockholders.

Not Applicable

#### F. A description of any restrictions placed on unassigned funds (surplus), including for whom the surplus is being held.

Not Applicable

#### G. For mutual reciprocals, and similarly organized entities, the total amount of advances to surplus not repaid, if any.

Not Applicable

#### H. The total amount of stock held by the reporting entity, including stock of affiliated entities, for special purposes.

Not Applicable

#### I. Changes in balances of any special surplus funds from the prior period.

Not Applicable

#### J. The portion of unassigned funds (surplus) represented by cumulative unrealized gains is

\$8,321,915 as of December 31, 2021.

#### K. Surplus Notes

Not Applicable

#### L. Quasi-Reorganizations

Not Applicable



## Notes to Financial Statements

## M. Effective date of Quasi-reorganization

Not Applicable

## 14. Liabilities, Contingencies and Assessments

## A. Contingent Commitments

Not Applicable

## B. Assessments

- (1) In 2021 and 2020, the Company incurred \$40,260,625 and \$40,130,945 respectively, for health insurance risk pool assessments and health exchange assessments. The Company pays estimated assessments in the year incurred. At December 31, 2021 and 2020 assessments accrued and unpaid were \$9,629,043 and \$7,784,375, respectively.

(2)

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 12,247,249
b. Decreases current year:	
Credits Utilized	\$ —
c. Increases current year:	
Accruals	2,262,651
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	<u>\$ 14,509,900</u>

- (3) The Company did not have any guarantee fund assessments due to insolvency for 2021 or 2020.

## C. Gain Contingencies

Not Applicable

## D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

No claims related to extra contractual obligations and bad faith losses stemming from lawsuits were material, individually or in the aggregate.

## E. Joint and Several Liabilities

Not Applicable

## F. All Other Contingencies

*United States ex rel. Kuriyan v. Health Care Service Corporation, et al.*, Case No. 1:16-cv-01148-CG-KK. On October 18, 2016, relator Jacob Kuriyan filed a complaint in the United States District Court for New Mexico on behalf of the United States and the State of New Mexico against HCSC, Molina Healthcare of New Mexico, Inc., Presbyterian Health Plan, Inc. and United Healthcare of New Mexico, Inc. An amended complaint was filed on November 17, 2016. The relator alleges that each of the defendants served as a Managed Care Organization (MCO) for New Mexico's Medicaid program in 2014. The relator contends that each of the MCOs failed to meet the minimum 85 percent medical expense ratio in 2014 and improperly retained an overpayment by failing to timely remit the balance to the state of New Mexico. Relator further alleges that those dollars were ultimately recouped by the state of New Mexico.

The relator alleges that the MCOs, in total, improperly retained overpayments of approximately \$248 million. The relator asserts claims under the False Claims Act, the New Mexico Medicaid False Claims Act, and the New Mexico Fraud Against Taxpayers Act. On December 4, 2018, the United States and the state of New Mexico declined to intervene in the lawsuit, and the lawsuit was unsealed on December 12, 2018. On March 12, 2019, the relator filed a Motion for Award from Alternative Remedy from the United States and the State of New Mexico contending that the recoupment constitutes an alternative remedy under the federal False Claims Act. The Court issued an Order on October 25, 2019 granting relator's Motion to Amend the complaint. The relator's Second Amended Complaint was filed on October 28, 2019. The Company filed a Motion to Dismiss the Second Amended Complaint which was granted without prejudice on September 9, 2020.

The relator's Third Amended Complaint was filed on October 1, 2020. The Defendants and the State of New Mexico filed Motions to Dismiss the Third Amended Complaint. Those Motions to Dismiss were denied on January 26, 2021, and the Company answered the Third Amended Complaint on February 26,

## Notes to Financial Statements

2021. On February 5, 2021, the relator filed his Third Motion for Award from Alternative Remedy from the United States and the State of New Mexico. On September 30, 2021 the Court issued an order denying relator's Third Motion for Award from Alternative Remedy, and relator filed a motion to reconsider that decision which is fully briefed and hearing held on February 22, 2022. No decision has been rendered as of time of statement filing.

Where available information indicates that it is probable that a loss has been incurred, and said loss can be reasonably estimated, the Company accrues for the estimated loss by a charge to operations. However, it is not always possible to determine whether a loss is probable and estimable. Furthermore, due to the uncertainties surrounding these matters, there is no guarantee that the final resolutions will not exceed the accrued amounts. As of December 31, 2021, the Company has appropriately considered the impact of these matters within its financial statements.

The Company is also subject to legal and regulatory matters arising in the normal course of business. The Company believes that any liability that may result from any of these actions is unlikely to have a material adverse effect on the Company's financial position or results of operations.

### 15. Leases

#### A. Lessee Leasing Arrangements

Not Applicable

#### B. Lessor Leasing Arrangements

Not Applicable

### 16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not Applicable

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

#### A. Transfer of Receivables Reported as Sales

Not Applicable

#### B. Transfer and Servicing of Financial Assets

Not Applicable

#### C. Wash Sales

Not Applicable

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

#### A. Administrative Services Only Plans (ASO)

The claim payments related to MAPD's ASO uninsured plans and the uninsured portion of partially insured plans is as follows during 2021:

	Description	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ —	\$ —	\$ —
b.	Total net other income or expenses (including interest paid to or received from plans)	—	—	—
c.	Net gain or loss from operations	—	—	—
d.	Total claim payment volume	\$ —	\$264,230,752	\$264,230,752

## Notes to Financial Statements

CMS paid the Company an estimated monthly deposit under the Company's standalone Medicare Part D Drug contract and for its MAPD contracts for low income cost sharing (LICS) and Reinsurance claims. These LICS and Reinsurance claims are the financial responsibility of CMS. For 2021 and 2020 the monthly estimated payments received by the Company from CMS were lower than the actual claim payments made on behalf of CMS. This resulted in a receivable of \$37,419,437 and \$30,382,007 at December 31, 2021 and 2020, respectively, which is included in assets as amounts receivable relating to uninsured plans.

### B. ASC Plans

The gain (loss) from operations from ASC uninsured plans and the uninsured portion of partially insured plans was as follows during 2021:

	Description	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a.	Gross reimbursement for medical cost incurred	\$ 183,008,204	\$52,803,778	\$235,811,982
b.	Gross administrative fees accrued	3,234,528	—	3,234,528
c.	Other income or expenses (including interest paid to or received from plans)	—	—	—
d.	Gross expenses incurred (claims and administrative)	190,618,765	52,803,778	243,422,543
e.	Total net gain (loss) from operations	\$ (4,376,033)	\$ —	\$ (4,376,033)

### C. Medicare or Other Similarly Structured Cost-Based Reimbursement Contracts

Not Applicable

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

Not Applicable

### 20. Fair Value Measurements

#### A. Fair Value Measurement Techniques and Inputs

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest-level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). There were no changes in valuation techniques from the prior period.

The levels of the fair value hierarchy are as follows, as defined by SSAP No. 100R, Fair Value, are as follows:

Level Input	Definition
Level 1 –	Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
Level 2 –	Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
Level 3 –	Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.
Net Asset Value (NAV) –	NAV per share is the amount of net assets attributable to each share of capital stock (other than senior equity securities, that is, preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

## Notes to Financial Statements

## (1) Fair Value Measurements at Reporting Date

The following table summarizes fair value measurements by level as of December 31, 2021 for financial instruments carried at fair value on a recurring basis:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>a. Assets at fair value</b>					
Bonds	\$ 187,155,305	\$ —	\$ —	\$ —	\$ 187,155,305
Money Market Mutual Funds	—	—	—	63,908,852	63,908,852
Total assets at fair value	\$ 187,155,305	\$ —	\$ —	\$ 63,908,852	\$ 251,064,157
<b>b. Liabilities at fair value</b>					
Total liabilities at fair value	\$ —	\$ —	\$ —	\$ —	\$ —

The following table summarizes fair value measurements by level as of December 31, 2020 for financial instruments carried at fair value on a recurring basis:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>a. Assets at fair value</b>					
Bonds	\$ 194,414,553	\$ —	\$ —	\$ —	\$ 194,414,553
Money Market Mutual Funds	—	—	—	70,627,571	70,627,571
Total assets at fair value	\$ 194,414,553	\$ —	\$ —	\$ 70,627,571	\$ 265,042,124
<b>b. Liabilities at fair value</b>					
Total liabilities at fair value	\$ —	\$ —	\$ —	\$ —	\$ —

(2)– (5) Not Applicable

## B. Other Fair Value Disclosures

Not Applicable

## C. Fair Value of All Financial Instruments

The following table provides the aggregate fair value for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2021:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 495,520,488	\$ 499,797,751	\$ 187,155,305	\$ 308,365,183	\$ —	\$ —	\$ —
Money Market Mutual Funds	63,908,852	63,908,852	—	—	—	63,908,852	—
Total	\$ 559,429,340	\$ 562,706,603	\$ 187,155,305	\$ 308,365,183	\$ —	\$ 63,908,852	\$ —

The following table provides the aggregate fair value for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2020:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 483,753,539	\$ 478,451,700	\$ 194,414,533	\$ 289,338,986	\$ —	\$ —	\$ —
Money Market Mutual Funds	70,627,571	70,627,571	—	—	—	70,627,571	—
Total	\$ 554,381,110	\$ 549,079,271	\$ 194,414,533	\$ 289,338,986	\$ —	\$ 70,627,571	\$ —

## D. Explanation if Fair Value is not practicable

Not Applicable

## Notes to Financial Statements

### E. Investments carried at NAV probable of being sold at amount different than NAV per share

Not Applicable

## 21. Other Items

### A. Unusual or Infrequent Items

Beginning in the first quarter of 2020, there has been a global COVID-19 coronavirus pandemic (pandemic) that impacted financial markets and the economy. Starting in April 2020, the Company experienced a significant deferral of care by its members. The deferral of care moderated over the balance of the year with utilization levels eventually returning to nearly normal levels. Furthermore, benefit expenses increased in the third and fourth quarters of 2020 to cover pandemic related costs such as testing and treatment. As the pandemic continues to evolve, the extent of the impact will depend on future developments, and could result in the Company experiencing reduced revenue, increased claims activity, operational changes, increased administrative expenses, investment losses and/or reduced cash flow, as well as other indirect adverse financial effects due to similar issues experienced by members, providers or other stakeholders. In response to the pandemic, the Company is supporting its members through various measures such as temporary expansion of its telehealth program and waiving cost share for testing to diagnose COVID-19 or for testing-related visits to in-network providers.

Federal and state legislation has been enacted, including mandates to waive cost-sharing on COVID-19 testing, testing-related visits, and associated services. The federal government enacted the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES) in March 2020 (See Note 9 for additional details), and the Paycheck Protection Program and Health Care Enhancement Act in April 2020. These acts include prohibitions on prior authorization and cost-sharing for certain items and services related to COVID-19 tests, reforms including waiving Medicare originating site restrictions for qualified providers providing telehealth services, financial support to healthcare providers, including expansion of the Medicare accelerated payment program to all providers receiving Medicare payments, and funding for small business loan programs.

In December 2020, the Consolidated Appropriations Act of 2021 was enacted. The bill contains a number of provisions that may have a material effect upon the Company's business, including procedures and coverage requirements related to surprise medical bills and new mandates for continuity of care for certain patients, price comparison tools, disclosure of broker compensation and reporting on pharmacy benefits and drug costs. While the effective dates of the Consolidated Appropriations Act provisions vary, many of the health plan-related requirements of the Consolidated Appropriations Act of 2021 went into effect on January 1, 2022.

In March 2021, the American Rescue Plan Act of 2021 was enacted. This Act provides a \$1.9 trillion economic stimulus to support a variety of initiatives, including, but not limited to, a national vaccination program, a 100% subsidy for Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation coverage between April 1, 2021 to September 30, 2021 for individuals who have lost eligibility for a group health plan and elimination of the 400% of federal poverty level cap on the Affordable Care Act (ACA) Advance Premium Tax Credit (APTC) eligibility and enhancement of APTC amounts for those already eligible and those receiving unemployment assistance. In order to implement this change to the APTC, the U.S. Department of Health and Human Services (HHS) instituted a special enrollment period that ran through August 15, 2021.

Regulatory changes have also been enacted, which could have a significant impact on health benefits, consumer eligibility for public programs, and the Company's cash flows, including mandated expansion of premium payment terms, the time period for which claims can be denied for lack of payment, mandates related to payment levels to providers, additional consumer enrollment windows, and an increased ability to provide services through telehealth. The Company provided extensions to premium payment terms in certain situations and worked closely with state regulators that are mandating or requesting such relief.

Because the state and federal legal and regulatory landscape is evolving during the pandemic, the Company will continue to evaluate and update its responses related to the pandemic. As of the date of issuance, the pandemic is still evolving and thus there is significant uncertainty as to its ultimate impact on the Company.

### B. Troubled Debt Restructuring: Debtors

Not Applicable

## Notes to Financial Statements

### C. Other Disclosures

Comment on General Interrogatories Part 2 – Health Interrogatories 11.3 and 11.4 minimum net worth of \$1,500,000 required by State of Illinois: Illinois risk-based capital provisions may require substantially more net worth. Other states may also have minimum net worth requirements that apply to a foreign insurer.

### D. Business Interruption Insurance Recoveries

Not Applicable

### E. State Transferable and Non-transferable Tax Credits

Not Applicable

### F. Subprime-Mortgage-Related Risk Exposure

(1) The Company has defined its sub-prime related risk exposure as any investment which has exposure to underlying residential mortgage loans where the borrowers did not qualify for conventional prime rate loans because of, but not limited to, low credit ratings and/or less than conventional documentation of their income and/or net assets.

The Company, along with its investment advisors, regularly reviews its investments to determine its exposure to sub-prime related investments.

(2) Not Applicable - The Company does not engage in sub-prime mortgage lending.

(3) The Company has no direct exposure to sub-prime investments.

(4) Not Applicable – The Company does not engage in Mortgage Guaranty nor Financial Guaranty insurance coverage or underwriting

### G. Retained Assets

Not Applicable

### H. Insurance-Linked Securities (ILS) Contracts

Not Applicable

### I. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy

Not Applicable

## 22. Events Subsequent

Management of the Company has evaluated all events occurring after December 31, 2021 through March 1, 2022, the date the statutory-basis financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. Based on this evaluation, no significant subsequent events occurred other than those disclosed in the financial statements.

## 23. Reinsurance

### A. Ceded Reinsurance Report

#### Section 1 – General Interrogatories

(1) No

(2) No

#### Section 2 – Ceded Reinsurance Report – Part A

(1) No

(2) No

## Notes to Financial Statements

## Section 3 – Ceded Reinsurance Report – Part B

(1) As of December 31, 2021 the Company had paid loss recoverable of \$145,114,229 and unpaid loss recoverable of \$137,767,000 due from HCSC and had reinsurance premiums payable of \$162,871,716 due to HCSC under its reinsurance agreement. In addition, the Company had unpaid loss recoverable of \$8,000 due from Eyemed Insurance Company and unpaid loss recoverable of \$18,000 due from Lincoln National Life Insurance Company.

(2) No

## B. Uncollectible Reinsurance

Not Applicable

## C. Commutation of Ceded Reinsurance

Not Applicable

## D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable

## E. Reinsurance Credit

Not Applicable

## 24. Retrospectively Rated Contracts &amp; Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments for its standalone Medicare Part D, MAPD and Medicaid business. The standalone Medicare Part D and MAPD business is subjected to a "risk share settlement" for the Part D portion of the contract and risk adjustment premium with CMS and are settled subsequent to the end of the plan year. In addition, Medical Loss Ratio rebates for the standalone Medicare Part D, MAPD and Medicaid business are settled subsequent to the end of the plan year.

B. The retrospective premium and accrued risk share settlements are recorded as an adjustment to premium earned once estimable and in the period the determination is made.

C. The amount of net premiums written by the Company at December 31, 2021 and 2020 that are subject to retrospective rating features is \$640,136,989 and \$573,742,196, respectively. This represented 96% and 95% of the total net premiums written in 2021 and 2020, respectively.

## D. Medical Loss Ratio Rebates pursuant to Public Health Service Act

Premium income was decreased by \$134,786,273 related to MAPD and Medicaid MLR rebates pursuant to the Public Health Service Act that were incurred for the year ended December 31, 2021. There were \$134,786,273 of MLR rebates pursuant to the Public Health Service Act that were accrued, but not paid, as of December 31, 2021.

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
December 31, 2020					
(1) Medical loss ratio rebates incurred	\$ —	\$ —	\$ —	\$ —	\$ —
(2) Medical loss ratio rebates paid	—	—	—	—	—
(3) Medical loss ratio rebates unpaid	\$ —	\$ —	\$ —	\$ —	\$ —
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ —
December 31, 2021					
(7) Medical loss ratio rebates incurred	\$ —	\$ —	\$ —	\$ 134,786,273	\$134,786,273
(8) Medical loss ratio rebates paid	—	—	—	—	—
(9) Medical loss ratio rebates unpaid	\$ —	\$ —	\$ —	\$ 134,786,273	\$134,786,273
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$134,786,273

## Notes to Financial Statements

### E. Risk - Sharing Provisions of the ACA

(1) Did the reporting entity write accident and health insurance premium that is subject to the ACA risk-sharing provisions (YES/NO)? NO

(2) Impact of Risk Sharing Provisions of ACA on Admitted Assets, Liabilities and Revenue for the Current Year

Not Applicable.

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

Not Applicable.

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Not Applicable

(5) ACA Risk Corridors Receivable as of Reporting Date

Not Applicable

### 25. Change in Incurred Claims & Claim Adjustment Expenses

A. Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years did not change materially in calendar year 2021, with no significant impact on surplus. Reserves for incurred claims and claims adjustment expenses attributable to insured events of prior years are periodically updated. These updates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

B. There were no significant changes in methodologies or assumptions used in calculating the liability for unpaid losses and loss adjustment expenses.

### 26. Intercompany Pooling Arrangements

Not Applicable

### 27. Structured Settlements

Not Applicable



## Notes to Financial Statements

## 28. Health Care Receivables

## A. Pharmaceutical Rebate Receivables

The total pharmacy rebate receivable at December 31, 2021, 2020 and 2019 was \$168,148,010, \$132,057,347 and \$128,909,687 respectively. Of these amounts, \$15,469,751, \$11,320,842 and \$22,944,610 were nonadmitted for 2021, 2020 and 2019 respectively. The net admitted assets of \$152,678,259 and \$120,736,506 at December 31, 2021 and 2020 respectively, are included in the amounts receivable related to uninsured plans and healthcare receivables in the statutory-basis balance sheets depending on the type of business. The billed and confirmed receivable owed to the Company in 2021, 2020 and 2019 was \$234,987,075, \$245,188,105 and \$199,975,007 respectively.

In 2021, 2020 and 2019, the Company collected pharmacy rebates of \$156,228,846, \$242,397,969 and \$231,519,456 respectively. The chart below contains further detail regarding pharmacy rebate receivables and collections for 2019-2021.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2021	\$ 84,721,110	\$ 4,102,357	\$ 4,102,357	\$ —	\$ —
9/30/2021	90,448,954	81,689,987	6,694,298	—	—
6/30/2021	80,972,648	80,972,648	78,261,383	626	—
3/31/2021	68,222,083	68,222,083	65,942,746	1,227,436	—
12/31/2020	61,536,871	61,536,871	62,376,265	317	1,020,278
9/30/2020	67,320,355	67,320,355	58,957,379	1,472,812	234,632
6/30/2020	55,981,693	55,981,693	54,077,999	1,378,966	242,046
3/31/2020	60,349,186	60,349,186	59,021,724	234,732	725,192
12/31/2019	58,708,797	58,708,797	59,502,533	93,418	3,455
9/30/2019	58,708,797	47,799,695	58,345,093	58,126	93,543
6/30/2019	59,333,038	48,244,424	38,888,819	177,443	(26,507)
3/31/2019	55,947,065	45,222,091	44,284,966	11,312,952	96,202

## B. Risk Sharing Receivables

The Company had no material risk sharing receivables, individually or in the aggregate.

## 29. Participating Policies

Not Applicable

## 30. PDRs

1. Liability carried for PDRs	\$36,895,000
2. Date of the most recent evaluation of this liability	12/31/2021
3. Was anticipated investment income utilized in the calculation? (Yes / No)	No

## 31. Anticipated Salvage and Subrogation

The Company took into account estimated anticipated salvage and subrogation in its determination of the net liability for unpaid losses and reduced such liability by \$5,906,000.

The following table illustrates the significance of the amounts:

1. Gross Loss Reserves	\$ 35,537,614
2. Offset for anticipated Salvage & Subrogation	5,906,000
3. Reserve for Unpaid Losses [Page 3, lines 1-2]	29,631,614
4. Net Losses Unpaid (U&I Exhibit Part 2, col. 1, lines 3 to 5)	\$ 29,631,614

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[]  
 If yes, complete Schedule Y, Parts 1, 1A, 2 and 3.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[] N/A[]  
(Yes)  
 Yes[] No[X]
- 1.3 State Regulating? Yes[] No[X]
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes[] No[X]
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. .....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .....12/31/2017.....
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .....12/31/2017.....
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .....06/24/2019.....
- 3.4 By what department or departments? .....  
 Illinois Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[] No[] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[X] No[] N/A[]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
 4.11 sales of new business? Yes[] No[X]  
 4.12 renewals? Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
 4.21 sales of new business? Yes[] No[X]  
 4.22 renewals? Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]  
 If yes, complete and file the merger history data file with the NAIC.
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation. .....

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[] No[X]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes, .....0.000%.....  
 7.21 State the percentage of foreign control  
 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a depository institution holding company (DIHC), or a DIHC itself, regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the DIHC. .....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency (i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator. .....

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
		No	No	No	No

- 8.5 Is the reporting entity a depository institution holding company with significant insurance operations as defined by the Board of Governors of Federal Reserve System or a subsidiary of the reporting entity such company? Yes[] No[X]
- 8.6 If response to 8.5 is no, is the reporting entity a company or subsidiary of a company that has otherwise been made subject to the Federal Reserve Board's capital rule? Yes[] No[] N/A[X]
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Ernst & Young, LLP, 155 N. Wacker Dr. Chicago Illinois 60606
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[] No[X]
- 10.2 If response to 10.1 is yes, provide information related to this exemption: .....
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes[] No[X]
- 10.4 If response to 10.3 is yes, provide information related to this exemption: .....
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[] No[] N/A[X]
- 10.6 If the response to 10.5 is no or n/a please explain: .....

## GENERAL INTERROGATORIES (Continued)

Parent's audit committee is deemed the audit committee of reporting entity.

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 Kassie Maroney, FSA, MAAA - Chief Actuary of Health Care Service Corporation, 300 E. Randolph St. 37th Fl. Chicago, IL 60601
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No   
 12.11 Name of real estate holding company  
 12.12 Number of parcels involved  
 12.13 Total book/adjusted carrying value \$ ..... 0  
 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:  
 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No  N/A   
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No  N/A   
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes  No   
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 c. Compliance with applicable governmental laws, rules and regulations;  
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 e. Accountability for adherence to the code.  
 14.11 If the response to 14.1 is no, please explain:  
 14.2 Has the code of ethics for senior managers been amended? Yes  No   
 14.21 If the response to 14.2 is yes, provide information related to amendment(s).  
 The Company's Code of Business Ethics and Conduct is reviewed annually, typically during the fourth quarter of each year. Any amendments are approved by the Board of Directors and are Distributed to all employees including senior management.  
 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes  No   
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).  
 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes  No   
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

### BOARD OF DIRECTORS

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

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes  No
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.11 To directors or other officers \$ ..... 0  
 20.12 To stockholders not officers \$ ..... 0  
 20.13 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 20.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.21 To directors or other officers \$ ..... 0  
 20.22 To stockholders not officers \$ ..... 0  
 20.23 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes  No   
 21.2 If yes, state the amount thereof at December 31 of the current year:  
 21.21 Rented from others \$ ..... 0  
 21.22 Borrowed from others \$ ..... 0  
 21.23 Leased from others \$ ..... 0  
 21.24 Other \$ ..... 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No   
 22.2 If answer is yes:  
 22.21 Amount paid as losses or risk adjustment \$ ..... 0  
 22.22 Amount paid as expenses \$ 38,415,957  
 22.23 Other amounts paid \$ ..... 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No   
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount \$ ..... 0
- 24.1 Does the insurer utilize third parties to pay agent commissions in which the amounts advanced by the third parties are not settled in full within 90 days? Yes  No   
 24.2 If the response to 24.1 is yes, identify the third-party that pays the agents and whether they are a related party.

**GENERAL INTERROGATORIES (Continued)**

1 Name of Third-Party	2 Is the Third-Party Agent a Related Party (Yes/No)
	No

**INVESTMENT**

- 25.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 25.03) Yes[X] No[ ]
- 25.02 If no, give full and complete information, relating thereto
- 25.03 For securities lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 25.04 For the reporting entity's securities lending program, report amount of collateral for conforming programs as outlined in the Risk-Based Capital Instructions. \$ ..... 0
- 25.05 For the reporting entity's securities lending program, report amount of collateral for other programs. \$ ..... 0
- 25.06 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes[ ] No[ ] N/A[X]
- 25.07 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes[ ] No[ ] N/A[X]
- 25.08 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes[ ] No[ ] N/A[X]
- 25.09 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 25.091 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ ..... 0
- 25.092 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ ..... 0
- 25.093 Total payable for securities lending reported on the liability page. \$ ..... 0
- 26.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 24.1 and 25.03) Yes[X] No[ ]
- 26.2 If yes, state the amount thereof at December 31 of the current year.
- 26.21 Subject to repurchase agreements \$ ..... 0
- 26.22 Subject to reverse repurchase agreements \$ ..... 0
- 26.23 Subject to dollar repurchase agreements \$ ..... 0
- 26.24 Subject to reverse dollar repurchase agreements \$ ..... 0
- 26.25 Placed under option agreements \$ ..... 0
- 26.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock \$ ..... 0
- 26.27 FHLB Capital Stock \$ ..... 0
- 26.28 On deposit with states \$ ..... 4,277,113
- 26.29 On deposit with other regulatory bodies \$ ..... 0
- 26.30 Pledged as collateral - excluding collateral pledged to an FHLB \$ ..... 0
- 26.31 Pledged as collateral to FHLB - including assets backing funding agreements \$ ..... 0
- 26.32 Other \$ ..... 161,439,171
- 26.3 For category (26.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 27.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[ ] No[X]
- 27.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[ ] No[ ] N/A[X]  
If no, attach a description with this statement.
- LINES 27.3 through 27.5: FOR LIFE/FRATERNAL REPORTING ENTITIES ONLY:**
- 27.3 Does the reporting entity utilize derivatives to hedge variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity? Yes[ ] No[X]
- 27.4 If the response to 27.3 is yes, does the reporting entity utilize:
- 27.41 Special Accounting Provision of SSAP No. 108 Yes[ ] No[X]
- 27.42 Permitted Accounting Practice Yes[ ] No[X]
- 27.43 Other Accounting Guidance Yes[ ] No[X]
- 27.5 By responding yes to 26.41 regarding utilizing the special accounting provisions of SSAP No. 108, does the reporting entity at tests to the following: Yes[ ] No[X]
- The reporting entity has obtained explicit approval from the domiciliary state.
  - Hedging strategy subject to the special accounting provisions is consistent with the requirements of VM-21.
  - Actuarial certification has been obtained which indicates that the hedging strategy is incorporated with in the establishment of VM-21 reserves and provides the impact of the hedging strategy within the Actuarial Guideline Conditional Tail Expectation Amount.
  - Financial Officer Certification has been obtained which indicates that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy within VM-21 and that the Clearly Defined Hedging Strategy is the hedging strategy being used by the company in its actual day-to-day risk mitigation efforts.

- 28.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[ ] No[X]
- 28.2 If yes, state the amount thereof at December 31 of the current year. \$ ..... 0
29. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safeguarding Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]
- 29.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Northern Trust Company	50 S. LaSalle Street, Chicago, IL 60603
US Bank National Association	806 Nicollet Mall, Minneapolis, MN 55402

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

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

- 29.03 Have there been any changes, including name changes, in the custodian(s) identified in 29.01 during the current year? Yes[X] No[ ]
- 29.04 If yes, give full and complete information relating thereto:

## GENERAL INTERROGATORIES (Continued)

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Wells Fargo Bank, N.A.	US Bank National Association	09/17/2021	Old custodian exited the market

29.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts"; "...handle securities"]

1 Name of Firm or Individual	2 Affiliation
Eric Sean Niles	I
J.P. Morgan Investment Management Inc.	U

29.0597 For those firms/individuals listed in the table for Question 29.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's invested assets? Yes[X] No[]

29.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 29.05, does the total assets under management aggregate to more than 50% of the reporting entity's invested assets? Yes[X] No[]

29.06 For those firms or individuals listed in the table for 29.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
107038	J.P. Morgan Investment Management Inc.	549300W7BQHV4XMM6K69	SEC	DS

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

30.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
30.2999 Total		

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
31.1 Bonds	498,797,751	495,520,468	(3,277,263)
31.2 Preferred stocks			
31.3 Totals	498,797,751	495,520,468	(3,277,263)

31.4 Describe the sources or methods utilized in determining the fair values:

Fair values are calculated based on market prices provided by the custodian. If there are no market prices provided by the custodian, the fair value is calculated by the Company in conjunction with its investment advisors.

32.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[]

32.2 If the answer to 32.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[X] No[] N/A[]

32.3 If the answer to 32.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

33.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes[X] No[]

33.2 If no, list exceptions:

34. By self-designating SGI securities, the reporting entity is certifying the following elements for each self-designated SGI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated SGI securities? Yes[] No[X]

35. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

**GENERAL INTERROGATORIES (Continued)**

- a. The security was purchased prior to January 1, 2018.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security
  - c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
  - d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.
- Has the reporting entity self-designated PLGI securities? Yes  No

36. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:

- a. The shares were purchased prior to January 1, 2019.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security
  - c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.
  - d. The fund only or predominantly holds bonds in its portfolio.
  - e. The current reported NAIC Designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.
  - f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.
- Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria? Yes  No

37. By rolling/renewing short-term or cash equivalent investments with continued reporting on Schedule DA Part 1 or Schedule E Part 2 (identified through a code (X) in those investment schedules), the reporting entity is certifying to the following:

- a. The investment is a liquid asset that can be terminated by the reporting entity on the current maturity date.
  - b. If the investment is with a nonrelated party or nonaffiliate then it reflects an arms-length transaction with renewal completed at the discretion of all involved parties.
  - c. If the investment is with a related party or affiliate then the reporting entity has complete robust reunderwriting of the transaction for which documentation is available for regulator review.
  - d. Short-term and cash equivalent investments that have been renewed/rolled from the prior period that do not meet the criteria in 37.a-37.c are reported as long-term investments.
- Has the reporting entity rolled/renewed short-term or cash equivalent investments in accordance with these criteria? Yes  No  N/A

**OTHER**

38.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 0  
 38.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid

39.1 Amount of payments for legal expenses, if any? \$ ..... 610,317  
 39.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Amounts represent allocations from HCSC	610,317

40.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ ..... 159,468  
 40.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Amounts represent allocations from HCSC	159,468

# GENERAL INTERROGATORIES (Continued)

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes| No|X| 0
- 1.2 If yes, indicate premium earned on U.S. business only: \$ ..... 0
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ ..... 0
- 1.3.1 Reason for excluding: \$ ..... 0
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in item (1.2) above. \$ ..... 0
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ ..... 0
- 1.6 Individual policies - Most current three years:
  - 1.61 TOTAL Premium earned \$ ..... 0
  - 1.62 TOTAL Incurred claims \$ ..... 0
  - 1.63 Number of covered lives ..... 0
  - All years prior to most current three years:
  - 1.64 TOTAL Premium earned \$ ..... 0
  - 1.65 TOTAL Incurred claims \$ ..... 0
  - 1.66 Number of covered lives ..... 0
- 1.7 Group policies - Most current three years:
  - 1.71 TOTAL Premium earned \$ ..... 0
  - 1.72 TOTAL Incurred claims \$ ..... 0
  - 1.73 Number of covered lives ..... 0
  - All years prior to most current three years:
  - 1.74 TOTAL Premium earned \$ ..... 0
  - 1.75 TOTAL Incurred claims \$ ..... 0
  - 1.76 Number of covered lives ..... 0

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator	668,498,667	624,167,712
2.2 Premium Denominator	668,498,667	624,167,712
2.3 Premium Ratio (2.1 / 2.2)	100.000	100.000
2.4 Reserve Numerator	206,347,912	107,662,097
2.5 Reserve Denominator	206,347,912	107,662,097
2.6 Reserve Ratio (2.4 / 2.5)	100.000	100.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes| No|X|
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes|X| No|
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes| No|X| N/A|X|
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes|X| No|
- 5.2 If no, explain:  
The Company has reinsurance coverage thru its parent, HCSC, for its Medicaid line of business only. See footnote 10 and 23 for further information. In addition, HCSC has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company in order for the subsidiary to be licensed by the Blue Cross and Blue Shield Association.
- 5.3 Maximum retained risk (see instructions):
  - 5.31 Comprehensive Medical \$ ..... 0
  - 5.32 Medical Only \$ ..... 0
  - 5.33 Medicare Supplement \$ ..... 0
  - 5.34 Dental & Vision \$ ..... 0
  - 5.35 Other Limited Benefit Plan \$ ..... 0
  - 5.36 Other \$ ..... 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
The Company's parent, Health Care Service Corporation (HCSC) has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company to its customers in order for the subsidiary to be licensed by the Blue Cross and Blue Shield Association. If the Company ceases operations, HCSC is required to provide coverage to the Company's subscribers without consideration of health status.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes|X| No|
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
  - 8.1 Number of providers at start of reporting year ..... 119,273
  - 8.2 Number of providers at end of reporting year ..... 147,929
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes| No|X|
- 9.2 If yes, direct premium earned:
  - 9.21 Business with rate guarantees between 15-36 months ..... 0
  - 9.22 Business with rate guarantees over 36 months ..... 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes|X| No|
- 10.2 If yes:
  - 10.21 Maximum amount payable bonuses \$ ..... 0
  - 10.22 Amount actually paid for year bonuses \$ ..... 310,062
  - 10.23 Maximum amount payable withholds \$ ..... 0
  - 10.24 Amount actually paid for year withholds \$ ..... 0
- 11.1 Is the reporting entity organized as:
  - 11.12 A Medical Group/Staff Model Yes| No|X|
  - 11.13 An Individual Practice Association (IPA), or, Yes| No|X|
  - 11.14 A Mixed Model (combination of above)? Yes| No|X|
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes|X| No|
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus.  
Illinois \$ ..... 1,500,000
- 11.4 If yes, show the amount required.
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes| No|X|
- 11.6 If the amount is calculated, show the calculation.

12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
See Schedule T

- 13.1 Do you act as a custodian for health savings accounts? Yes| No|X| 0
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date: \$ ..... 0
- 13.3 Do you act as an administrator for health savings accounts? Yes| No|X| 0
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date: \$ ..... 0
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, as authorized reinsurers? Yes| No| N/A|X|

## GENERAL INTERROGATORIES (Continued)

14.2 If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded)

15.1 Direct Premium Written	\$ ..... 0
15.2 Total incurred claims	\$ ..... 0
15.2 Number of covered lives	..... 0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
16.f If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>



## FIVE-YEAR HISTORICAL DATA

	1 2021	2 2020	3 2019	4 2018	5 2017
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. TOTAL Admitted Assets (Page 2, Line 28) .....	994,601,182	904,886,791	897,871,669	1,043,871,963	900,720,962
2. TOTAL Liabilities (Page 3, Line 24) .....	822,081,485	719,545,444	661,519,221	796,060,164	641,241,851
3. Statutory minimum capital and surplus requirement .....	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
4. TOTAL Capital and Surplus (Page 3, Line 33) .....	172,519,696	185,341,347	236,352,448	247,811,799	259,479,111
<b>INCOME STATEMENT (Page 4)</b>					
5. TOTAL Revenues (Line 8) .....	533,965,624	627,672,243	460,164,889	1,523,210,554	1,393,471,224
6. TOTAL Medical and Hospital Expenses (Line 18) .....	464,507,155	475,437,755	367,346,651	1,322,387,948	1,223,943,855
7. Claims adjustment expenses (Line 20) .....	53,976,011	92,922,399	100,568,758	143,576,405	138,730,397
8. TOTAL Administrative Expenses (Line 21) .....	116,696,184	190,244,294	183,833,323	200,984,742	117,244,366
9. Net underwriting gain (loss) (Line 24) .....	(71,425,726)	(71,631,205)	(170,563,863)	(181,527,541)	(141,937,394)
10. Net investment gain (loss) (Line 27) .....	9,247,534	13,381,056	16,309,091	17,212,615	7,226,171
11. TOTAL Other Income (Lines 28 plus 29) .....		(26,239)	(49,937)	(46,741)	3,649
12. Net income or (loss) (Line 32) .....	(41,667,704)	(88,311,033)	(101,170,660)	(156,280,285)	(114,302,904)
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11) .....	(15,527,157)	19,413,834	(457,187,063)	(44,878,116)	(30,458,587)
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. TOTAL Adjusted Capital .....	172,519,696	185,341,347	236,352,448	247,811,799	259,479,111
15. Authorized control level risk-based capital .....	31,694,410	29,002,429	26,903,924	67,800,518	64,597,028
<b>ENROLLMENT (Exhibit 1)</b>					
16. TOTAL Members at End of Period (Column 5, Line 7) .....	541,117	542,768	543,584	539,856	528,157
17. TOTAL Members Months (Column 6, Line 7) .....	6,422,932	6,380,902	6,534,539	6,349,239	6,259,222
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19) .....	87.0	75.7	79.8	86.8	87.8
20. Cost containment expenses .....	7.9	11.3	14.5	5.9	5.5
21. Other claims adjustment expenses .....	2.2	3.5	7.3	3.5	4.5
22. TOTAL Underwriting Deductions (Line 23) .....	113.4	111.4	137.1	111.9	110.2
23. TOTAL Underwriting Gain (Loss) (Line 24) .....	(13.4)	(11.4)	(37.1)	(11.9)	(10.2)
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 13, Column 5) .....	(99,168,762)	(90,699,799)	10,496,807	10,561,003	34,821,342
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	(96,566,505)	(99,533,822)	2,796,040	11,058,185	24,240,098
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) .....					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) .....					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) .....					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....					
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....					
32. TOTAL of Above Lines 26 to 31 .....					
33. TOTAL Investment in Parent Included in Lines 26 to 31 above .....					

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

If no, please explain:

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS  
ALLOCATED BY STATES AND TERRITORIES**

1 State, Etc.	2 Active Status (a)	Direct Business Only								10 Deposit-Type Contracts
		3 Accident & Health Premiums	4 Medicare Title XVII	5 Medicaid Title XIX	6 CHIP Title XIX	7 Federal Employees Health Benefits Plan Premiums	8 Life & Annuity Premiums & Other Considerations	9 Property/Casualty Premiums	10 Total Columns 2 Through 9	
1. Alabama (AL)	L									
2. Alaska (AK)	L									
3. Arizona (AZ)	L									
4. Arkansas (AR)	L									
5. California (CA)	L									
6. Colorado (CO)	L									
7. Connecticut (CT)	N									
8. Delaware (DE)	L									
9. District of Columbia (DC)	L									
10. Florida (FL)	L									
11. Georgia (GA)	L	1,561,199							1,561,199	
12. Hawaii (HI)	N									
13. Idaho (ID)	L									
14. Illinois (IL)	L	125,342,567							125,342,567	
15. Indiana (IN)	L									
16. Iowa (IA)	L									
17. Kansas (KS)	L									
18. Kentucky (KY)	L									
19. Louisiana (LA)	L									
20. Maine (ME)	N									
21. Maryland (MD)	L									
22. Massachusetts (MA)	L									
23. Michigan (MI)	L									
24. Minnesota (MN)	L									
25. Mississippi (MS)	L									
26. Missouri (MO)	L									
27. Montana (MT)	L									
28. Nebraska (NE)	L									
29. Nevada (NV)	L									
30. New Hampshire (NH)	N									
31. New Jersey (NJ)	N									
32. New Mexico (NM)	L	7,856,734		2,248,480,185					2,256,336,919	
33. New York (NY)	N									
34. North Carolina (NC)	L									
35. North Dakota (ND)	L									
36. Ohio (OH)	L									
37. Oklahoma (OK)	L	27,418,290							27,418,290	
38. Oregon (OR)	L									
39. Pennsylvania (PA)	L									
40. Rhode Island (RI)	L									
41. South Carolina (SC)	L									
42. South Dakota (SD)	L									
43. Tennessee (TN)	L									
44. Texas (TX)	L	69,001,982	177,630,840						246,632,822	
45. Utah (UT)	L									
46. Vermont (VT)	N									
47. Virginia (VA)	L									
48. Washington (WA)	L									
49. West Virginia (WV)	L									
50. Wisconsin (WI)	L									
51. Wyoming (WY)	L									
52. American Samoa (AS)	N									
53. Guam (GU)	N									
54. Puerto Rico (PR)	N									
55. U.S. Virgin Islands (VI)	N									
56. Northern Mariana Islands (MP)	N									
57. Canada (CAN)	N									
58. Aggregate other alien (OT)	X X X									
59. Subtotal	X X X	231,179,872	177,630,840	2,248,480,185					2,657,290,897	
60. Reporting entity contributions for Employee Benefit Plans	X X X									
61. TOTAL (Direct Business)	X X X	231,179,872	177,630,840	2,248,480,185					2,657,290,897	
<b>DETAILS OF WRITE-INS</b>										
58001	X X X									
58002	X X X									
58003	X X X									
58999. Summary of remaining write-ins for Line 68 from overflow page	X X X									
58999. TOTALS (Lines 58001 through 58003 plus 58999) (Line 58 above)	X X X									

(a) Active Status Codes:

- L - Licensed or Chartered - Licensed insurance carrier or statutory RRG
- E - Exempt - Reporting entities exempt or approved to write surplus lines in the state
- N - None of the above - Not allowed to write business in the state

44

- R - Registered - Non-licensed RRGs
- Q - Quoted - Quoted or accredited reinsurer

13

(b) Explanation of basis of allocation by state, premium by state, etc.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER  
MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

COMPANY	FANC CODE	FEDERAL ID NUMBER	DOMICILED STATE	PERCENTAGE OWNED BY PARENT
HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	7070	36-1236610	IL	
DIABETES LIFE INSURANCE COMPANY	7112P	36-2296223	IL	100.00%
DEARBORN NATIONAL LIFE INSURANCE COMPANY OF NEW YORK	83280	35-3028845	NY	100.00%
DENTAL NETWORK OF AMERICA, LLC		36-4339483	DE	100.00%
DENTEMAX, LLC		35-3612268	DE	100.00%
DENTAL SOLUTIONS, INC		36-1657238	MI	100.00%
HCSC PURCHASING, LLC		36-4126901	DE	100.00%
HCSC INSURANCE SERVICES COMPANY	78811	75-1230170	IL	100.00%
PROBE THERAPEUTICS, LLC		36-0076803	DE	33.98%
AVAILITY, LLC		39-3712844	DE	19.31%
GEN INSURANCE COMPANY	29713	75-1507269	OK	100.00%
GEN GENERAL INSURANCE AGENCY, INC.		75-1514051	OK	100.00%
GEN HEALTH MAINTENANCE ORGANIZATION, INC. DBA BLUE HEALTH FUND MEDICARE, INC.	11814	75-1182943	OK	100.00%
GEN TECHNOLOGY SUBSIDIARY, LLC		33-2538829	PA	100.00%
GEN HEALTH, LLC		33-4418148	DE	100.00%
TMA PRACTICEEDGE, LLC		50-0949211	PA	100.00%
HEALTH INTELLIGENCE COMPANY LLC DBA BLUE HEALTH INTELLIGENCE		30-1428873	TX	33.00%
HEALTHY, LLC		27-4289034	DE	10.64%
GEORGE MEDICAL GROUP MANAGEMENT COMPANY, LLC		30-0928113	TX	100.00%
ESSENTIAL HEALTH PARTNERS, LLC		33-2052023	TX	49.00%
GENENTRA HEALTH, LLC		33-3083990	IL	40.00%
PAK MEDICAL GROUP MANAGEMENT COMPANY, LLC		33-4282301	TX	48.00%
SILVER CROSS MGO, LLC		64-1702029	TX	45.00%
TRENTY ALLIANCE, INC.		85-9027775	IL	42.50%
HCSC VENTURES, INC.		86-2815402	TX	16.79%
ALACRUA INSURANCE, INC.		37-1702178	DE	100.00%
AVALON HEALTH SERVICES, LLC		33-2212347	DE	30.30%
BLUESHIELD BLUECROSS VENTURES, INC.		46-3010982	TX	16.40%
BLUESHIELD BLUECROSS VENTURE PARTNERS, L.P.		36-3897777	DE	31.20%
BLUESHIELD BLUECROSS VENTURE PARTNERS, L.P.		26-2956219	DE	1.00%
BLUESHIELD BLUECROSS VENTURE PARTNERS, L.P.		36-2956219	DE	21.34%
COOPERATIVE, INC.		47-1692011	DE	18.30%
COLLECTIVE HEALTH, INC.		46-9923383	DE	17.00%
HCSC INC, LLC		83-1682971	DE	100.00%
USD BHC FUND 2017-2, LLC		85-1282164	DE	100.00%
USD BHC FUND 2017-1, LLC		83-8349261	DE	100.00%
HCSC-AMTAS I, LLC		33-4013200	TX	40.00%
HEALTHTECH CHICAGO III, LLC		47-0970220	DE	34.20%
SOLERA HEALTH, INC.		47-5286764	DE	12.79%
ILLINOIS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	64813	61-1782232	IL	100.00%

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

**PART 1 - ORGANIZATIONAL CHART**

MS INSURANCE COMPANY FKA BLUE CROSS AND BLUE SHIELD OF NEW MEXICO INSURANCE COMPANY	1829	28-399430	MS	100.00%
TEXAS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	1294	36-433697	TX	100.00%
SOUTH WATER INSURANCE COMPANY		04-271824	UT	100.00%
HEALTH UTILITY NETWORK, INC. D/B/A AVANZAR HEALTH		05-229072	DE	14.28%
CARENG FOR CHILDREN FOUNDATION OF TEXAS, INC.		75-239531	TX	0.00%
THE OKLAHOMA CARENG FOUNDATION, INC.		79-147004	OK	0.00%
THE CARENG FOUNDATION OF MONTANA, INC.		35-382131	MT	0.00%
FLAHERTY CREDIT UNION		36-495742	IL	0.00%
LEWIS & CLARK FEDERAL CREDIT UNION		79-620171	TX	0.00%

\*Includes 4.74% passive investment through private equity funds.



# ANNUAL STATEMENT

## For the Year Ending December 31, 2022

### OF THE CONDITION AND AFFAIRS OF THE

# HCSC Insurance Services Company

NAIC Group Code <u>0917</u> <u>0917</u>	NAIC Company Code <u>78811</u>	Employer's ID Number <u>73-1350270</u>
<small>(current period) (prior period)</small>		
Organized under the Laws of <u>Illinois</u>	State of Domicile or Port of Entry <u>IL</u>	
Country of Domicile <u>United States of America</u>		
Licensed as business type: <u>Life, Accident &amp; Health [X]</u>	<u>Property/Casualty [ ]</u>	<u>Hospital, Medical &amp; Dental Service or Indemnity [ ]</u>
<u>Dental Service Corporation [ ]</u>	<u>Vision Service Corporation [ ]</u>	<u>Health Maintenance Organization [X]</u>
<u>Other [ ]</u>	<u>Is HMO Federally Qualified? Yes [ ] No [X] N/A [ ]</u>	
Incorporated/Organized <u>02/05/1958</u>	Commenced Business <u>02/23/1958</u>	
Statutory Home Office <u>300 East Randolph Street</u>	<u>Chicago, IL, 60601-5099</u>	
<small>(Street and Number)</small>	<small>(City or Town, State, Country and Zip Code)</small>	
Main Administrative Office <u>300 East Randolph Street</u>	<u>Chicago, IL, US 60601-5099</u>	
<small>(Street and Number)</small>	<small>(City or Town, State, Country and Zip Code)</small>	
	<u>(312)653-6000</u>	
	<small>(Area Code)(Telephone Number)</small>	
Mail Address <u>300 East Randolph Street</u>	<u>Chicago, IL, US 60601-5099</u>	
<small>(Street and Number or P.O. Box)</small>	<small>(City or Town, State, Country and Zip Code)</small>	
Primary Location of Books and Records <u>300 East Randolph Street</u>	<u>Chicago, IL, US 60601-5099</u>	
<small>(Street and Number)</small>	<small>(City or Town, State, Country and Zip Code)</small>	
	<u>(312)653-6000</u>	
	<small>(Area Code)(Telephone Number)</small>	
Internet Website Address <u>www.hcsc.com</u>		
Statutory Statement Contact <u>Mark W. Larson</u>	<u>(972)766-4350</u>	
<small>(Name)</small>	<small>(Area Code)(Telephone Number)(Extension)</small>	
<u>Mark.Larson@hcsc.com</u>	<u>(972)766-4350</u>	
<small>(E-Mail Address)</small>	<small>(Fax Number)</small>	

### OFFICERS

Name	Title
Anne Rote	President & Chief Executive Officer #
Lilian Michelle Sutton	Treasurer #
Arlene Koh Lim	Secretary

### OTHERS

Scott Allen Wornack, VP, Corp Tax and Finance Cory Foster Hennick, Asst Treas & CFO NM Medical Thomas Charles Lubben, Senior Vice President Christine M Kouzoukdis, President, Medicare	Kimberly Ann Green, Vice President Sharon Lozano Huerta, VP & CEO NM Medicaid Janice Marie Torrez, President, NM Div James Edward Walsh, Sr. Vice President and CFO
--	--

### DIRECTORS OR TRUSTEES

Anna Rote # Janice Marie Torrez Christine M. Kouzoukdis	Thomas Charles Lubben James Edward Walsh Nathan William Linsley
---	---

State of _____	State of _____	State of _____
County of _____	County of _____	County of _____

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

_____ <small>(Signature)</small> Anne Rote <small>(Printed Name)</small> 1. President and CEO <small>(Title)</small>	_____ <small>(Signature)</small> Lilian Michelle Sutton <small>(Printed Name)</small> 2. Treasurer <small>(Title)</small>	_____ <small>(Signature)</small> Arlene Koh Lim <small>(Printed Name)</small> 3. Secretary <small>(Title)</small>
Subscribed and sworn to before me this _____ day of _____ 2023	Subscribed and sworn to before me this _____ day of _____ 2023	Subscribed and sworn to before me this _____ day of _____ 2023
_____ <small>(Notary Public Signature)</small>	_____ <small>(Notary Public Signature)</small>	_____ <small>(Notary Public Signature)</small>

a. Is this an original filing? Yes[X] No [ ]

b. If no: 1. State the amendment number \_\_\_\_\_  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached \_\_\_\_\_

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1-2)	Net Admitted Assets
1. Bonds (Schedule D) .....	480,734,138		480,734,138	498,797,751
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common Stocks .....				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2 Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3 Properties held for sale (less \$.....0 encumbrances) .....				
5. Cash (\$.....2,529,039, Schedule E Part 1), cash equivalents (\$.....144,143,975, Schedule E Part 2) and short-term investments (\$.....0, Schedule DA) .....	146,673,014		146,673,014	66,520,460
6. Contract loans (including \$.....0 premium notes) .....				
7. Derivatives (Schedule DB) .....				
8. Other invested assets (Schedule BA) .....				
9. Receivables for securities .....				
10. Securities Lending Reinvested Collateral Assets (Schedule DL) .....				
11. Aggregate write-ins for invested assets .....				
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	627,407,152		627,407,152	565,318,211
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	2,131,426		2,131,426	1,455,387
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	6,364,654		6,364,654	7,539,663
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but un billed premiums) .....				
15.3 Accrued retrospective premiums (\$.....12,852,308) and contracts subject to redetermination (\$.....8,497,000) .....	21,349,308		21,349,308	13,795,487
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	152,978,869		152,978,869	145,114,229
16.2 Funds held by or deposited with reinsured companies .....				
16.3 Other amounts receivable under reinsurance contracts .....				
17. Amounts receivable relating to uninsured plans .....	132,442,720	5,292,933	127,149,787	114,725,923
18.1 Current federal and foreign income tax recoverable and interest thereon .....	7,553,326		7,553,326	19,465,699
18.2 Net deferred tax asset .....				
19. Guaranty funds receivable or on deposit .....				
20. Electronic data processing equipment and software .....				
21. Furniture and equipment, including health care delivery assets (\$.....0) .....				
22. Net adjustment in assets and liabilities due to foreign exchange rates .....				
23. Receivables from parent, subsidiaries and affiliates .....	4,228,889		4,228,889	113,217
24. Health care (\$.....127,943,665) and other amounts receivable .....	158,084,448	30,140,783	127,943,665	126,621,392
25. Aggregate write-ins for other than invested assets .....	1,316,381	871,573	444,808	452,014
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,113,857,173	36,305,289	1,077,551,884	994,601,182
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. TOTAL (Lines 26 and 27) .....	1,113,857,173	36,305,289	1,077,551,884	994,601,182
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....				
2501. Prepaid Expenses .....	871,573	871,573		
2502. State Income Tax Receivable .....	444,808		444,808	452,014
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	1,316,381	871,573	444,808	452,014

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... 150,754,000 reinsurance ceded) .....	38,297,338		38,297,338	26,988,614
2. Accrued medical incentive pool and bonus amounts .....	5,307,000		5,307,000	2,643,000
3. Unpaid claims adjustment expenses .....	11,678,000		11,678,000	15,180,000
4. Aggregate health policy reserves, including the liability of \$..... 257,300,000 for medical loss ratio rebata per the Public Health Service Act .....	332,483,519		332,483,519	176,716,298
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserves .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....				
9. General expenses due or accrued .....	70,117,750		70,117,750	42,519,345
10.1 Current federal and foreign income tax payable and interest thereon (including \$..... 0 on realized capital gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....	86,748,811		86,748,811	162,871,716
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$..... 0 current) and interest thereon \$..... 0 (including \$..... 0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	357,318,260		357,318,260	377,193,504
16. Derivatives .....				
17. Payable for securities .....	217,963		217,963	156
18. Payable for securities lending .....				
19. Funds held under reinsurance treaties (with \$..... 0 authorized reinsurers, \$..... 0 unauthorized reinsurers and \$..... 0 certified reinsurers) .....				
20. Reinsurance in unauthorized and certified (\$..... 0) companies .....				
21. Net adjustments in assets and liabilities due to foreign exchange rates .....				
22. Liability for amounts held under uninsured plans .....	16,791,392		16,791,392	10,901,145
23. Aggregate write-ins for other liabilities (including \$..... 53,368,821 current) .....	53,368,821		53,368,821	7,067,708
24. TOTAL Liabilities (Lines 1 to 23) .....	972,328,854		972,328,854	822,081,486
25. Aggregate write-ins for special surplus funds .....	X X X	X X X		
26. Common capital stock .....	X X X	X X X	2,500,000	2,500,000
27. Preferred capital stock .....	X X X	X X X		
28. Gross paid in and contributed surplus .....	X X X	X X X	1,037,264,898	957,264,898
29. Surplus notes .....	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
31. Unassigned funds (surplus) .....	X X X	X X X	(934,541,868)	(787,245,202)
32. Less treasury stock, at cost:				
32.1 ..... 0 shares common (value included in Line 26 \$..... 0) .....	X X X	X X X		
32.2 ..... 0 shares preferred (value included in Line 27 \$..... 0) .....	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32) .....	X X X	X X X	105,223,030	172,519,696
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) .....	X X X	X X X	1,077,551,884	994,601,182
<b>DETAILS OF WRITE-INS</b>				
2301. Due to NM Human Services Department .....	53,368,821		53,368,821	7,067,708
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	53,368,821		53,368,821	7,067,708
2501. ....	X X X	X X X		
2502. ....	X X X	X X X		
2503. ....	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	X X X	X X X		
3001. ....	X X X	X X X		
3002. ....	X X X	X X X		
3003. ....	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above) .....	X X X	X X X		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	6,592,543	6,422,932
2. Net premium income (including \$.....0 non-health premium income)	X X X	895,947,461	668,496,667
3. Change in unearned premium reserves and reserve for rate credits	X X X	(175,079,221)	(134,533,043)
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL Revenues (Lines 2 to 7)	X X X	720,768,260	533,965,624
<b>Hospital and Medical</b>			
9. Hospital/medical benefits		1,909,594,821	1,634,637,984
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		497,544,510	412,569,519
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts		5,644,782	552,954
16. Subtotal (Lines 9 to 15)		2,412,784,113	2,047,760,457
<b>Less:</b>			
17. Net reinsurance recoveries		1,729,955,930	1,563,253,302
18. TOTAL Hospital and Medical (Lines 16 minus 17)		682,828,183	484,507,155
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....45,460,414 cost containment expenses		82,200,945	53,976,011
21. General administrative expenses		96,775,907	116,896,184
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)		(19,312,000)	(29,988,000)
23. TOTAL Underwriting Deductions (Lines 18 through 22)		842,493,035	605,391,350
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(121,724,775)	(71,425,726)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		11,350,639	9,467,522
26. Net realized capital gains (losses) less capital gains tax of \$.....461		(88,373)	(219,988)
27. Net investment gains (losses) (Lines 25 plus 26)		11,262,266	9,247,534
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(110,462,509)	(62,178,192)
31. Federal and foreign income taxes incurred	X X X	(7,546,294)	(20,490,488)
32. Net income (loss) (Lines 30 minus 31)	X X X	(102,916,215)	(41,687,704)
<b>DETAILS OF WRITE-INS</b>			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901. Miscellaneous Expense			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			



## STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33.	Capital and surplus prior reporting year .....	172,519,696	165,341,347
34.	Net income or (loss) from Line 32 .....	(102,916,215)	(41,687,704)
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....(1,747,602) .....	(23,797,803)	(8,783,488)
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....	(1,747,602)	1,524,406
39.	Change in nonadmitted assets .....	(18,247,043)	(3,874,865)
40.	Change in unauthorized and certified reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....	80,000,000	40,000,000
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....	(588,003)	
48.	Net change in capital and surplus (Lines 34 to 47) .....	(67,296,666)	(12,821,651)
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	105,223,030	172,519,696
<b>DETAILS OF WRITE-INS</b>			
4701.	Correction of Error (See Footnote 2) .....	(588,003)	
4702.	.....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....	(588,003)	

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	650,573,908	642,900,299
2. Net investment income .....	13,087,840	11,485,160
3. Miscellaneous income .....		
4. TOTAL (Lines 1 through 3) .....	663,661,748	654,385,459
5. Benefit and loss related payments .....	736,064,051	488,650,174
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	138,795,428	198,296,911
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$.....27,339 tax on capital gains (losses) .....	(19,367,817)	(17,034,469)
10. TOTAL (Lines 5 through 9) .....	855,491,662	669,912,616
11. Net cash from operations (Line 4 minus Line 10) .....	8,170,086	(15,527,157)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	60,734,552	82,353,743
12.2 Stocks .....		
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7 Miscellaneous proceeds .....	1,973,106	516
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7) .....	62,707,658	82,354,259
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	70,723,301	112,050,269
13.2 Stocks .....		
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....	1,889	2,464,185
13.7 TOTAL investments acquired (Lines 13.1 to 13.6) .....	70,725,190	114,514,454
14. Net increase (decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(8,017,532)	(32,160,195)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....	80,000,000	40,000,000
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	80,000,000	40,000,000
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	80,152,554	(7,687,352)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	66,520,460	74,207,813
19.2 End of year (Line 18 plus Line 19.1) .....	146,673,014	66,520,460

Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
---------	--	--

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XIV Medical	Title XIX Medical	Other Health	Other Non-Health
1. Net premium income	895,647,481		14,282,427				169,765,940	522,378,850	208,200,738	
2. Change in unearned premium reserves and reserve for ceded credit	(175,079,221)		(1,820,827)				6,807,581	(178,300,000)	(1,845,875)	
3. Fee-for-service part of ceded medical expenses										XXX
4. Risk revenue										XXX
5. Aggregate write-ins for other health care related revenues										XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7. TOTAL Revenues (Lines 1 to 6)	720,568,260		13,191,580				176,573,521	322,078,850	207,054,863	
8. Hospital/medical benefits	1,809,984,821		8,380,008				141,232,780	1,758,826,224	165,746	XXX
9. Other professional services										XXX
10. Outside referrals										XXX
11. Emergency room out-of-network										XXX
12. Prescription drugs	497,544,510						12,360,170	288,491,340	186,582,991	XXX
13. Aggregate write-ins for other hospital and medical										XXX
14. Incentive pool, schedule adjustments and bonus amounts	5,644,782						4,739,452	805,330		XXX
15. Statelife (Lines 8 to 14)	2,412,734,113		8,300,008				156,498,424	2,028,224,944	186,744,727	XXX
16. Net reinsurance recoveries	1,728,858,800						123,075	1,728,616,850		XXX
17. TOTAL Hospital and Medical (Lines 15 minus 16)	682,826,182		8,300,008				156,621,499	329,423,090	186,744,727	XXX
18. Non-health claims (net)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
19. Claims adjustment expenses including \$... 45,400,414 ceded										XXX
20. Contract adjustment expenses	82,200,845		147,232				12,186,262	26,294,707	43,653,744	
21. Contract administrative expenses	96,775,807		4,881,381				17,173,411	53,828,705	18,889,410	
22. Increase in reserves for accident and health contracts	(19,372,035)							(64,153,080)	14,889,000	XXX
23. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
24. TOTAL Underwriting Expenses (Lines 17 to 23)	682,483,235		13,128,621				187,801,051	377,425,802	264,277,891	
25. Net underwriting gain or loss (Line 7 minus Line 24)	138,085,025		22,879				(11,227,530)	(147,347,952)	(157,523,028)	
<b>DETAILS OF WRITE-INS</b>										
0501										XXX
0502										XXX
0503										XXX
0508	Summary of remaining write-ins for Line 5 from overflow page									
0509	TOTALS (Lines 0501 through 0503 plus 0508) (Line 5 above)									
0601		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0602		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0603		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0608	Summary of remaining write-ins for Line 6 from overflow page									
0609	TOTALS (Lines 0601 through 0603 plus 0608) (Line 6 above)									
1301										XXX
1302										XXX
1303										XXX
1308	Summary of remaining write-ins for Line 13 from overflow page									
1309	TOTALS (Lines 1301 through 1303 plus 1308) (Line 13 above)									

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS**

Line of Business		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) Individual				
2.	Comprehensive (hospital and medical) Group				
3.	Medicare Supplement	44,202,427			44,202,427
4.	Dental only				
5.	Vision only				
6.	Federal Employees Health Benefits Plan				
7.	Title XVII - Medicare	170,147,191		381,551	169,765,640
8.	Title XIX - Medicaid	2,812,182,181		2,108,783,228	502,378,955
9.	Credit Auto				
10.	Disability Income				
11.	Long-Term Care				
12.	Other health	209,600,759			209,600,759
13.	Health subtotal (Lines 1 through 12)	3,006,012,558		2,110,166,077	895,847,481
14.	Life				
15.	Property/casualty				
16.	TOTALS (Lines 13 to 15)	3,006,012,558		2,110,166,077	895,847,481

69

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Dental Only	6 Vision Only	7 Federal Employees Health Benefits Plan	8 Title XVII Medicare	9 Title XIX Medicaid	10 Credit AMN	11 Disability Income	12 Long- Term Care	13 Other Health	14 Other Non-Health
		2 Individual	3 Group											
1. Payments during the year:														
1.1 Direct	2,412,898,757			6,638,640				152,056,565	2,065,069,848				189,162,904	
1.2 Reinsurance assumed														
1.3 Reinsurance ceded	1,795,677,600							138,876	1,795,538,724					
1.4 Net	677,219,157			6,638,640				151,918,489	329,529,124				189,162,904	
2. Paid medical incentive pools and bonuses	2,071,452							2,071,452						
3. Claim liability December 31, current year from Part 2A:														
3.1 Direct	189,033,338			1,742,000				21,839,338	150,728,000				14,728,000	
3.2 Reinsurance assumed	18,000													18,000
3.3 Reinsurance ceded	150,754,000							9,000	150,727,000					18,000
3.4 Net	38,297,338			1,742,000				21,830,338	(1,000)				14,728,000	
4. Claim reserve December 31, current year from Part 2D:														
4.1 Direct														
4.2 Reinsurance assumed														
4.3 Reinsurance ceded														
4.4 Net														
5. Accrued medical incentive pools and bonuses, current year	5,307,000							5,307,000						
6. Net healthcare receivables (a)	10,435,947			50,633				787,309	108,036				9,509,170	
7. Amounts recoverable from reinsurers December 31, current year														
8. Claim liability December 31, prior year from Part 2A:														
8.1 Direct	184,365,614							18,365,614	157,359,000				7,631,000	
8.2 Reinsurance assumed	18,000													18,000
8.3 Reinsurance ceded	157,365,000							8,000	157,359,000					18,000
8.4 Net	26,988,614							18,357,614					7,631,000	
9. Claim reserve December 31, prior year from Part 2D:														
9.1 Direct														
9.2 Reinsurance assumed														
9.3 Reinsurance ceded														
9.4 Net														
10. Accrued medical incentive pools and bonuses, prior year	2,843,000							2,843,000						
11. Amounts recoverable from reinsurers December 31, prior year														
12. Incurred benefits:														
12.1 Direct	2,407,139,334			8,300,007				153,782,980	2,058,327,813				188,748,734	
12.2 Reinsurance assumed														
12.3 Reinsurance ceded	1,728,046,600							139,078	1,728,907,524					
12.4 Net	679,092,734			8,300,007				153,643,902	329,420,289				188,748,734	
13. Incurred medical incentive pools and bonuses	4,736,452							4,736,452						

(a) Excludes \$ 0 claims or advances to providers not yet reported.

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

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Dental Only	6 Vision Only	7 Federal Employees Health Benefit Plan	8 Title XVII Medicare	9 Title XIX Medicaid	10 Credit ASH	11 Disability Income	12 Long- Term Care	13 Other Health	14 Other Non-Health
		2 Individual	3 Group											
<b>1. Reported in Process of Adjustment:</b>														
1.1 Direct.....	40,778,338			278,000				3,402,338	22,372,000				14,728,000	
1.2 Reinsurance assumed.....	18,000													18,000
1.3 Reinsurance ceded.....	25,907,000							1,000	25,888,000					18,000
1.4 Net.....	14,889,338			278,000				3,401,338	(3,516,000)				14,728,000	
<b>2. Incurred but Unreported:</b>														
2.1 Direct.....	148,265,000			1,484,000				18,437,000	128,354,000					
2.2 Reinsurance assumed.....														
2.3 Reinsurance ceded.....	124,847,000							8,000	124,839,000					
2.4 Net.....	23,418,000			1,484,000				18,429,000	3,515,000					
<b>3. Amounts Withheld from Paid Claims and Capitalizations:</b>														
3.1 Direct.....														
3.2 Reinsurance assumed.....														
3.3 Reinsurance ceded.....														
3.4 Net.....														
<b>4. TOTALS</b>														
4.1 Direct.....	189,033,338			1,742,000				21,839,338	150,726,000				14,728,000	
4.2 Reinsurance assumed.....	18,000													18,000
4.3 Reinsurance ceded.....	150,754,000							9,000	150,727,000					18,000
4.4 Net.....	38,297,338			1,742,000				21,830,338	(1,000)				14,728,000	

10

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) individual						
2. Comprehensive (hospital and medical) Group						
3. Medicare Supplement		8,608,840		1,743,000		
4. Dental only						
5. Vision only						
6. Federal Employees Health Benefits Plan						
7. Title XVIII - Medicare	18,823,064	131,885,434	485,000	21,335,338	20,418,064	19,357,814
8. Title XIX - Medicaid	(2,093,316)	331,822,440		(1,000)	(2,093,316)	
9. Credit ADI						
10. Disability Income						
11. Long-Term Care	10,501,841					
12. Other health	10,501,841	178,661,083	4,000	14,722,000	10,505,841	7,831,000
13. Health subtotal (Lines 1 to 12)	28,331,585	648,887,587	489,000	37,788,338	28,630,899	26,988,814
14. Healthcare receivables (a)	139,145,741	10,435,148			139,145,741	139,145,742
15. Other non-health						
16. Medical reserve pool and bonus amounts	877,894	1,193,581	2,058,000	3,251,000	2,833,894	2,843,000
17. TOTALS (Lines 13 - 14 + 15 + 16)	118,955,220	659,845,882	2,555,000	41,049,338	(107,581,261)	(169,514,126)

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

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

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior .....	1,210,794	1,212,900	1,212,159	1,211,496	1,211,496
2. 2018 .....	1,321,429	1,328,250	1,328,684	1,327,725	1,325,081
3. 2019 .....	X X X	332,182	370,425	370,655	370,650
4. 2020 .....	X X X	X X X	482,278	465,279	468,936
5. 2021 .....	X X X	X X X	X X X	437,726	468,936
6. 2022 .....	X X X	X X X	X X X	X X X	639,646

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Deductibles Outstanding at End of Year				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior .....	1,211,960	1,213,085	1,212,159	1,211,496	1,211,496
2. 2018 .....	1,448,482	1,328,982	1,328,810	1,327,725	1,325,081
3. 2019 .....	X X X	359,846	371,482	370,705	370,650
4. 2020 .....	X X X	X X X	468,604	458,509	468,426
5. 2021 .....	X X X	X X X	X X X	467,110	471,983
6. 2022 .....	X X X	X X X	X X X	X X X	690,695

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claims Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2018 .....	1,526,513	1,325,081	157,743	11.804	1,482,824	97.138			1,482,824	97.138
2. 2019 .....	460,470	370,650	72,510	19.583	443,160	96.241			443,160	96.241
3. 2020 .....	627,672	468,936	90,565	18.393	559,501	89.890	(510)	4	557,055	89.749
4. 2021 .....	331,868	468,936	69,949	12.785	538,885	99.041	3,066	167	532,079	89.647
5. 2022 .....	720,759	639,646	75,596	11.819	715,242	89.235	41,049	11,507	767,800	106.525

12 Grand Total



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Hospital and Medical**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior					
2. 2018	<b>NONE</b>				
3. 2019					
4. 2020					
5. 2021					
6. 2022					

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Services Outstanding at End of Year				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior					
2. 2018	<b>NONE</b>				
3. 2019					
4. 2020					
5. 2021					
6. 2022					

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Year in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2018										
2. 2019										
3. 2020										
4. 2021										
5. 2022										

12 Hospital and Medical

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

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior .....					
2. 2018 .....					
3. 2019 .....	XXX				
4. 2020 .....	XXX	XXX			
5. 2021 .....	XXX	XXX	XXX		
6. 2022 .....	XXX	XXX	XXX	XXX	6,558

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior .....					
2. 2018 .....					
3. 2019 .....	XXX				
4. 2020 .....	XXX	XXX			
5. 2021 .....	XXX	XXX	XXX		
6. 2022 .....	XXX	XXX	XXX	XXX	6,300

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2018 .....										
2. 2019 .....										
3. 2020 .....										
4. 2021 .....										
5. 2022 .....	13,152	6,558	129	1.07	6,687	50.84	1,742	18	8,447	64.26

12 Medicare Supplement

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP ..... NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Title XVIII - Medicare**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2018	2 2019	3 2020	4 2021	5 2022
1.	Price	97,269	97,269	97,573	97,892	97,892
2.	2018	125,269	139,867	140,590	140,822	140,440
3.	2019	X X X	99,415	118,560	118,817	118,794
4.	2020	X X X	X X X	108,041	122,736	123,527
5.	2021	X X X	X X X	X X X	132,179	152,385
6.	2022	X X X	X X X	X X X	X X X	132,422

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claims Liability, Claims Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2018	2 2019	3 2020	4 2021	5 2022
1.	Price	99,078	99,074	97,573	97,892	97,892
2.	2018	150,875	141,180	140,670	140,822	140,440
3.	2019	X X X	117,754	117,395	118,825	118,794
4.	2020	X X X	X X X	127,855	112,950	123,017
5.	2021	X X X	X X X	X X X	153,959	153,466
6.	2022	X X X	X X X	X X X	X X X	157,006

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expense	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2018	146,605	140,440	7,503	5.342	147,943	100.913			147,943	100.913
2. 2019	148,301	118,794	8,200	7.021	124,994	85.438			124,994	85.438
3. 2020	165,323	123,527	7,501	6.072	131,028	79.296	(510)	3	130,521	78.949
4. 2021	170,392	152,385	9,691	6.228	161,896	95.008	3,061	40	164,967	96.825
5. 2022	176,673	132,422	10,555	7.971	142,977	80.927	24,596	1,847	169,410	95.889

12 Title XVIII-Medicare

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$'000 Omitted)**  
**Title XIX - Medicaid**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior	768,854	790,287	769,774	769,104	769,104
2. 2018	791,981	865,707	865,347	864,329	862,255
3. 2019	X X X	16,102	16,102	16,102	16,102
4. 2020	X X X	X X X	139,361	139,361	139,361
5. 2021	X X X	X X X	X X X	119,311	119,311
6. 2022	X X X	X X X	X X X	X X X	331,514

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior	768,999	790,287	769,774	769,104	769,104
2. 2018	821,418	886,109	865,347	864,329	862,255
3. 2019	X X X	16,102	16,102	16,102	16,102
4. 2020	X X X	X X X	139,361	139,361	139,361
5. 2021	X X X	X X X	X X X	119,311	119,311
6. 2022	X X X	X X X	X X X	X X X	331,514

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2018	1,008,032	862,255	125,501	14.225	1,007,758	89.977			1,007,758	89.977
2. 2019	22,008	16,102	42,060	281.334	58,162	264.368			58,162	264.368
3. 2020	106,207	139,361	72,125	51.798	211,486	112.370			211,486	112.371
4. 2021	131,972	119,311	34,272	28.725	153,583	116.375		127	153,710	116.472
5. 2022	323,079	331,514	26,594	8.022	358,108	110.842	(1)	8,642	367,749	113.826

12 Title XIX - Medicaid

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

**Other**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior	324,674	324,725	324,511	324,500	324,500
2. 2018	404,179	302,678	302,757	302,745	302,378
3. 2019	X X X	218,665	237,763	237,766	237,754
4. 2020	X X X	X X X	186,074	204,100	204,100
5. 2021	X X X	X X X	X X X	198,236	197,192
6. 2022	X X X	X X X	X X X	X X X	169,152

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Benefits Outstanding at End of Year				
	1 2018	2 2019	3 2020	4 2021	5 2022
1. Prior	324,683	324,727	324,511	324,500	324,500
2. 2018	416,188	302,683	302,783	302,745	302,378
3. 2019	X X X	225,790	237,965	237,776	237,754
4. 2020	X X X	X X X	200,180	204,100	204,100
5. 2021	X X X	X X X	X X X	193,841	197,196
6. 2022	X X X	X X X	X X X	X X X	183,674

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Year in Which Premiums Were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2018	371,808	302,378	24,739	6.51	327,115	87.95%			327,115	87.95%
2. 2019	292,181	237,754	22,230	7.79	259,984	89.00%			259,984	89.00%
3. 2020	274,142	204,100	10,936	3.99	215,044	78.44%			215,044	78.44%
4. 2021	231,602	197,192	16,188	7.00	213,378	92.13%	4		213,382	92.13%
5. 2022	207,665	169,152	38,320	18.46	207,472	99.91%	14,722		222,194	106.98%

12 Other

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

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Dental Only	6 Vision Only	7 Federal Employees Health Benefits Plan	8 Title XVII Medicare	9 Title XIX Medicaid	10 Credit AMH	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
1. Unearned premium reserves	7,800,519			1,050,927				285,629					6,283,963
2. Additional policy reserves (a)	17,563,000												17,563,000
3. Reserve for future contingent benefits													
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income)	307,300,000								307,300,000				
5. Aggregate write-ins for other policy reserves													
6. TOTALS (Gross)	332,483,519			1,050,927				285,629	307,300,000				23,846,963
7. Reinsurance ceded													
8. TOTALS (Net) (Page 3, Line 4)	332,483,519			1,050,927				285,629	307,300,000				23,846,963
9. Present value of amounts not yet due on claims													
10. Reserve for future contingent benefits													
11. Aggregate write-ins for other claim reserves													
12. TOTALS (Gross)													
13. Reinsurance ceded													
14. TOTALS (Net) (Page 3, Line 7)													
<b>DETAILS OF WRITE-INS</b>													
0501. ACA RISK ADJUSTMENT LIABILITIES													
0502.													
0503.													
0590. Summary of remaining write-ins for Line 5 from overflow page													
0599. TOTALS (Lines 0501 through 0503 plus 0590) (Line 5 above)													
1101.													
1102.													
1103.													
1199. Summary of remaining write-ins for Line 11 from overflow page													
1199. TOTALS (Lines 1101 through 1103 plus 1199) (Line 11 above)													

(a) includes \$.....17,563,000 premium deficiency reserve.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building) .....	625,286	308,623	718,890		1,652,799
2. Salaries, wages and other benefits .....	44,774,000	18,723,973	51,476,567		114,974,540
3. Commissions (less \$.....0 ceded plus \$.....0 assumed) .....			13,266,405		13,266,405
4. Legal fees and expenses .....	143,724	70,938	680,400		895,062
5. Certifications and accreditation fees .....					
6. Auditing, actuarial and other consulting services .....	70,319	33,285	151,640		255,244
7. Traveling expenses .....	258,005	127,340	296,816		682,161
8. Marketing and advertising .....			1,234,763		1,234,763
9. Postage, express and telephone .....	1,295,881	756,298	4,061,045		6,113,224
10. Printing and office supplies .....	306,940	150,146	1,114,927		1,572,013
11. Occupancy, depreciation and amortization .....	182,379	90,017	209,681		482,077
12. Equipment .....	394,618	194,772	453,691		1,043,081
13. Cost or depreciation of EDP equipment and software .....	2,054,989	1,010,546	2,572,170		5,637,705
14. Outsourced services including EDP, claims, and other services .....	17,879,494	58,128,382	21,471,920		97,479,796
15. Boards, bureaus and association fees .....			556,632		556,632
16. Insurance, except on real estate .....			2,930,426		2,930,426
17. Collection and bank service charges .....			194,964		194,964
18. Group service and administration fees .....	37,268,471	31,309	72,931		37,372,711
19. Reimbursements by uninsured plans .....			1,615,264		1,615,264
20. Reimbursements from fiscal intermediaries .....					
21. Real estate expenses .....			650,606		650,606
22. Real estate taxes .....			877,587		877,587
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....			(410,972)		(410,972)
23.2 State premium taxes .....			166,536,660		166,536,660
23.3 Regulatory authority licenses and fees .....	6,127	3,024	(17,758,708)		(17,749,557)
23.4 Payroll taxes .....	2,947,661	1,454,877	3,368,919		7,791,457
23.5 Other (excluding federal income and real estate taxes) .....	19,143	226,674	68,722,184		68,968,001
24. Investment expenses not included elsewhere .....				174,385	174,385
25. Aggregate write-ins for expenses .....	(62,746,623)	(44,589,673)	(228,309,500)		(335,645,796)
26. TOTAL Expenses Incurred (Lines 1 to 25) .....	45,480,414	36,720,531	96,775,968	174,385	(a) 179,151,238
27. Less expenses unpaid December 31, current year .....		11,678,000	70,117,750		81,795,750
28. Add expenses unpaid December 31, prior year .....		15,180,000	42,519,345		57,899,345
29. Amounts receivable relating to uninsured plans, prior year .....					
30. Amounts receivable relating to uninsured plans, current year .....					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	45,480,414	40,222,531	69,177,503	174,385	155,054,833
<b>DETAILS OF WRITE-INS</b>					
2501. Sundry Expenses .....	116,117	57,312	133,499		306,928
2502. Reinsurance Ceded .....	(62,862,740)	(44,646,985)	(228,442,999)		(335,952,724)
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overflow page .....					
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	(62,746,623)	(44,589,673)	(228,309,500)		(335,645,796)

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.



**EXHIBIT OF NET INVESTMENT INCOME**

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 431,689	490,942
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 8,931,263	9,024,638
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,486,034	2,009,445
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. TOTAL gross investment income	10,848,386	11,525,024
11. Investment expenses		(g) 174,385
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. TOTAL Deductions (Lines 11 through 15)		174,385
17. Net investment income (Line 10 minus Line 16)		11,350,639

**DETAILS OF WRITE-INS**

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above)		

(a) Includes \$.....(670,082) accrual of discount less \$.....1,743,158 amortization of premium and less \$.....268,265 paid for accrued interest on purchases.  
 (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.  
 (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.  
 (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.  
 (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.  
 (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.  
 (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.  
 (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Column 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(86,019)		(86,019)	(25,545,405)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(1,889)		(1,889)	7,697	
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. TOTAL Capital gains (losses)	(87,908)		(87,908)	(25,537,708)	
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)					

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	5,292,933	2,945,402	(2,347,531)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	30,140,783	14,474,308	(15,666,475)
25. Aggregate write-ins for other than invested assets	871,573	638,536	(233,037)
26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	36,305,289	18,058,246	(18,247,043)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. TOTAL (Lines 26 and 27)	36,305,289	18,058,246	(18,247,043)
<b>DETAILS OF WRITE-INS</b>			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expenses	871,573	638,536	(233,037)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	871,573	638,536	(233,037)

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	.....	.....	.....	.....	.....	.....
2. Preferred Provider Organizations	.....	.....	.....	.....	.....	.....
3. Preferred Provider Organizations	.....	.....	.....	.....	.....	.....
4. Point of Service	.....	.....	.....	.....	.....	.....
5. Indemnity Only	.....	.....	.....	.....	.....	.....
6. Aggregate write-ins for other lines of business	541,117	540,832	547,705	555,270	559,106	6,592,543
7. TOTAL	541,117	540,832	547,705	555,270	559,106	6,592,543
<b>DETAILS OF WRITE-INS</b>						
0601. Medicare Part D Orig	234,140	234,082	233,469	233,583	232,905	2,804,180
0602. Stoploss	2,632	.....	.....	.....	.....	.....
0603. Medical	288,533	282,067	284,655	297,083	297,104	3,533,880
0606. Summary of remaining write-ins for Line 6 from overflow page	14,712	14,683	19,571	24,818	29,274	249,496
0603. TOTALS (Lines 0601 through 0603 plus 0606) (Line 6 above)	541,117	540,832	547,705	555,270	559,106	6,592,543

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies and Going Concern

#### A. Accounting Practice

The financial statements of HCSC Insurance Services Company (the Company) are presented in conformity with accounting practices and procedures of the National Association of Insurance Commissioners (NAIC) as prescribed or permitted by the Illinois Department of Insurance.

The Illinois Department of Insurance recognizes only statutory practices prescribed or permitted by the State of Illinois for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under Illinois Insurance Law. The NAIC's Accounting Practices and Procedures Manual, (SAP), has been adopted as a component of prescribed or permitted practices by the State of Illinois.

For both 2022 and 2021, the Company did not have any prescribed or permitted practice exceptions.

	SSAP#	F S Page#	F S Line#	2022	2021
<b>NET INCOME</b>					
(1) The Company's own basis (Pg. 4, Line 32, Columns 2 & 3)	X000	X000	X000	\$ (102,916,219)	\$ (41,687,704)
(2) Some Prescribed Practices that are an increase (decrease) NAIC SAP					
(3) Some Permitted Practices that are an increase (decrease) NAIC SAP					
(4) NAIC SAP (1-2-3=4)	X000	X000	X000	\$ (102,916,219)	\$ (41,687,704)
<b>SURPLUS</b>					
(5) The Company's own basis (Page 3, Line 33, Columns 3 & 4)	X000	X000	X000	\$ 106,223,690	\$ 172,519,696
(6) Some Prescribed Practices that are an increase (decrease) NAIC SAP					
(7) Some Permitted Practices that are an increase (decrease) NAIC SAP					
(8) NAIC SAP (5-6-7=8)	X000	X000	X000	\$ 106,223,690	\$ 172,519,696

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could affect the amounts reported and disclosed therein such that actual results differ from management's estimates.

#### C. Accounting Policies

##### Investments

Investments are stated at values prescribed or permitted by the NAIC as follows:

- (1) Cash equivalents, including money market mutual funds, are investments with original maturities of three months or less. Cash equivalents are principally stated at amortized cost, which approximates fair value. All money market mutual funds are stated at net asset value (NAV) as a practical expedient for the measurement of fair value. Short-term investments are those investments that, when purchased, have a maturity between three months and one year and are stated at amortized cost, except for short-term bonds with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest rate method, except for those bonds with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value. Fair values are calculated based on market prices provided by the custodian. If there are no market prices provided by the custodian, the fair value is calculated by the Company in conjunction with its investment advisors. All NAIC Securities Valuation Office (SVO) identified bond exchange-traded funds (ETFs) held by the Company are reported at fair value.
- (3) Common stocks: Not Applicable
- (4) Preferred stocks: Not Applicable
- (5) Mortgage Loans: Not Applicable
- (6) Basis at which the loan-backed securities are stated and the adjustment methodology used for each type of security (prospective or retrospective): Not Applicable
- (7) Investments in subsidiaries, controlled and affiliated entities: Not Applicable
- (8) Investments in joint ventures, partnerships and limited liability companies: Not Applicable
- (9) Derivatives: Not Applicable

## Notes to Financial Statements

### Other Investment Accounting Policies

The net unrealized capital gains (losses) on investments carried at fair value are reported in surplus and are not recognized in income, unless there is deemed to be an Other Than Temporary Impairment (OTTI), in which case the loss is charged to income.

Realized gains and losses are determined on a specific lot identification basis. Security transactions are accounted for on a trade-date basis, with any unsettled transactions recorded as due to or due from investment broker and included in receivables for securities and payables for securities in the balance sheets.

Impairments are recognized for investments where the decline in fair value is determined to be other-than-temporary. Investments in bonds not backed by other loans, common stocks, or preferred stocks are written down to fair value as the new cost basis. Investments in bonds backed by other loans are written down to the present value of cash flows expected to be collected, discounted at the loan-backed securities' effective yield immediately preceding the OTTI determination. In all cases, the amount of the write-down is accounted for as a realized loss in the Company's statements of revenues and expenses. In addition, unrealized losses would be considered realized for interest-related declines in fair value should the Company lack the intent and ability to hold these securities.

### Other Accounting Policies

#### (10) Premium Deficiency Reserves (PDR)

The Company assesses the underwriting gains of contracts providing insurance coverage to members, further examining segments of business where current operating results and forecasts indicate probable future losses. The Company establishes a PDR in current operations to the extent that the sum of expected future claims and incurred costs, including claims adjustment expenses and administration costs, exceed related future premiums. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the method in which the Company manages, prices and markets such contracts. Estimates are continually reviewed, with any necessary adjustments reflected in current operations. Changes in assumptions for such items as medical cost, as well as changes in actual experience, could cause these estimates to change in the near term.

As of December 31, 2022 and 2021, the Company had liabilities of \$17,583,000 and \$36,895,000, respectively, related to PDRs. The 2022 PDR related to the Company's Medicare Part D line of business and the 2021 PDR related to the Company's Medicaid and Medicare Part D line of business in the amount of \$34,193,000 and \$2,702,000, respectively. The PDR was established for policies the Company was committed to for 2023 and 2022, and was driven by a higher anticipated risk and associated cost of claims than were anticipated in the premium rates. The Company did not consider anticipated investment income when calculating PDRs.

#### (11) Claims Unpaid, Unpaid Claims Adjustment Liability, and Accident and Health Policy Reserves

Claims unpaid and unpaid claims adjustment liabilities on insured policies represent management's best estimate of the ultimate net cost to process and pay all reported and unreported claims incurred through December 31. The Company does not discount unpaid claims and claims adjustment liabilities. Although such amounts are based on estimates, management believes that the reserves are reasonable and adequate.

These estimates are continually reviewed, and, as adjustments to these liabilities become necessary, such adjustments are reflected in current operations. Changes in assumptions for such items as medical cost, as well as changes in actual experience, could cause these estimates to change in the near term.

Reserves for unearned premium income; premium deficiency reserves; risk adjustment payables; medical loss ratio rebates and risk corridor payables are shown as accident and health policy reserves on the balance sheets.

An estimate of future claim payments is not recorded for uninsured plans.

#### (12) Changes in Capitalization Policy

The Company has not made any significant changes to its capitalization policy from the prior period.

### Pharmacy Rebate Receivables

The Company contracts mainly with Prime Therapeutics, LLC (Prime), an affiliated Pharmacy Benefit Manager (PBM), for the administration of pharmaceutical drug claims.

Pharmacy rebate receivables are based on the PBM's estimate of the actual amounts due to the Company and an estimated amount calculated by the Company. The Company's estimated amount is based on the claims processed by the PBM in the current quarter multiplied by a contractual rate based on utilization.

## Notes to Financial Statements

Pharmacy rebate receivables are included in amounts receivable related to uninsured plans and health care receivables in the balance sheets depending on the type of business.

### Premium Revenue

Insurance premiums are recorded on the accrual basis of accounting and are recognized as income during the period of coverage.

### Uncollected Premiums

Uncollected premiums consist of the members' portion of the Medicare Part D and MAPD premiums due. Due to collectability concerns for aged accounts receivable, an allowance for doubtful accounts is recorded. The balance reported for uncollected premiums in the accompanying balance sheets was net of an allowance for doubtful accounts of \$21,007,693 and \$19,993,354 at December 31, 2022 and 2021, respectively.

### Uninsured plans

The Company charges uninsured plans an administrative fee, which is usually calculated on a per subscriber basis, for processing claims and administering the plan. Administrative fee revenue is shown as a reduction of claims adjustment expenses and general and administrative expenses in the statements of revenues and expenses, while the claims processed, and associated claims reimbursements received from uninsured plans are excluded from the statements of revenues and expenses. The primary type of uninsured plan contracts for which the Company receives an administrative fee for providing services is Administrative Services Contracts (ASC). ASC includes business where the Company pays benefits on behalf of employers using HCSC's check stock.

### Income Taxes

Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities. Changes in deferred tax assets and liabilities are recorded as an addition or reduction to capital and surplus. Deferred taxes do not include amounts for state taxes. The application of SSAP No. 101—*Income Taxes* (SSAP No. 101) requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized. The admissibility of deferred tax assets is limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse within three years of the balance sheet date; plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date, or an amount that is no greater than the applicable percentage of capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for the current reporting period's statement filed with the domiciliary state commissioner adjusted to exclude any net deferred tax assets, electronic data processing equipment and operating system software, and any net positive goodwill; plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted.

### Medicare Standalone Part D and Medicare Advantage Prescription Drug

The Company offers standalone Medicare Part D prescription drug and Medicare Advantage and Prescription Drug (MAPD) insurance coverage under contracts with The Centers for Medicare and Medicaid Services (CMS). These contracts consist of an insurance component where the insurance company assumes the risk for individuals in exchange for a fixed premium that is paid in part by CMS and in part by the covered individual. This activity is reported as insurance premiums and claims. After the end of each calendar year, for the standalone Medicare Part D and the Medicare Part D portion of the MAPD contract, the net gain or loss on each Part D contract is calculated and a settlement amount is determined. Based on the agreed upon formula, a portion of any gains in excess of the target are returned to CMS and are reported as a reduction to premium revenues. Any losses outside the agreed upon target result in an additional premium payment from CMS to the Company and are reported as an increase to premium revenues.

CMS also pays 80% of all Part D net claim costs in excess of a predetermined threshold per person, per year. Amounts received from CMS are reported as deposits and are not included in the statements of revenues and expenses. Instead, they are reported as uninsured payments pursuant to SSAP No. 47, *Uninsured Plans*, which pertains to accounting for uninsured business. The claim amounts over the threshold are reported as receivables due from CMS, and payments received from CMS are reported as collection of the receivable. Lastly, for certain low-income members, CMS is responsible for part or all of the members' cost sharing amounts, such as deductibles. This program is known as Low Income Member Cost share. CMS pays the Company each month an amount that is expected to cover these cost sharing amounts. The Company pays these claims on behalf of CMS and then settles with CMS based on actual experience after the end of the contract year. Revenues and claims under this arrangement are reported as deposits, and as such, are excluded from the statements of revenues and expenses.

## Notes to Financial Statements

In addition, CMS implemented the Coverage GAP Discount Program, in which the drug manufacturers provide a 50% discount on brand drugs to Part D members in the coverage gap. CMS pays monthly cash advances to the Company and then on a quarterly basis, after the manufacturers have reimbursed the Company for the actual cost of the 50% discount, nets the actual cost against the next advance. Revenues and claims under this arrangement are reported as deposits and, as such, are excluded from the statements of revenues and expenses.

### Indian Health Services

Under the New Mexico Medicaid contract, the Company is fully reimbursed by the State of New Mexico Human Services Department (HSD) for costs incurred for services of Native Americans provided by authorized Indian Health Services (IHS) providers and facilities and, accordingly, there is no insurance risk to the Company.

### D. Going Concern

In connection with preparing financial statements for each annual and interim reporting period, management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. There are no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

## 2. Accounting Changes and Corrections of Errors

Subsequent to filing the 2021 Annual Statement, the Company determined that ceded premiums were understated for the New Mexico Medicaid business, which caused an overstatement of premium in the amount of \$14,000,000. Pursuant to the reinsurance agreement with Health Care Service Corporation, a Mutual Legal Reserve Company (HCSC), the Company ceded reinsurance premium, net of an expense allowance of 12.5%, to HCSC. The Company also determined the New Mexico Medical Loss Ratio rebate liability was overstated, resulting in an overstatement of administrative expenses of \$2,125,000 due to the expense allowance of 12.5% to HCSC. In addition, the Company determined benefit expenses were overstated by \$9,629,043 due to payment of an expense that was previously accrued. Therefore, in aggregate, the net loss was understated by \$588,003, net of tax, and is reported as a correction of error in the accompanying statement of revenue and expenses.

SSAP No. 25, *Affiliates and Other Related Parties* (SSAP No. 25), and SSAP No. 43R, *Loan Backed and Structured Securities* (SSAP No. 43R), were updated to clarify the application of the existing affiliate definition and to incorporate disclosure requirements for all investments involving related parties, regardless of their affiliation status. The revised guidance was effective upon adoption. The adopted guidance did not have a material impact on the Company's financial position or operating results.

SSAP No. 55, *Unpaid Claims, Losses and Loss Adjustment Expenses*, was revised to clarify that subrogation recoveries should be reported as a reduction of losses and/or loss adjusting expense reserves, depending on the nature of the costs being recovered. The adoption also updated the related disclosures to isolate the reporting of estimated salvage and subrogation and their impact on unpaid claims, losses, or associated loss adjusting expenses. The revised guidance was effective in 2021. The adoption of this new guidance did not have a material impact on the Company's financial position or operating results.

## 3. Business Combinations and Goodwill

### A. Statutory Purchase Method

Not Applicable

### B. Statutory Merger

Not Applicable

### C. Assumption Reinsurance

Not Applicable

### D. Impairment Loss

Not Applicable

### E. Subcomponents and Calculation of Adjusted Surplus and Total Admitted Goodwill

Not Applicable

## Notes to Financial Statements

### 4. Discontinued Operations

Not Applicable

### 5. Investments

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

Not Applicable

#### B. Debt Restructuring

Not Applicable

#### C. Reverse Mortgages

Not Applicable

#### D. Loan-Backed Securities

(1) Prepayment assumptions for fixed-rate agency mortgage-backed securities are determined utilizing Mortgage Industry Advisor Committee (MIAC) Mortgage Industry Medians (MIMs). MIMs are derived from a semimonthly dealer-consensus survey of long-term prepayment projections. Prepayment assumptions for other mortgage-backed, loan-backed and structured securities are obtained from Moody's Analytics. Moody's applies a flat economic credit model and utilizes a vector of multiple monthly speeds as opposed to a single speed for more robust projections. In instances where Moody's projections are not available, data is obtained from Reuters which utilizes the median prepayment speed from contributors' models.

(2) In 2022, the Company did not recognize any OTTI on loan-backed securities that are classified under either intent to sell or under inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.

(3) The Company did not recognize any OTTI on loan-backed securities in 2022.

(4) All securities with an unrealized loss (fair value is less than cost or amortized cost) for which an OTTI has not been recognized in earnings as a realized loss (including securities with a recognized OTTI for non-interest related declines when a non-recognized interest related impairment remains), segregated by the amount of time the securities have been in an unrealized loss position, are as follows:

a. The aggregate amount of unrealized losses:

1 Less than 12 months	\$ 2,975,819
2 12 months or longer	\$ 15,047,990

b. The aggregate related fair value of securities with unrealized losses:

1 Less than 12 months	\$ 42,200,687
2 12 months or longer	\$ 83,762,175

(5) The Company believes that all unrealized losses on individual securities are the result of normal price fluctuations due to market conditions and are not an indication of OTTI. Market conditions include interest rate fluctuations, credit quality, supply, and demand.

#### E. Dollar Repurchase Agreements and/or Securities Lending Transactions

Not Applicable

#### F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

#### G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable



Notes to Financial Statements

H. Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

J. Real Estate

(1-5) Not Applicable

K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	1	2	3	4	5	6	7
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Percentage Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Percentage Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
b. Collateral held under security lending agreements	---	---	---	---	---	---	---
c. Subject to repurchase agreements	---	---	---	---	---	---	---
d. Subject to reverse repurchase agreements	---	---	---	---	---	---	---
e. Subject to dollar repurchase agreements	---	---	---	---	---	---	---
f. Subject to dollar reverse repurchase agreements	---	---	---	---	---	---	---
g. Placed under option contracts	---	---	---	---	---	---	---
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	---	---	---	---	---	---	---
i. FHLB capital stock	---	---	---	---	---	---	---
j. On deposit with states	4,292,588	4,277,113	15,475	---	4,292,588	0.39%	0.40%
k. On deposit with other regulatory bodies	---	---	---	---	---	---	---
l. Pledged as collateral to FHLB (including assets backing funding agreements)	---	---	---	---	---	---	---
m. Pledged as collateral not captured in other categories	---	---	---	---	---	---	---
n. Other restricted assets	179,315,076	161,439,171	17,875,905	---	179,315,076	16.10%	16.64%
<b>o. Total Restricted Assets (Sum of a through n)</b>	<b>\$ 183,607,664</b>	<b>\$165,716,284</b>	<b>\$ 17,891,380</b>	<b>\$ ---</b>	<b>\$ 183,607,664</b>	<b>16.48%</b>	<b>17.04%</b>

(a) Column 1 divided by Asset Page, Column 1, Line 26

(b) Column 5 divided by Asset Page, Column 3, Line 28

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

Not Applicable

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate)

Description of Assets	1	2	3	4	5	6
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Solvency Cash Reserve with New Mexico Human Services Department	\$ 179,315,076	\$ 161,439,171	\$ 17,875,905	\$ 179,315,076	16.10 %	16.64 %
<b>05L3999 Total (a)</b>	<b>\$ 179,315,076</b>	<b>\$ 161,439,171</b>	<b>\$ 17,875,905</b>	<b>\$ 179,315,076</b>	<b>16.10 %</b>	<b>16.64 %</b>

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Not Applicable

M. Working Capital Finance Investments

Not Applicable

N. Offsetting and Netting of Assets and Liabilities

Not Applicable

**Notes to Financial Statements****O. SGI Securities**

Not Applicable

**P. Short Sales**

Not Applicable

**Q. Prepayment Penalty and Acceleration Fees**

	<b>December 31, 2022</b>
	<b>General Account</b>
(1) Number of CUSIPs	3
(2) Aggregate Amount of Investment Income	\$ 92,598

**R. Reporting Entity's Share of Cash Pool by Asset type.**

Not Applicable

**6. Joint Ventures, Partnerships and LLCs****A. Investments That Exceed 10% of the Admitted Assets**

Not Applicable

**B. Impaired Investments**

Not Applicable

**7. Investment Income****A. Bases. By Category of Investment Income, For Excluding (Nonadmitting) Any Investment Income Due and Accrued**

Not Applicable

**B. Total Amount Excluded**

Not Applicable

**8. Derivative Instruments****A. Derivatives Under SSAP No. 86 - Derivatives**

Not Applicable

**B. Derivatives Under SSAP No. 108 - Derivative Hedging Variable Annuity Guarantees**

Not Applicable

## Notes to Financial Statements

## 9. Income Taxes

## A. SSAP No. 101 Paragraph 22 Disclosure

(1) The components of the net deferred tax asset/(liability) at December 31, 2022 are as follows:

	12/31/2022		
	(1) Ordinary	(2) Capital	(3) (Col. 1+2) Total
(a) Gross Deferred Tax Assets	\$ 82,433,525	\$ 3,616,933	\$ 86,050,458
(b) Statutory Valuation Allowance Adjustments	82,174,579	3,616,933	85,791,512
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	258,946	—	258,946
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	258,946	—	258,946
(f) Deferred Tax Liabilities	258,946	—	258,946
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ —	\$ —	\$ —

The components of the net deferred tax asset/(liability) at December 31, 2021 are as follows:

	12/31/2021		
	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total
(a) Gross Deferred Tax Assets	\$ 63,431,045	\$ —	\$ 63,431,045
(b) Statutory Valuation Allowance Adjustments	61,329,866	—	61,329,866
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	2,101,179	—	2,101,179
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	2,101,179	—	2,101,179
(f) Deferred Tax Liabilities	353,577	1,747,602	2,101,179
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ 1,747,602	\$ (1,747,602)	\$ —

The change in the components of the net deferred tax asset (liability) is as follows:

	Change During 2022		
	(7) Ordinary	(8) Capital	(9) (Col. 7+8) Total
(a) Gross Deferred Tax Assets	\$ 19,002,480	\$ 3,616,933	\$ 22,619,413
(b) Statutory Valuation Allowance Adjustments	20,844,713	3,616,933	24,461,646
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	(1,842,233)	—	(1,842,233)
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	(1,842,233)	—	(1,842,233)
(f) Deferred Tax Liabilities	(94,631)	(1,747,602)	(1,842,233)
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ (1,747,602)	\$ 1,747,602	\$ —

## Notes to Financial Statements

## (2) Admission Calculation Components SSAP No. 101

12/31/2022		
(1)	(2)	(3)
Ordinary	Capital	(Col. 1+2) Total

## Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$	—	\$	—	\$	—
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)		—		—		—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date		—		—		—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold		XXX		XXX		15,783,455
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities		258,946		—		258,946
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total 2(a)+2(b)+2(c)	\$	258,946	\$	—	\$	258,946

12/31/2021		
(4)	(5)	(6)
Ordinary	Capital	(Col. 4+5) Total

## Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$	—	\$	—	\$	—
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)		—		—		—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date		—		—		—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold		XXX		XXX		25,877,954
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities		2,101,179		—		2,101,179
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total 2(a)+2(b)+2(c)	\$	2,101,179	\$	—	\$	2,101,179

Change During 2022		
(7)	(8)	(9)
Ordinary	Capital	(Col. 7+8) Total

## Admission Calculation Components SSAP No. 101

(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$	—	\$	—	\$	—
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)		—		—		—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date		—		—		—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold		XXX		XXX		(10,094,499)
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities		(1,842,233)		—		(1,842,233)
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total 2(a)+2(b)+2(c)	\$	(1,842,233)	\$	—	\$	(1,842,233)

## Notes to Financial Statements

- (3) The following table provides the authorized control level risk-based capital ratio percentage and the amount of adjusted capital and surplus, excluding deferred tax assets, used to determine the recovery period and threshold limitation amounts under SSAP No. 101 paragraphs 11.b.i and 11.b.ii as of December 31:

	2022	2021
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	33.4 %	54.4 %
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation in 2(b)2 Above	\$ 105,223,030	\$ 172,519,696

- (4) Impact of Tax Planning Strategies

12/31/2022		12/31/2021		2021 Change	
(1)	(2)	(3)	(4)	(5)	(6)
Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(Col 2-4) Capital

- (e) Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As a Percentage.

1 Adjusted Gross DTAs Amount From Note 9A1(e)	\$ 258,946	\$ —	\$ 2,101,179	\$ —	\$(1,842,233)	\$ —
2 Percentage Of Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
3 Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 258,946	\$ —	\$ 2,101,179	\$ —	\$(1,842,233)	\$ —
4 Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

- (b) Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_ No

#### B. SSAP No 101 Paragraph 23 Disclosure

At December 31, 2022 and 2021, the Company had no unrecognized deferred tax liabilities.

#### C. SSAP No. 101 Paragraph 24 Disclosure

Current income taxes incurred consist of the following major components:

##### (1) Current Income Tax

	(1) 12/31/2022	(2) 12/31/2021	(3) Col (1-2) Change
a. Federal	\$ (7,546,294)	\$ (20,490,488)	\$ 12,944,194
b. Foreign	—	—	—
c. Subtotal	(7,546,294)	(20,490,488)	12,944,194
d. Federal income tax on net capital gains	461	27,339	(26,878)
e. Utilization of capital loss carry-forwards	—	—	—
f. Other	—	—	—
g. Federal and foreign income taxes incurred	\$ (7,545,833)	\$ (20,463,149)	\$ 12,917,316

The Inflation Reduction Act was enacted on August 16, 2022 and includes a 15% corporate alternative minimum tax (CAMT) for applicable corporations which is effective for tax years beginning after 2022. The Company is part of an affiliated group of companies filing a consolidated federal income tax return with its parent, Health Care Service Corporation, a Mutual Legal Reserve Company which has determined it is an applicable corporation and expects to be subject to and liable for CAMT in 2023. As the method of tax allocation among the companies is made primarily on a separate-entity basis, the Company has determined that it does not expect to be liable for CAMT in 2023.

## Notes to Financial Statements

The tax effects of the change in temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	(1) 12/31/2022	(2) 12/31/2021	(3) Col. (1 - 2) Change
<b>2. Deferred Tax Assets:</b>			
<b>(a) Ordinary:</b>			
(1) Discounting of unpaid losses	\$ 8,378,924	\$ 3,783,889	\$ 4,595,035
(2) Unearned premium reserve	319,222	211,471	107,751
(3) Capital and surplus reserves	3,692,430	7,747,950	(4,055,520)
(4) Investments	14,671	—	14,671
(5) Deferred acquisition costs	—	—	—
(6) Capital and surplus dividends accrual	—	—	—
(7) Fixed assets	—	—	—
(8) Compensation and benefits accrual	—	—	—
(9) Pension accrual	—	—	—
(10) Receivables - nonadmitted	183,030	134,093	48,937
(11) Net operating loss carry-forward	61,037,852	47,218,691	13,819,161
(12) Tax credit carry-forward	—	—	—
(13) Other (including items <5% of total ordinary tax assets)	—	—	—
(14) Contingent Liabilities	160,561	105,045	55,516
(15) Allowance for doubtful accounts	8,646,835	4,229,906	4,416,929
(16) Benefit Plan AML (OCI)	—	—	—
(17) Intangible assets	—	—	—
(99) Subtotal	82,433,525	63,431,045	19,002,480
(b) Statutory valuation allowance adjustment	\$ 82,174,579	\$ 61,329,866	\$ 20,844,713
(c) Nonadmitted	\$ —	\$ —	\$ —
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 258,946	\$ 2,101,179	\$ (1,842,233)
<b>(e) Capital:</b>			
(1) Investments	\$ —	\$ —	\$ —
(2) Net capital loss carry-forward	—	—	—
(3) Real estate	—	—	—
(4) Unrealized gains/losses	3,616,933	—	3,616,933
(5) Other (including items <5% of total capital tax assets)	\$ —	\$ —	\$ —
(99) Subtotal	\$ 3,616,933	\$ —	\$ 3,616,933
(f) Statutory valuation allowance adjustment	3,616,933	—	3,616,933
(g) Nonadmitted	—	—	—
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ —	\$ —	\$ —
(i) Admitted deferred tax assets (2d + 2h)	\$ 258,946	\$ 2,101,179	\$ (1,842,233)
<b>3. Deferred Tax Liabilities:</b>			
<b>(a) Ordinary:</b>			
(1) Investments	\$ —	\$ 117,679	\$ (117,679)
(2) Fixed assets	—	—	—
(3) Deferred and uncollected premium	—	—	—
(4) Capital and surplus reserves	—	—	—
(5) Other (including items <5% of total ordinary tax liabilities)	—	—	—
(6) Prepaid Expenses	183,030	134,677	48,353
(7) TCJA transitional discounting of Sec 846	75,916	101,221	(25,305)
(99) Subtotal	\$ 258,946	\$ 353,577	\$ (94,631)
<b>(b) Capital:</b>			
(1) Investments	—	1,747,602	(1,747,602)
(2) Real estate	—	—	—
(3) Other (including items <5% of total capital tax liabilities)	\$ —	\$ —	\$ —
(99) Subtotal	\$ —	\$ 1,747,602	\$ (1,747,602)
(c) Deferred tax liabilities (3a99 + 3b99)	258,946	2,101,179	(1,842,233)
<b>4. Net deferred tax assets/liabilities (2i - 3c)</b>			
	\$ —	\$ —	\$ —

The change in net deferred income taxes is comprised of the following:

	2022	2021	Change
Total of adjusted gross deferred tax assets, including valuation allowance	\$ 258,946	\$ 2,101,179	\$ (1,842,233)
Total of all deferred tax liabilities	258,946	2,101,179	(1,842,233)
Net deferred tax asset	\$ —	\$ —	\$ —
Less: Change in unrealized capital gains/losses & benefit plan AML			1,747,602
Change in benefit plans			—
Change in deferred tax asset recorded in surplus			\$ (1,747,602)

## Notes to Financial Statements

## D. SSAP No. 101 Paragraph 25 Disclosure

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for 2022 are as follows:

Description	Amount	Effective Tax Rate
Provision computed at statutory rate	\$ (23,197,030)	21.0 %
Prior Year True-Up	1,004,499	-0.9
Change in Nonadmitted Assets	(4,450,415)	4.0
Change in Valuation Allowance	30,844,713	(18.9)
Other	2	0.0
Total	\$ (5,798,231)	5.2 %
Federal Income Taxes Incurred	\$ (7,545,833)	6.8 %
Change in net deferred income taxes	1,747,602	(1.6)
Total statutory income taxes	\$ (5,798,231)	5.2 %

## E. SSAP No. 101 Paragraph 26 Disclosure

- (1) As of December 31, 2022, the Company had tax benefits from operating loss carryforwards of \$8,241 from the 2003 tax year, \$98,489 from the 2005 tax year, \$1,012,864 from the 2014 tax year, \$472,861 from the 2015 tax year, \$87,151 from the 2016 tax year, \$734,510 from the 2017 tax year, \$13,007,676 from the 2018 tax year, \$28,751,054 from the 2019 tax year, \$2,048,838 from the 2020 tax year, and \$14,816,168 from the 2022 tax year which are expected to expire in 2023, 2025, 2034, 2035, 2036, 2037, 2038, 2039, 2040 and 2042, respectively.
- (2) There were no federal income taxes incurred in the current year and the preceding two years, which are available for recoupment in the event of future net losses.
- (3) The Company has not made any protective tax deposits under IRC §6603 of which it reasonably expects to recover in a subsequent period.

## F. SSAP No. 101 Paragraph 28 Disclosure

The Company is included in the consolidated federal income tax return with its parent, Health Care Service Corporation, a Mutual Legal Reserve Company (HCSC). The following entities are included in the consolidated federal income tax return:

Health Care Service Corporation, a Mutual Legal Reserve Company	HCSC Investments, LLC
505 Insurance Company	HCSC ITC, LLC
CMH Technology Subsidiary, LLC	HCSC Purchasing, LLC
Dearborn Life Insurance Company (DLIC)	HCSC-Sanita I, LLC
Dearborn National Life Insurance Company of New York	HCSC Ventures, Inc. (HCSCV)
Dental Network of America, LLC (DNoA)	Illinois Blue Cross Blue Shield Insurance Company (IL PPO)
Dental Solutions, Inc.	Innovista, LLC (Innovista)
DenteMax, LLC	Medecision, Inc. (Medecision)
GHS General Insurance Agency, Inc.	South Water Insurance Company
GHS Health Maintenance Organization, Inc. (GHS HMO or BlueLincs)	Texas Blue Cross Blue Shield Insurance Company (TX PPO)
GHS Insurance Company (GHSIC)	Trustmark Health Benefits, Inc.
GSI Health, LLC	USB HTC Fund 2017-2, LLC
HCSC Insurance Services Company (HISC)	USB RETC Fund 2017-1, LLC

The method of allocation between the companies is subject to a written agreement, approved by the Company's Board of Directors, whereby allocation is made primarily on a separate return basis, with a current credit for net operating losses or other items utilized in the consolidated return. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

## Notes to Financial Statements

### G. SSAP No. 101 Paragraph 27 Disclosure

The Company has no material positions for which management believes it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date. As of December 31, 2022 management considers the Company's open tax years to include returns filed for 2015 through 2017, 2019 through 2021, as well as the return that will be filed for 2022.

### H. Repatriation Transition Tax (RTT)

Not Applicable

### I. Alternative Minimum Tax (AMT) Credit

The Company has no AMT credits as of December 31, 2022 and 2021.

## 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

### A. Nature of Relationship

The Company is directly owned by HCSC, an Illinois domiciled company.

In addition, the Company has a master service agreement with Prime, a third-party PBM, to perform certain claims processing and customer services for the Company's business. Prime is partially owned by HCSC.

### B. Description of the Transactions

HCSC made cash capital contributions in the amount of \$80,000,000 and \$40,000,000 to the Company in 2022 and 2021, respectively.

Effective January 1, 2019, the Company entered into a reinsurance agreement with its parent, HCSC, in which HCSC shall assume 100% of the Company's total incurred medical liability for dates of service beginning January 1, 2019 through December 31, 2022, under the Company's New Mexico Medicaid agreement with HSD. The Company shall pay a reinsurance premium, net of an expense allowance, in an amount equal to a percentage of all Medicaid premiums earned under the HSD agreement, for the earned period beginning January 1, 2019 through December 31, 2022. The agreement repriced annually. For 2022 and 2021, the percentage was 84.1% and 87.5%, respectively. Effective January 1, 2023, an assignment agreement between the Company and HCSC was approved by HSD in which the Company assigned its Medicaid agreement with HSD to HCSC on a prospective basis.

### C. Transactions with related parties who are not reported on Schedule Y

Not Applicable

### D. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

The Company reported net amounts due to HCSC of \$350,244,854 and \$371,387,630 at December 31, 2022 and 2021, respectively. The amount due to HCSC is related to administrative fees due to HCSC in addition to claims paid on the Company's behalf.

At December 31, 2022, the Company reported amounts due from GHSIC primarily for claims paid on its behalf of \$3,890,037. At December 31, 2021, the Company reported amounts due to GHSIC for amounts collected on its behalf, primarily related to coverage gap discounts from the manufacturers of \$801,753.

At December 31, 2022 and 2021, the Company reported amounts due from GHS HMO primarily for claims paid on its behalf of \$338,853 and \$113,217, respectively.

At December 31, 2022 and 2021, the Company reported amounts due to IL PPO for amounts collected on its behalf, primarily related to coverage gap discounts from the manufacturers, of \$483,212 and \$170,858, respectively.

The Company reported amounts due to Prime of \$6,590,196 and \$4,833,264 at December 31, 2022 and 2021, respectively.

### E. Material Management or Service Contracts and Cost-Sharing Arrangements

The Company and HCSC are parties to an administrative services agreement under which HCSC provides certain managerial, technical, and marketing services. During 2022 and 2021, the total amounts billed by HCSC, based upon actual costs incurred were \$198,751,952 and \$211,237,253, respectively.



## Notes to Financial Statements

The Company has a master services agreement with Prime to perform certain claims processing and customer services for the Company. During 2022 and 2021, the total amounts billed by Prime for incurred expenses were \$28,430,371 and \$27,206,120, respectively.

### F. Guarantees/Undertakings

HCSC has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company to its customers in order for the Company to be licensed by the Blue Cross and Blue Shield Association. If the Company ceases operations, HCSC is required to provide coverage to the Company's subscribers without consideration of health status.

### G. Control Relationships

Refer to Schedule Y.

### H. Amount deducted from the Value of an Upstream Intermediate Entity or Ultimate Parent Owned

Not Applicable

### I. Investments in Subsidiary, Controlled and Affiliated (SCA) entities that Exceed 10% of Admitted Assets

Not Applicable

### J. Impairment of SCA entities

Not Applicable

### K. Investments in foreign insurance subsidiaries

Not Applicable

### L. Investment in a downstream noninsurance holding company

Not Applicable

### M. All SCA investments

Not Applicable

### N. Investments in Insurance SCAs Audited Statutory Equity Reflects a Departure from NAIC Guidance

Not Applicable

### O. SCA and SSAP No. 48 Entity Loss Tracking

Not Applicable

## 11. Debt

### A. Debt and Holding Company Obligations, including Capital Notes

Not Applicable

### B. Federal Home Loan Bank (FHLB) Agreements

Not Applicable

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

Not Applicable. The Company does not have employees.

## 13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

### A. The number of shares of each class of capital stock authorized, issued and outstanding as of the balance sheet date and the par value or stated value of each class.

The Company has 500 shares, at \$5,000 par value, of common stock authorized, issued and outstanding. All shares are held by the Company's parent, HCSC.

## Notes to Financial Statements

- B. The dividend rate, liquidation value and redemption schedule (including prices and dates) of any preferred stock issues.

Not Applicable

- C. Dividend restrictions, if any, and an indication if the dividends are cumulative.

The maximum dividends which can be paid by an insurance company domiciled in the State of Illinois to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus and net gain from operations. Statutory surplus at December 31, 2022 was \$105,223,030 and the net loss at December 31, 2022 was \$102,916,215. The Company would not be permitted to pay dividends in 2023 because it is reporting negative unassigned funds.

- D. The dates and amounts of dividends paid. Note for each payment whether the dividend was ordinary or extraordinary.

Not Applicable

- E. The portion of the reporting entity's profits that may be paid as ordinary dividends to stockholders.

Not Applicable

- F. A description of any restrictions placed on unassigned funds (surplus), including for whom the surplus is being held.

Not Applicable

- G. For mutual reciprocals, and similarly organized entities, the total amount of advances to surplus not repaid, if any.

Not Applicable

- H. The total amount of stock held by the reporting entity, including stock of affiliated entities, for special purposes.

Not Applicable

- I. Changes in balances of any special surplus funds from the prior period.

Not Applicable

- J. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses.

Net unrealized loss of \$17,223,490 and net unrealized gain of \$8,321,915 as of December 31, 2022 and 2021, respectively.

- K. Surplus Notes

Not Applicable

- L. Quasi-Reorganizations

Not Applicable

- M. Effective date of Quasi-reorganization

Not Applicable

### 14. Liabilities, Contingencies and Assessments

- A. Contingent Commitments

Not Applicable

- B. Assessments

- (1) In 2022 and 2021, the Company incurred \$48,496,736 and \$40,260,625 respectively, for health insurance risk pool assessments and health exchange assessments. The Company pays estimated assessments in the year incurred. At December 31, 2022 and 2021 assessments accrued and unpaid were \$6,315,597 and \$9,629,043, respectively. Per note 2, correction of error, the 2021 \$9,629,043 unpaid balance should have been \$0.

## Notes to Financial Statements

(2)			
	a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$	14,509,900
	b. Decreases current year:		
	Credits Utilized	\$	—
	c. Increases current year:		
	Accruals		2,128,440
	d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$	<u>16,638,340</u>

(3) The Company did not have any guarantee fund assessments due to insolvency for 2022 or 2021.

#### C. Gain Contingencies

Not Applicable

#### D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

No claims related to extra contractual obligations and bad faith losses stemming from lawsuits were material, individually or in the aggregate.

#### E. Joint and Several Liabilities

Not Applicable

#### F. All Other Contingencies

The Company is frequently made party to a variety of legal proceedings, investigations, audits and claims, including the specific matters described below. These legal proceedings include claims of or relating to bad faith, claims processing, noncompliance with state and federal regulatory regimes, failure to timely or appropriately pay or administer claims and benefits, rescission of insurance coverage, anticompetitive practices, general contractual matters, intellectual property litigation and employment litigation. Some of these legal proceedings are or are purported to be class actions or derivative claims. The Company is defending itself against the claims brought in these matters.

Where available information indicates that it is probable that a loss has been incurred, and said loss can be reasonably estimated, the Company accrues for the estimated loss by a charge to operations. However, it is not always possible to determine whether a loss is probable and estimable. Furthermore, due to the uncertainties regarding these matters, there is no guarantee that the final resolutions will not exceed the accrued amounts. As of December 31, 2022, the Company has appropriately considered the impact of these matters within its financial statements.

##### United States ex rel. Kuriyan Litigation

United States ex rel. Kuriyan v. Health Care Service Corporation, et al., Case No. 1:16-cv-01148-JB-KK. On October 18, 2016, relator Jacob Kuriyan filed a complaint in the United States District Court for New Mexico on behalf of the United States and the State of New Mexico against HCSC, Molina Healthcare of New Mexico, Inc., Presbyterian Health Plan, Inc. and United Healthcare of New Mexico, Inc. An amended complaint was filed on November 17, 2016. The relator alleges that each of the defendants served as a Managed Care Organization (MCO) for New Mexico's Medicaid program in 2014. The relator contends that each of the MCOs failed to meet the minimum 85 percent medical expense ratio in 2014 and failed to remit the balance to the state of New Mexico. Relator further alleges that those dollars were ultimately recouped by the state of New Mexico.

The relator alleges that the MCOs, in total, improperly retained overpayments of over \$200 million. The relator asserts claims under the False Claims Act, the New Mexico Medicaid False Claims Act, and the New Mexico Fraud Against Taxpayers Act. On December 4, 2018, the United States and the state of New Mexico declined to intervene in the lawsuit, and the lawsuit was unsealed on December 12, 2018.

Several amended complaints were filed. On April 28, 2022, the Court entered a scheduling order. Discovery is now closed. The United States and the State of New Mexico filed motions for summary judgment on the public disclosure bar and with respect to relator's request for an alternate remedy. The court heard oral arguments on those motions on October 28, 2022 and also vacated the trial date.

The court reserved ruling on the motions for summary judgment and referred the matter to the magistrate for a report and recommendation. A new trial date has not been set yet. Relator's counsel was granted leave to withdraw on December 28, 2022 and relator is now proceeding pro se.

## Notes to Financial Statements

### M.G. v. Scrase Litigation

M.G. v. Scrase, et al., Case No. 1:22-cv-0325. On April 28, 2022, three minor children by and through their parents and Disability Rights New Mexico, Inc., an organizational plaintiff allegedly authorized by law to represent and/or advocate on behalf of medically fragile Medicaid beneficiaries, filed a complaint in the United States District Court for the District of New Mexico against the Company, Presbyterian Health Plan, Inc., Western Sky Communicate Care, Inc., The State of New Mexico Human Services Department, and David Scrase (the Secretary for the Human Services Department). The action alleges that each of the non-governmental defendants served as an MCO for New Mexico's Medicaid program and failed to provide a putative class of Medicaid-eligible minor children with the number of in-home private duty nursing hours of care called for in their Individualized Service Plan conducted by the University of New Mexico Center for Development and Disability. Based on these allegations, plaintiffs assert a third-party beneficiary claim against the Company for breach of its Medicaid Managed Care Services Agreement with the State of New Mexico.

The action also alleges that the government defendants breached the Medicaid Managed Care Services Agreement, violated the Americans with Disabilities Act, violated Section 504 of the Rehabilitation Act (29 U.S.C. § 794), violated Section 1557 of the Patient Protection and Affordable Care Act (42 U.S.C. § 18116), and violated 42 U.S.C. § 1396 by not making sure that the non-governmental defendants provided the required number of in-home private duty nursing hours of care to the putative class members.

Based on these allegations, plaintiffs seek an award requiring the Company to furnish and fulfill authorized private-duty nursing hours, as well as nominal and punitive damages, attorney's fees, and expenses.

On July 15, 2022, the MCO Defendants, including the Company, filed a motion to dismiss the complaint in its entirety. That motion was fully briefed as of October 4, 2022, and the Court granted the motion on October 27, 2022, dismissing the MCO Defendants, including the Company, with prejudice.

The case is proceeding as to the remaining defendants and the Plaintiffs have moved for permission to take an immediate appeal of the Order dismissing the MCO Defendants. Plaintiffs' motion is fully briefed but has not yet been decided by the Court.

### Government Investigations, Audits and Reviews

The Company has been involved or is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance departments, state attorneys general, the Office of Civil Rights, U.S. Congressional committees, the U.S. Department of Labor, and other governmental authorities. Certain of the Company's business practices have been reviewed or are currently under review, including the payment of pharmacy rebates, certain claims processing practices, compliance with various state unclaimed property laws, among other matters.

The outcome of any current or future litigation or governmental investigations, audits, and reviews, including the matters described above, cannot be accurately predicted, nor can the Company predict any resulting judgments, penalties, fines, or other sanctions that may be imposed at the discretion of federal or state regulatory authorities or because of actions by third parties. The Company believes that any liability that may result from any of these actions is unlikely to have a material adverse effect on the Company's financial position or results of operations.

### 15. Leases

#### A. Lessee Leasing Arrangements

Not Applicable

#### B. Lessor Leasing Arrangements

Not Applicable

### 16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not Applicable

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

#### A. Transfer of Receivables Reported as Sales

Not Applicable

## Notes to Financial Statements

## B. Transfer and Servicing of Financial Assets

Not Applicable

## C. Wash Sales

Not Applicable

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

## A. Administrative Services Only Plans (ASO)

The claim payments related to standalone Medicare Part D and MAPD's ASO uninsured plans and the uninsured portion of partially insured plans is as follows during 2022:

	Description	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ —	\$ —	\$ —
b.	Total net other income or expenses (including interest paid to or received from plans)	—	—	—
c.	Net gain or loss from operations (a+b)	—	—	—
d.	Total claim payment volume	\$ —	\$280,007,381	\$280,007,381

CMS paid the Company an estimated monthly deposit under the Company's standalone Medicare Part D Drug contract and for its MAPD contracts for low income cost sharing (LICS) and Reinsurance claims. These LICS and Reinsurance claims are the financial responsibility of CMS. For 2022 and 2021 the monthly estimated payments received by the Company from CMS were lower than the actual claim payments made on behalf of CMS. This resulted in a receivable of \$22,323,501 and \$37,419,437 at December 31, 2022 and 2021, respectively, which is included in assets as amounts receivable relating to uninsured plans.

## B. ASC Plans

The gain (loss) from operations from ASC uninsured plans and the uninsured portion of partially insured plans was as follows during 2022:

	Description	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a.	Gross reimbursement for medical cost incurred	\$ 198,030,646	\$118,397,318	\$316,427,964
b.	Gross administrative fees accrued	2,572,455	—	2,572,455
c.	Other income or expenses (including interest paid to or received from plans)	—	—	—
d.	Gross expenses incurred (claims and administrative)	208,430,382	118,397,318	326,827,700
e.	Total net gain (loss) from operations	\$ (7,827,281)	\$ —	\$ (7,827,281)

## C. Medicare or Other Similarly Structured Cost-Based Reimbursement Contracts

Not Applicable

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

Not Applicable

## Notes to Financial Statements

## 20. Fair Value Measurements

## A. Fair Value Measurement Techniques and Inputs

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest-level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). There were no changes in valuation techniques from the prior period.

The levels of the fair value hierarchy are as follows, as defined by SSAP No. 100R, Fair Value, are as follows:

Level Input	Definition
Level 1 –	Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
Level 2 –	Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
Level 3 –	Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.
Net Asset Value (NAV) –	NAV per share is the amount of net assets attributable to each share of capital stock (other than senior equity securities, that is, preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

## (1) Fair Value Measurements at Reporting Date

The following table summarizes fair value measurements by level as of December 31, 2022 for financial instruments carried at fair value on a recurring basis:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a. Assets at fair value					
Bonds	\$ 161,602,203	\$ —	\$ —	\$ —	\$ 161,602,203
Money Market Mutual Funds	—	—	—	144,143,975	144,143,975
Total assets at fair value	\$ 161,602,203	\$ —	\$ —	\$ 144,143,975	\$ 305,746,178
b. Liabilities at fair value					
Total liabilities at fair value	\$ —	\$ —	\$ —	\$ —	\$ —

The following table summarizes fair value measurements by level as of December 31, 2021 for financial instruments carried at fair value on a recurring basis:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a. Assets at fair value					
Bonds	\$ 187,155,305	\$ —	\$ —	\$ —	\$ 187,155,305
Money Market Mutual Funds	—	—	—	63,908,852	63,908,852
Total assets at fair value	\$ 187,155,305	\$ —	\$ —	\$ 63,908,852	\$ 251,064,157
b. Liabilities at fair value					
Total liabilities at fair value	\$ —	\$ —	\$ —	\$ —	\$ —

(2)–(5) Not Applicable

## Notes to Financial Statements

## B. Other Fair Value Disclosures

Not Applicable

## C. Fair Value of All Financial Instruments

The following table provides the aggregate fair value for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2022:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 443,346,910	\$480,734,138	\$ 161,602,203	\$ 281,744,707	\$ —	\$ —	\$ —
Money Market Mutual Funds	144,143,975	144,143,975	—	—	—	144,143,975	—
Total	\$ 587,490,885	\$624,878,113	\$ 161,602,203	\$ 281,744,707	\$ —	\$144,143,975	\$ —

The following table provides the aggregate fair value for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2021:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 495,520,488	\$ 498,797,751	\$ 187,155,305	\$ 308,365,183	\$ —	\$ —	\$ —
Money Market Mutual Funds	63,908,852	63,908,852	—	—	—	63,908,852	—
Total	\$ 559,429,340	\$ 562,706,603	\$ 187,155,305	\$ 308,365,183	\$ —	\$ 63,908,852	\$ —

## D. Explanation if Fair Value is not practicable

Not Applicable

## E. Investments carried at NAV probable of being sold at amount different than NAV per share

Not Applicable

## 21. Other Items

## A. Unusual or Infrequent Items

*COVID-19 Coronavirus Pandemic (pandemic) and Other Regulatory Matters*

The Public Health Emergency (PHE) declared by the Secretary of the U.S. Department of Health and Human Services (HHS) on January 31, 2020, due to the pandemic, sets the effective period for certain of the requirements established through federal COVID-19 legislation. The PHE remains ongoing and continues at least through April, 2023. As the pandemic continues to evolve, the extent of the impact will depend on future developments, and could result in the Company experiencing reduced revenue, increased claims activity, operational changes, increased administrative expenses, investment losses, and/or reduced cash flow, as well as other indirect adverse financial effects due to similar issues experienced by members, group customers, providers, or other stakeholders. In response to the pandemic, the Company is supporting its members through various measures such as waiving cost share for testing to diagnose COVID-19 or for testing-related visits to in-network providers.

Federal and state legislation has been enacted in response to the pandemic. The federal government enacted the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act (FFCRA), and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020, and Frequently Asked Questions (FAQs) about ACA Implementation Part 51, FFCRA and CARES Act Implementation released January 10, 2022. These acts and FAQs include prohibitions on prior authorization and cost-sharing for certain items and services related to COVID-19 tests and testing related visits, including coverage of over the counter (OTC) COVID-19 tests. The Company has implemented OTC test coverage via the pharmacy benefit.

In December 2020, the Consolidated Appropriations Act of 2021 was enacted. The bill contains a number of provisions that may have a material effect upon the Company's business, including procedures and coverage requirements related to surprise medical bills and new mandates for continuity of care for certain patients, price comparison tools, disclosure of broker compensation and reporting on pharmacy benefits and drug

## Notes to Financial Statements

costs. While the effective dates of the Consolidated Appropriations Act provisions vary, many of the health-plan-related requirements of the Consolidated Appropriations Act of 2021 went into effect on January 1, 2022. Additionally, the Consolidated Appropriations Act of 2022 temporarily extends federal telehealth flexibilities for 151 days following the expiration of the COVID-19 PHE.

In March 2021, the American Rescue Plan Act of 2021 was enacted. This Act provided a \$1.9 trillion economic stimulus to support a variety of initiatives, including, but not limited to, elimination of the 400% of federal poverty level cap on Affordable Care Act (ACA) advance premium tax credit (APTC). The enhanced APTCs are set to expire after 2022. Extending them further will require congressional legislation.

Regulatory changes have also been enacted, which could have a significant impact on health benefits, consumer eligibility for public programs, and the Company's cash flows, including mandated expansion of premium payment terms, the time period for which claims can be denied for lack of payment, mandates related to payment levels to providers, additional consumer enrollment windows, and an increased ability to provide services through telehealth. The Company provided extensions to premium payment terms in certain situations and worked closely with state regulators that are mandating or requesting such relief.

Because the state and federal legal and regulatory landscape is evolving during the pandemic, the Company will continue to evaluate and update its responses related to the pandemic. As of the date of issuance, the pandemic is still evolving and thus there is significant uncertainty as to its ultimate impact on the Company.

### B. Troubled Debt Restructuring: Debtors

Not Applicable

### C. Other Disclosures

Comment on General Interrogatories Part 2 – Health Interrogatories 11.3 and 11.4 minimum net worth of \$1,500,000 required by State of Illinois: Illinois risk-based capital provisions may require substantially more net worth. Other states may also have minimum net worth requirements that apply to a foreign insurer.

### D. Business Interruption Insurance Recoveries

Not Applicable

### E. State Transferable and Non-transferable Tax Credits

Not Applicable

### F. Subprime-Mortgage-Related Risk Exposure

(1) The Company has defined its sub-prime related risk exposure as any investment which has exposure to underlying residential mortgage loans where the borrowers did not qualify for conventional prime rate loans because of, but not limited to, low credit ratings and/or less than conventional documentation of their income and/or net assets.

The Company, along with its investment advisors, regularly reviews its investments to determine its exposure to sub-prime related investments.

(2) Not Applicable - The Company does not engage in sub-prime mortgage lending.

(3) The Company has no direct exposure to sub-prime investments.

(4) Not Applicable – The Company does not engage in Mortgage Guaranty nor Financial Guaranty insurance coverage or underwriting

### G. Retained Assets

Not Applicable

### H. Insurance-Linked Securities (ILS) Contracts

Not Applicable

### I. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy

Not Applicable



## Notes to Financial Statements

### 22. Events Subsequent

Management of the Company has evaluated all events occurring after December 31, 2022 through March 1, 2023, the date the statutory-basis financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. Based on this evaluation, no significant subsequent events occurred other than those disclosed in the financial statements.

### 23. Reinsurance

#### A. Ceded Reinsurance Report

##### Section 1 – General Interrogatories

(1) No

(2) No

##### Section 2 – Ceded Reinsurance Report – Part A

(1) No

(2) No

##### Section 3 – Ceded Reinsurance Report – Part B

(1) As of December 31, 2022 the Company had paid loss recoverable of \$152,978,869 and unpaid loss recoverable of \$126,300,000 due from HCSC and had reinsurance premiums payable of \$86,748,811 due to HCSC under its reinsurance agreement. In addition, the Company had an unpaid loss recoverable of \$9,000 due from Eyemed Insurance Company and unpaid loss recoverable of \$18,000 due from Lincoln National Life Insurance Company.

(2) No

#### B. Uncollectible Reinsurance

Not Applicable

#### C. Commutation of Ceded Reinsurance

Not Applicable

#### D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable

#### E. Reinsurance Credit

Not Applicable

### 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments for its standalone Medicare Part D, MAPD and Medicaid business. The standalone Medicare Part D and MAPD business is subjected to a “risk share settlement” for the Part D portion of the contract and risk adjustment premium with CMS and are settled subsequent to the end of the plan year. In addition, Medical Loss Ratio rebates for the standalone Medicare Part D, MAPD and Medicaid business are settled subsequent to the end of the plan year.

B. The retrospective premium and accrued risk share settlements are recorded as an adjustment to premium earned once estimable and in the period the determination is made.

C. The amount of net premiums written by the Company at December 31, 2022 and 2021 that are subject to retrospective rating features is \$873,197,755 and \$640,136,989, respectively. This represented 97% and 96% of the total net premiums written in 2022 and 2021, respectively.

#### D. Medical Loss Ratio Rebates pursuant to Public Health Service Act

Premium income was decreased by \$146,300,000 related to MAPD and Medicaid MLR rebates pursuant to the Public Health Service Act that were incurred for the year ended December 31, 2022. There were \$257,300,000 of MLR rebates pursuant to the Public Health Service Act that were accrued, but not paid, as

## Notes to Financial Statements

of December 31, 2022. Per note 2, correction of error, the December 31, 2021 medical loss ratio rebates incurred in below table have been corrected for the adjustment booked to surplus in 2022.

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
December 31, 2021					
(1) Medical loss ratio rebates incurred	\$ —	\$ —	\$ —	\$ 117,786,274	\$117,786,274
(2) Medical loss ratio rebates paid	—	—	—	—	—
(3) Medical loss ratio rebates unpaid	\$ —	\$ —	\$ —	\$ 117,786,274	\$117,786,274
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$117,786,274
December 31, 2022					
(7) Medical loss ratio rebates incurred	\$ —	\$ —	\$ —	\$ 146,300,000	\$146,300,000
(8) Medical loss ratio rebates paid	—	—	—	6,786,274	6,786,274
(9) Medical loss ratio rebates unpaid	\$ —	\$ —	\$ —	\$ 257,300,000	\$257,300,000
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$257,300,000

## E. Risk - Sharing Provisions of the ACA

(1) Did the reporting entity write accident and health insurance premium that is subject to the ACA risk-sharing provisions (YES/NO)? NO

(2) Impact of Risk Sharing Provisions of ACA on Admitted Assets, Liabilities and Revenue for the Current Year

Not Applicable.

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

Not Applicable.

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Not Applicable

(5) ACA Risk Corridors Receivable as of Reporting Date

Not Applicable

## 25. Change in Incurred Claims &amp; Claim Adjustment Expenses

A. Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years did not change materially in calendar year 2022, with no significant impact on surplus. Reserves for incurred claims and claims adjustment expenses attributable to insured events of prior years are periodically updated. These updates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

B. There were no significant changes in methodologies or assumptions used in calculating the liability for unpaid losses and loss adjustment expenses

## 26. Intercompany Pooling Arrangements

Not Applicable

## 27. Structured Settlements

Not Applicable

## Notes to Financial Statements

## 28. Health Care Receivables

## A. Pharmaceutical Rebate Receivables

The total pharmacy rebate receivable at December 31, 2022, 2021 and 2020 was \$183,303,648, \$168,148,010 and \$132,057,347 respectively. Of these amounts, \$32,738,338, \$12,524,349 and \$11,321,000 were nonadmitted for 2022, 2021 and 2020 respectively. The net admitted assets of \$150,565,310 and \$145,894,000 at December 31, 2022 and 2021 respectively, are included in the amounts receivable related to uninsured plans and healthcare receivables in the statutory-basis balance sheets depending on the type of business. The billed and confirmed receivable owed to the Company in 2022, 2021 and 2020 was \$261,936,328, \$295,981,232 and \$245,188,105 respectively.

In 2022, 2021 and 2020, the Company collected pharmacy rebates of \$339,769,138, \$282,622,354 and \$242,397,969 respectively. The chart below contains further detail regarding pharmacy rebate receivables and collections for 2020-2022.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2022	\$ 83,469,417	\$ 5,046,695	\$ 5,046,695	\$ —	\$ —
9/30/2022	102,863,050	92,947,252	6,735,305	—	—
6/30/2022	90,435,045	80,686,978	76,907,523	—	—
3/31/2022	90,129,412	83,255,405	80,119,682	10,999,911	—
12/31/2021	84,721,110	65,303,514	73,005,501	5,865,174	—
9/30/2021	90,448,954	81,482,987	78,966,248	10,788,300	(33,027)
6/30/2021	80,972,648	80,972,648	71,063,417	2,226,932	(192,377)
3/31/2021	68,222,083	68,222,083	58,942,395	8,425,402	263,126
12/31/2020	61,536,871	61,536,871	56,592,782	7,000,668	887,703
9/30/2020	67,320,355	67,320,355	58,957,379	7,256,295	234,632
6/30/2020	55,981,693	55,981,693	54,077,999	1,378,966	242,046
3/31/2020	60,349,186	60,349,186	59,021,724	234,732	725,192

## B. Risk Sharing Receivables

The Company had no material risk sharing receivables, individually or in the aggregate.

## 29. Participating Policies

Not Applicable

## 30. PDRs

1. Liability carried for PDRs	\$17,583,000
2. Date of the most recent evaluation of this liability	12/31/2022
3. Was anticipated investment income utilized in the calculation? (Yes / No)	No

## 31. Anticipated Salvage and Subrogation

The Company took into account estimated anticipated salvage and subrogation in its determination of the net liability for unpaid losses and reduced such liability by \$2,577,000.

The following table illustrates the significance of the amounts:

1. Gross Loss Reserves	\$ 46,181,338
2. Offset for anticipated Salvage & Subrogation	2,577,000
3. Reserve for Unpaid Losses [Page 3, lines 1-2]	43,604,338
4. Net Losses Unpaid (U&I Exhibit Part 2, col 1, lines 3 to 5)	\$ 43,604,338

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[]  
 If yes, complete Schedule Y, Parts 1, 1A, 2 and 3.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[] N/A[]  
(Illinois)  
 Yes[] No[X]
- 1.3 State Regulating? .....12/31/2022.....
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? .....12/31/2017.....
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. .....06/24/2019.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .....12/31/2022.....
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .....12/31/2017.....
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .....06/24/2019.....
- 3.4 By what department or departments? .....  
 Illinois Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes[] No[] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[X] No[] N/A[]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
 4.11 sales of new business? Yes[] No[X]  
 4.12 renewals? Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
 4.21 sales of new business? Yes[] No[X]  
 4.22 renewals? Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]  
 If yes, complete and file the merger history data file with the NAIC.
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation. .....

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[] No[X]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes, ..... 0.00% .....  
 7.21 State the percentage of foreign control  
 7.22 State the nationality(s) of the foreign person(s) or entity(s), or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a depository institution holding company (DIHC), or a DIHC itself, regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the DIHC. .....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency (i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator. .....

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
		No	No	No	No

- 8.5 Is the reporting entity a depository institution holding company with significant insurance operations as defined by the Board of Governors of Federal Reserve System or a subsidiary of the depository institution holding company? Yes[] No[X]
- 8.6 If response to 8.5 is no, is the reporting entity a company or subsidiary of a company that has otherwise been made subject to the Federal Reserve Board's capital rule? Yes[] No[] N/A[X]
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Ernst & Young, LLP, 155 N. Wacker Dr. Chicago Illinois 60606
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes[] No[X]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: .....
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes[] No[X]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: .....
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes[] No[] N/A[X]
- 10.6 If the response to 10.5 is no or n/a, please explain: .....

**GENERAL INTERROGATORIES (Continued)**

Parent's audit committee is deemed the audit committee of reporting entity.

- 11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Kassie Maroney, FSA, MAAA - Chief Actuary of Health Care Service Corporation, 300 E. Randolph St. 37th Fl. Chicago, IL 60601
- 12. Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No 
  - 12.11 Name of real estate holding company
  - 12.12 Number of parcels involved
  - 12.13 Total book/adjusted carrying value \$ 0
- 12.2 If yes, provide explanation
- 13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
  - 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
  - 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No  N/A
  - 13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No
  - 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes  No  N/A
- 14. Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes  No 
  - a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
  - b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
  - c. Compliance with applicable governmental laws, rules and regulations;
  - d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
  - e. Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes  No
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).  
The Company's Code of Business Ethics and Conduct is reviewed annually, typically during the fourth quarter of each year. Any amendments are approved by the Board of Directors and are Distributed to all employees including senior management.
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes  No
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15. Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes  No
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

**BOARD OF DIRECTORS**

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

**FINANCIAL**

- 19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes  No
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
  - 20.11 To directors or other officers \$ 0
  - 20.12 To stockholders not officers \$ 0
  - 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
  - 20.21 To directors or other officers \$ 0
  - 20.22 To stockholders not officers \$ 0
  - 20.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes  No
- 21.2 If yes, state the amount thereof at December 31 of the current year:
  - 21.21 Rented from others \$ 0
  - 21.22 Borrowed from others \$ 0
  - 21.23 Leased from others \$ 0
  - 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No
- 22.2 If answer is yes:
  - 22.21 Amount paid as losses or risk adjustment \$ 0
  - 22.22 Amount paid as expenses \$ 51,810,182
  - 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0
- 24.1 Does the insurer utilize third parties to pay agent commissions in which the amounts advanced by the third parties are not settled in full within 90 days? Yes  No
- 24.2 If the response to 24.1 is yes, identify the third-party that pays the agents and whether they are a related party.

## GENERAL INTERROGATORIES (Continued)

1 Name of Third-Party	2 Is the Third-Party Agent a Related Party (Yes/No)
	No

### INVESTMENT

- 25.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 25.03) Yes[X] No[]
- 25.02 If no, give full and complete information, relating thereto
- 25.03 For securities lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 25.04 For the reporting entity's securities lending program, report amount of collateral for conforming programs as outlined in the Risk-Based Capital Instructions. \$ ..... 0
- 25.05 For the reporting entity's securities lending program, report amount of collateral for other programs. \$ ..... 0
- 25.06 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes[] No[] N/A[X]
- 25.07 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes[] No[] N/A[X]
- 25.08 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes[] No[] N/A[X]
- 25.09 For the reporting entity's securities lending program, state the amount of the following as of December 31 of the current year:
- 25.091 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ ..... 0
- 25.092 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ ..... 0
- 25.093 Total payable for securities lending reported on the liability page. \$ ..... 0
- 26.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 25.03). Yes[X] No[]
- 26.2 If yes, state the amount thereof at December 31 of the current year:
- |   |                      |
|---|----------------------|
| 26.21 Subject to repurchase agreements  | \$ ..... 0           |
| 26.22 Subject to reverse repurchase agreements  | \$ ..... 0           |
| 26.23 Subject to dollar repurchase agreements   | \$ ..... 0           |
| 26.24 Subject to reverse dollar repurchase agreements                                 | \$ ..... 0           |
| 26.25 Placed under option agreements  | \$ ..... 0           |
| 26.26 Lessor stock or securities restricted as to sale - excluding FHLB Capital Stock | \$ ..... 0           |
| 26.27 FHLB Capital Stock  | \$ ..... 0           |
| 26.28 On deposit with states  | \$ ..... 4,292,587   |
| 26.29 On deposit with other regulatory bodies   | \$ ..... 0           |
| 26.30 Pledged as collateral - excluding collateral pledged to an FHLB                 | \$ ..... 0           |
| 26.31 Pledged as collateral to FHLB - including assets backing funding agreements     | \$ ..... 0           |
| 26.32 Other   | \$ ..... 179,316,076 |
- 26.3 For category (26.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 27.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
- 27.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]  
If no, attach a description with this statement.
- LINES 27.3 through 27.5: FOR LIFE/FRATERNAL REPORTING ENTITIES ONLY:**
- 27.3 Does the reporting entity utilize derivatives to hedge variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity? Yes[] No[X]
- 27.4 If the response to 27.3 is yes, does the reporting entity utilize:
- |  |             |
|--|-------------|
| 27.41 Special Accounting Provision of SSAP No. 108 | Yes[] No[X] |
| 27.42 Permitted Accounting Practice                | Yes[] No[X] |
| 27.43 Other Accounting Guidance                    | Yes[] No[X] |
- 27.5 By responding yes to 27.41 regarding utilizing the special accounting provisions of SSAP No. 108, the reporting entity attests to the following:
- The reporting entity has obtained explicit approval from the domiciliary state.
  - Hedging strategy subject to the special accounting provisions is consistent with the requirements of VM-21.
  - Actuarial certification has been obtained which indicates that the hedging strategy is incorporated within the establishment of VM-21 reserves and provides the impact of the hedging strategy within the Actuarial Guideline Conditional Tail Expectation Amount.
  - Financial Officer Certification has been obtained which indicates that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy within VM-21 and that the Clearly Defined Hedging Strategy is the hedging strategy being used by the company in its actual day-to-day risk mitigation efforts.
- 28.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
- 28.2 If yes, state the amount thereof at December 31 of the current year. \$ ..... 0
29. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section I, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[]
- 29.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Northern Trust Company	50 S. LaSalle Street, Chicago, IL 60603
US Bank National Association	800 Nicollet Mall, Minneapolis, MN 55402

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

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

- 29.03 Have there been any changes, including name changes, in the custodian(s) identified in 29.01 during the current year? Yes[] No[X]
- 29.04 If yes, give full and complete information relating thereto:

## GENERAL INTERROGATORIES (Continued)

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

29.05 Investment management - Identify all investment advisors, investment managers, brokers/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts"; "...handle securities"]

1 Name of Firm or Individual	2 Affiliation
Lizian Michelle Sutton	I
J.P. Morgan Investment Management Inc.	U

- 29.0597 For those firms/individuals listed in the table for Question 29.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's invested assets? Yes[X] No[]
- 29.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 29.05, does the total assets under management aggregate to more than 50% of the reporting entity's invested assets? Yes[X] No[]
- 29.06 For those firms or individuals listed in the table for 29.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
107038	J.P. Morgan Investment Management Inc.	549300W78QH4XMM6K69	SEC	DS

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

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
30.2999 Total		

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
31.1 Bonds	480,734,138	443,346,910	(37,387,228)
31.2 Preferred stocks			
31.3 Totals	480,734,138	443,346,910	(37,387,228)

31.4 Describe the sources or methods utilized in determining the fair values:  
Fair values are calculated based on market prices provided by the custodian. If there are no market prices provided by the custodian, the fair value is calculated by the Company in conjunction with its investment advisors.

- 32.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[]
- 32.2 If the answer to 32.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[X] No[]
- 32.3 If the answer to 32.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 33.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes[X] No[]
- 33.2 If no, list exceptions:
34. By self-designating SGI securities, the reporting entity is certifying the following elements for each self-designated SGI security:
- Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
  - Issuer or obligor is current on all contracted interest and principal payments.
  - The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
- Has the reporting entity self-designated SGI securities? Yes[] No[X]

35. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

## GENERAL INTERROGATORIES (Continued)

- a. The security was purchased prior to January 1, 2018.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
  - c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
  - d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.
- Has the reporting entity self-designated PLG1 securities? Yes | No | X
36. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:
- a. The shares were purchased prior to January 1, 2019.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
  - c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.
  - d. The fund only or predominantly holds bonds in its portfolio.
  - e. The current reported NAIC Designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.
  - f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.
- Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria? Yes | No | X
37. By rolling/renewing short-term or cash equivalent investments with continued reporting on Schedule DA Part 1 or Schedule E Part 2 (identified through a code (%) in those investment schedules), the reporting entity is certifying to the following:
- a. The investment is a liquid asset that can be terminated by the reporting entity on the current maturity date.
  - b. If the investment is with a nonrelated party or nonaffiliate, then it reflects an arms-length transaction with renewal completed at the discretion of all involved parties.
  - c. If the investment is with a related party or affiliate, then the reporting entity has completed robust re-underwriting of the transaction for which documentation is available for regulator review.
  - d. Short-term and cash equivalent investments that have been renewed/rolled from the prior period that do not meet the criteria in 37.a-37.c are reported as long-term investments.
- Has the reporting entity rolled/renewed short-term or cash equivalent investments in accordance with these criteria? Yes | No | N/A | X
- 38.1 Does the reporting entity directly hold cryptocurrencies? Yes | No | X
- 38.2 If the response to 38.1 is yes, on what schedule are they reported? Yes | No | X
- 39.1 Does the reporting entity directly or indirectly accept cryptocurrencies as payments for premiums on policies? Yes | No | X
- 39.2 If the response to 39.1 is yes, are the cryptocurrencies held directly or are they immediately converted to U.S. dollars? Yes | No | X
- 39.21 Held directly Yes | No | X
- 39.22 Immediately converted to U.S. dollars Yes | No | X
- 39.3 If the response to 38.1 or 39.1 is yes, list all cryptocurrencies accepted for payments of premiums or that are held directly.

1	2	3
Name of Cryptocurrency	Immediately Converted to USD, Directly Held, or Both	Accepted for Payment of Premiums

### OTHER

- 40.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 0
- 40.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1	2
Name	Amount Paid

- 41.1 Amount of payments for legal expenses, if any? \$ ..... 523,367
- 41.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Amounts represent allocations from HCSC	523,367

- 42.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ ..... 129,674
- 42.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
Amounts represent allocations from HCSC	129,674



# GENERAL INTERROGATORIES (Continued)

## PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes[X] No[]
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 13,151,500
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
- 1.3.1 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Aflac not included in item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ 8,300,007
- 1.6 Individual policies - Most current three years:
  - 1.6.1 TOTAL Premium earned \$ 13,151,499
  - 1.6.2 TOTAL Incurred claims \$ 8,300,007
  - 1.6.3 Number of covered lives 14,752
- All years prior to most current three years:
  - 1.6.4 TOTAL Premium earned \$ 0
  - 1.6.5 TOTAL Incurred claims \$ 0
  - 1.6.6 Number of covered lives 0
- 1.7 Group policies - Most current three years:
  - 1.7.1 TOTAL Premium earned \$ 0
  - 1.7.2 TOTAL Incurred claims \$ 0
  - 1.7.3 Number of covered lives 0
- All years prior to most current three years:
  - 1.7.4 TOTAL Premium earned \$ 0
  - 1.7.5 TOTAL Incurred claims \$ 0
  - 1.7.6 Number of covered lives 0

2. Health Test

	1 Current Year	2 Prior Year
2.1 Premium Numerator	895,847,481	668,489,667
2.2 Premium Denominator	895,847,481	668,489,667
2.3 Premium Ratio (2.1 / 2.2)	100.000	100.000
2.4 Reserve Numerator	378,087,857	208,347,912
2.5 Reserve Denominator	378,087,857	208,347,912
2.6 Reserve Ratio (2.4 / 2.5)	100.000	100.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes[] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes[X] No[]
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes[] No[] N/A[X]
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes[] No[X]
- 5.2 If no, explain:  
The Company has reinsurance coverage thru its parent, HCSC, for its Medicaid line of business only. See footnote 10 and 23 for further information. In addition, HCSC has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company in order for the subsidiary to be licensed by the Blue Cross and Blue Shield Association.
- 5.3 Maximum retained risk (see instructions):
  - 5.3.1 Comprehensive Medical \$ 0
  - 5.3.2 Medical Only \$ 0
  - 5.3.3 Medicare Supplement \$ 0
  - 5.3.4 Dental & Vision \$ 0
  - 5.3.5 Other Limited Benefit Plan \$ 0
  - 5.3.6 Other \$ 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
The Company's parent, Health Care Service Corporation (HCSC) has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company to its customers in order for the subsidiary to be licensed by the Blue Cross and Blue Shield Association. If the Company ceases operations, HCSC is required to provide coverage to the Company's subscribers without consideration of health status.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes[X] No[]
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
  - 8.1 Number of providers at start of reporting year 147,929
  - 8.2 Number of providers at end of reporting year 189,431
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes[] No[X]
- 9.2 If yes, direct premium earned:
  - 9.2.1 Business with rate guarantees between 15-36 months \$ 0
  - 9.2.2 Business with rate guarantees over 36 months \$ 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes[X] No[]
- 10.2 If yes:
  - 10.2.1 Maximum amount payable bonuses \$ 0
  - 10.2.2 Amount actually paid for year bonuses \$ 2,071,482
  - 10.2.3 Maximum amount payable withholds \$ 0
  - 10.2.4 Amount actually paid for year withholds \$ 0
- 11.1 Is the reporting entity organized as:
  - 11.1.2 A Medical Group/Staff Model Yes[] No[X]
  - 11.1.3 An Individual Practice Association (IPA), or, Yes[] No[X]
  - 11.1.4 A Mixed Model (combination of above)? Yes[] No[X]
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes[X] No[]
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus: \$ 1,500,000
- 11.4 If yes, show the amount required. \$ 1,500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes[] No[X]
- 11.6 If the amount is calculated, show the calculation.

12. List service areas in which the reporting entity is licensed to operate:

1 Name of Service Area
See Schedule T

- 13.1 Do you act as a custodian for health savings accounts? Yes[] No[X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date: \$ 0
- 13.3 Do you act as an administrator for health savings accounts? Yes[] No[X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date: \$ 0
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, as authorized reinsurers? Yes[] No[] N/A[X]

## GENERAL INTERROGATORIES (Continued)

14.2 If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded)

15.1 Direct Premium Written	\$ ..... 0
15.2 Total incurred claims	\$ ..... 0
15.2 Number of covered lives	..... 0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes  No

16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes  No

## FIVE-YEAR HISTORICAL DATA

	1 2022	2 2021	3 2020	4 2019	5 2018
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. TOTAL Admitted Assets (Page 2, Line 28) .....	1,077,551,884	994,601,182	904,886,791	897,871,669	1,043,871,963
2. TOTAL Liabilities (Page 3, Line 24) .....	972,328,854	822,681,486	719,545,444	661,519,221	796,060,164
3. Statutory minimum capital and surplus requirement .....	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
4. TOTAL Capital and Surplus (Page 3, Line 33) .....	105,223,030	172,519,696	185,341,347	236,352,448	247,811,799
<b>INCOME STATEMENT (Page 4)</b>					
5. TOTAL Revenues (Line 8) .....	720,768,260	533,965,624	627,672,243	460,164,869	1,523,210,564
6. TOTAL Medical and Hospital Expenses (Line 18) .....	682,828,183	464,507,155	475,437,755	367,346,651	1,322,387,948
7. Claims adjustment expenses (Line 20) .....	82,200,945	53,976,011	92,922,399	100,568,758	143,576,405
8. TOTAL Administrative Expenses (Line 21) .....	96,775,907	116,896,184	190,244,294	183,833,323	200,984,742
9. Net underwriting gain (loss) (Line 24) .....	(121,724,775)	(71,425,726)	(71,631,205)	(170,563,863)	(181,527,541)
10. Net investment gain (loss) (Line 27) .....	11,262,266	9,247,534	13,381,056	16,309,991	17,212,615
11. TOTAL Other Income (Lines 28 plus 29) .....			(26,239)	(49,937)	(46,741)
12. Net income or (loss) (Line 32) .....	(102,916,215)	(41,687,704)	(88,311,033)	(101,170,660)	(156,280,285)
<b>Cash Flow (Page 8)</b>					
13. Net cash from operations (Line 11) .....	8,170,086	(15,527,157)	19,413,834	(457,187,063)	(44,878,110)
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. TOTAL Adjusted Capital .....	105,223,030	172,519,696	185,341,347	236,352,448	247,811,799
15. Authorized control level risk-based capital .....	31,543,344	31,694,410	29,002,429	26,903,924	67,900,518
<b>ENROLLMENT (Exhibit 1)</b>					
16. TOTAL Members at End of Period (Column 5, Line 7) .....	559,186	541,117	542,768	543,584	539,856
17. TOTAL Members Months (Column 6, Line 7) .....	6,592,543	6,422,932	6,380,902	6,534,539	6,349,239
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19) .....	94.7	87.0	75.7	79.8	86.8
20. Cost containment expenses .....	6.3	7.9	11.3	14.5	5.9
21. Other claims adjustment expenses .....	5.1	2.2	3.5	7.3	3.5
22. TOTAL Underwriting Deductions (Line 23) .....	116.9	113.4	111.4	137.1	111.9
23. TOTAL Underwriting Gain (Loss) (Line 24) .....	(16.9)	(13.4)	(11.4)	(37.1)	(11.9)
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 17, Column 5) .....	(107,381,261)	(99,168,782)	(90,699,799)	10,496,807	10,561,003
25. Estimated liability of unpaid claims—prior year (Line 17, Column 6) .....	(109,514,128)	(96,566,505)	(99,533,822)	2,796,040	11,058,185
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) .....					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) .....					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) .....					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....					
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....					
32. TOTAL of Above Lines 26 to 31 .....					
33. TOTAL Investment in Parent Included in Lines 26 to 31 above .....					

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

If no, please explain:

## SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

1 State, Etc.	2 Active Status (A)	Direct Business Only								
		3 Accident & Health Premiums	4 Medicare Title XVII	5 Medicaid Title XXI	6 CHIP Title XXI	7 Federal Employees Health Benefits Plus Premiums	8 Life & Annuity Premiums & Other Considerations	9 Property/Casualty Premiums	10 Total Columns 2 Through 9	11 Deposit - Type Contracts
1. Alabama (AL)	L									
2. Alaska (AK)	L									
3. Arizona (AZ)	L									
4. Arkansas (AR)	L									
5. California (CA)	L									
6. Colorado (CO)	L									
7. Connecticut (CT)	N									
8. Delaware (DE)	L									
9. District of Columbia (DC)	L									
10. Florida (FL)	L									
11. Georgia (GA)	L									
12. Hawaii (HI)	N									
13. Idaho (ID)	L									
14. Illinois (IL)	L	134,947,588							134,947,588	
15. Indiana (IN)	L									
16. Iowa (IA)	L									
17. Kansas (KS)	L									
18. Kentucky (KY)	L									
19. Louisiana (LA)	L									
20. Maine (ME)	N									
21. Maryland (MD)	L									
22. Massachusetts (MA)	L									
23. Michigan (MI)	L									
24. Minnesota (MN)	L									
25. Mississippi (MS)	L									
26. Missouri (MO)	L									
27. Montana (MT)	L									
28. Nebraska (NE)	L									
29. Nevada (NV)	L									
30. New Hampshire (NH)	N									
31. New Jersey (NJ)	N									
32. New Mexico (NM)	L	6,296,796		2,612,162,181					2,618,458,967	
33. New York (NY)	N									
34. North Carolina (NC)	L									
35. North Dakota (ND)	L									
36. Ohio (OH)	L									
37. Oklahoma (OK)	L	26,989,326							26,989,326	
38. Oregon (OR)	L									
39. Pennsylvania (PA)	L									
40. Rhode Island (RI)	L									
41. South Carolina (SC)	L									
42. South Dakota (SD)	L									
43. Tennessee (TN)	L									
44. Texas (TX)	L	55,469,485	170,147,191						225,616,676	
45. Utah (UT)	L									
46. Vermont (VT)	N									
47. Virginia (VA)	L									
48. Washington (WA)	L									
49. West Virginia (WV)	L									
50. Wisconsin (WI)	L									
51. Wyoming (WY)	L									
52. American Samoa (AS)	N									
53. Guam (GU)	N									
54. Puerto Rico (PR)	N									
55. U.S. Virgin Islands (VI)	N									
56. Northern Mariana Islands (MP)	N									
57. Canada (CAN)	N									
58. Aggregate other alien (OT)	X X X									
59. Subtotal	X X X	223,703,185	170,147,191	2,612,162,181					3,006,012,557	
60. Reporting entity contributions for Employee Benefit Plans	X X X									
61. TOTAL (Direct Business)	X X X	223,703,185	170,147,191	2,612,162,181					3,006,012,557	
<b>DETAILS OF WRITE-INS</b>										
58001	X X X									
58002	X X X									
58003	X X X									
58999. Summary of remaining write-ins for Line 58 from overflow page	X X X									
58999. TOTALS (Lines 58001 through 58003 plus 58999) (Line 58 above)	X X X									

(A) Active Status Codes:

- 1. L - Licensed or Qualified - Licensed insurance carrier or structured RRG
- 2. R - Registered - Non-structured RRGs
- 3. E - Eligible - Reporting entities eligible or approved to write surplus lines in the state

44

- 4. Q - Qualified - Qualified or accredited reinsurer
- 5. N - None of the above - Not allowed to write business in the state

13

(B) Expansion of lines of allocation by state, premium by state, etc.:

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

COMPANY	KAC CODE	FEDERAL ID NUMBER	DOMICILED STATE	PERCENTAGE OWNED BY PARENT
HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	7070	36-138610	IL	
HEARSTON LIFE INSURANCE COMPANY	7119	36-229820	IL	100.00%
HEARSTON NATIONAL LIFE INSURANCE COMPANY OF NEW YORK	1590	15-302643	NY	100.00%
DENTAL NETWORK OF AMERICA, LLC		36-113943	DE	100.00%
DENTEMAK, LLC		36-361233	DE	100.00%
DENTAL SOLUTIONS, INC.		36-107289	MD	100.00%
HCSC PURCHASING, LLC		36-419800	DE	100.00%
HCSC DENTAL SERVICE COMPANY	7811	73-136270	IL	100.00%
PRIME THERAPEUTICS, LLC		36-097603	DE	33.99%
AVANTIX, LLC		39-371394	DE	19.37%
COLLECTIVE HEALTH, INC.		46-199333	DE	14.49%
QHS INSURANCE COMPANY	2975	73-157369	OH	100.00%
QHS GENERAL INSURANCE AGENCY, INC.		73-151491	OH	100.00%
QHS HEALTH MAINTENANCE ORGANIZATION, INC. DBA BLUE CROSS HOLD	1181	73-119180	OH	100.00%
QHS HEALTH MAINTENANCE ORGANIZATION, INC. DBA BLUE CROSS HOLD		23-133939	PA	100.00%
QHS HEALTH MAINTENANCE ORGANIZATION, INC. DBA BLUE CROSS HOLD		23-133939	PA	100.00%
QHS TECHNOLOGY SUBSIDIARY, LLC		23-441243	DE	100.00%
QHS HEALTH, LLC		23-494911	PA	100.00%
TMA PRACTICEEDGE, LLC		20-143875	TX	35.80%
HEALTH INTELLIGENCE COMPANY LLC DBA BLUE HEALTH INTELLIGENCE		27-428804	DE	10.64%
INOVISTA, LLC		10-002043	DE	100.00%
ESSENTIAL HEALTH PARTNERS, LLC		63-308390	IL	40.00%
GENOVA HEALTH, LLC		63-428101	TX	40.00%
SEVEN CROSS SMO, LLC		63-302770	IL	30.00%
TRUST ALLIANCE, INC.		66-001400	DE	18.79%
HCSC VENTURES, INC.		17-1799176	DE	100.00%
ALACRUA HOLDINGS, INC.		63-221157	DE	30.30%
AVIATION HEALTH SERVICES, LLC		46-301992	DE	18.42%
BLUESHIELD VENTURES, INC.		36-295777	DE	31.53%
BLUESHIELD VENTURE PARTNERS, L.P.		36-295619	DE	1.02%
BLUESHIELD VENTURE PARTNERS, L.P.		36-295619	DE	11.34%
BLUESHIELD VENTURE PARTNERS V, LLC		68-116707	DE	11.62%
COMBATIO, INC.		47-149211	DE	33.39%
HCSC ITC, LLC		63-161291	DE	100.00%
USB NYC FUND 2017-2, LLC		63-128164	DE	100.00%
USB NYC FUND 2019, LLC		63-234901	DE	100.00%
HCSC-AMTAS I, LLC		63-421000	TX	100.00%
HEALTHBOX CHICAGO II, LLC		47-097290	DE	34.22%
HCSC INVESTMENTS, LLC		67-416208	DE	100.00%
ILLINOIS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	1613	61-170212	IL	100.00%
NY INSURANCE COMPANY FKA BLUE CROSS AND BLUE SHIELD OF NEW MEXICO INSURANCE COMPANY	1459	36-286400	NM	100.00%

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

Entity Name	NAIC	State	Ownership %
TEXAS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	36-465007	TX	100.00%
SOUTH WATER WORKS COMPANY	64-271924	VT	100.00%
PROSPERITY HEALTH SERVICES, INC.	35-184036	DE	100.00%
HEALTH UTILITY NETWORK, INC. DBA AVANTAGE HEALTH	65-518062	DE	14.30%
CIVICANCEPT, LLC	64-477503	DE	0.00%
CARENS FOR CHILDREN FOUNDATION OF TEXAS, INC.	75-228281	TX	0.00%
THE OKLAHOMA CARENS FOUNDATION, INC.	75-143084	OK	0.00%
THE CARENS FOUNDATION OF MONTANA, INC.	35-363331	MT	0.00%
PLANTER CREDIT UNION	36-602742	IL	0.00%
LIFETIME FEDERAL CREDIT UNION	75-602871	TX	0.00%

\*Includes 4.74% passive investments through private equity funds.



ANNUAL STATEMENT
For the Year Ending December 31, 2023
OF THE CONDITION AND AFFAIRS OF THE
HCSC Insurance Services Company

NAIC Group Code 0917, 0917; NAIC Company Code 78811; Employers ID Number 73-1350270
Organized under the Laws of Illinois; State of Domicile or Port of Entry IL
Country of Domicile United States of America
Licensed as business type: Life, Accident & Health [X]; Dental Service Corporation [ ]; Other [ ]; Property/Casualty [ ]; Vision Service Corporation [ ]; Is HMO Federally Qualified? Yes [ ]; No[X] N/A [ ]; Hospital, Medical & Dental Service or Indemnity [ ]; Health Maintenance Organization [X]
Incorporated/Organized 02/06/1958; Commenced Business 02/23/1958
Statutory Home Office 300 East Randolph Street, Chicago, IL, 60601-5099
Main Administrative Office 300 East Randolph Street, Chicago, IL, US 60601-5099
Mail Address 300 East Randolph Street, Chicago, IL, US 60601-5099
Primary Location of Books and Records 300 East Randolph Street, Chicago, IL, US 60601-5099
Internet Website Address www.hcsc.com
Statutory Statement Contact Mark W Larson, Mark.Larson@bcbsil.com

OFFICERS

Table with 3 columns: Name, Title, #. Christine M Kouroukdis, President, #; Lillian Michelle Sutton, Treasurer; Arlene Keh Lim, Secretary.

OTHERS

Scott Allen Wornack, VP, Corp Tax and Finance; Tom John Boras, VP, Chief Compliance Officer #; Kimberly Ann Green, Vice President; James Edward Walsh, Vice President and CFO #

DIRECTORS OR TRUSTEES

Tom John Boras #; Christine M Kouroukdis; Scott Allen Wornack #; James Edward Walsh; Nathan WEdam Linsley

State of \_\_\_\_\_; County of \_\_\_\_\_

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

Signature lines for Christine M Kouroukdis (President), Lillian Michelle Sutton (Treasurer), and Arlene Keh Lim (Secretary).

Subscribed and sworn to before me this \_\_\_ day of \_\_\_ 2024. (Notary Public Signature)

a. Is this an original filing? Yes[X] No [ ]
b. If no: 1. State the amendment number 0; 2. Date filed; 3. Number of pages attached 0

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1-2)	Net Admitted Assets
1. Bonds (Schedule D) .....	494,074,120		494,074,120	480,734,138
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common stocks .....				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2 Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3 Properties held for sale (less \$.....0 encumbrances) .....				
5. Cash (\$.....2,350,375, Schedule E-Part 1), cash equivalents (\$.....152,792,465, Schedule E-Part 2) and short-term investments (\$.....0, Schedule DA) .....	155,142,840		155,142,840	146,673,014
6. Contract loans (including \$.....0 premium notes) .....				
7. Derivatives (Schedule DB) .....				
8. Other invested assets (Schedule BA) .....				
9. Receivables for securities .....				
10. Securities Lending Reinvested Collateral Assets (Schedule DL) .....				
11. Aggregate write-ins for invested assets .....				
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	649,216,959		649,216,959	627,407,152
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	2,543,290		2,543,290	2,131,426
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	7,685,149		7,685,149	6,364,654
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbillable premiums) .....				
15.3 Accrued retrospective premiums (\$.....25,949,813) and contracts subject to redetermination (\$.....4,399,000) .....	30,248,813		30,248,813	21,349,308
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	6,139,148		6,139,148	152,978,869
16.2 Funds held by or deposited with reinsured companies .....				
16.3 Other amounts receivable under reinsurance contracts .....				
17. Amounts receivable relating to uninsured plans .....	155,391,792	3,688,516	151,703,276	127,149,787
18.1 Current federal and foreign income tax recoverable and interest thereon .....				7,553,326
18.2 Net deferred tax asset .....				
19. Guaranty funds receivable or on deposit .....				
20. Electronic data processing equipment and software .....				
21. Furniture and equipment, including health care delivery assets (\$.....0) .....				
22. Net adjustment in assets and liabilities due to foreign exchange rates .....				
23. Receivables from parent, subsidiaries and affiliates .....	1,965,017		1,965,017	4,228,889
24. Health care (\$.....176,442,529) and other amounts receivable .....	210,630,658	34,238,128	176,442,530	127,943,665
25. Aggregate write-ins for other-than-invested assets .....	642,706	642,706		444,808
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,064,513,532	38,569,350	1,025,944,182	1,077,551,884
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. TOTAL (Lines 26 and 27) .....	1,064,513,532	38,569,350	1,025,944,182	1,077,551,884
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....				
2501. Prepaid Expenses .....	642,706	642,706		
2502. State Income Tax Receivable .....				444,808
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	642,706	642,706		444,808



## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 382,000 reinsurance ceded)	49,745,287		49,745,287	38,297,338
2. Accrued medical incentive pool and bonus amounts	4,680,000		4,680,000	5,307,000
3. Unpaid claims adjustment expenses	2,713,000		2,713,000	11,678,000
4. Aggregate health policy reserves, including the liability of \$ 200,086,608 for medical loss ratio rebata per the Public Health Service Act	239,641,976		239,641,976	332,483,519
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	5,233,994		5,233,994	70,117,750
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized capital gains (losses))	1,201,651		1,201,651	
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable	38,947,943		38,947,943	66,748,611
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	494,914,263		494,914,263	357,318,260
16. Derivatives				
17. Payable for securities	337,812		337,812	217,963
18. Payable for securities lending				
19. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers, \$ 0 unauthorized reinsurers and \$ 0 certified reinsurers)				
20. Reinsurance in unauthorized and certified (\$ 0) companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans				16,791,392
23. Aggregate write-ins for other liabilities (including \$ 18,410,640 current)	18,410,640		18,410,640	53,368,821
24. TOTAL Liabilities (Lines 1 to 23)	856,026,566		856,026,566	972,328,854
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X	2,500,000	2,500,000
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X	1,102,264,898	1,037,264,898
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	(934,847,282)	(934,541,868)
32. Less treasury stock, at cost:				
32.1 0 shares common (value included in Line 26 \$ 0)	X X X	X X X		
32.2 0 shares preferred (value included in Line 27 \$ 0)	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32)	X X X	X X X	169,917,616	105,223,030
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33)	X X X	X X X	1,025,944,182	1,077,551,884
<b>DETAILS OF WRITE-INS</b>				
2301. Due to NM Human Services Department	18,410,640		18,410,640	53,368,821
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	18,410,640		18,410,640	53,368,821
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	X X X	X X X		
3001.	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	X X X	X X X		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	3,546,621	6,592,543
2. Net premium income (including \$.....0 non-health premium income)	X X X	379,174,016	695,847,481
3. Change in unearned premium reserves and reserve for rate credits	X X X	98,577,543	(175,079,221)
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL Revenues (Lines 2 to 7)	X X X	477,751,559	720,768,260
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits		208,524,427	1,909,594,821
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		173,218,668	497,544,510
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts		2,370,159	5,644,782
16. Subtotal (Lines 9 to 15)		384,113,253	2,412,784,113
<b>Less:</b>			
17. Net reinsurance recoveries		(22,734,282)	1,729,955,930
18. TOTAL Hospital and Medical (Lines 16 minus 17)		406,847,535	682,828,183
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....22,056,850 cost containment expenses		43,342,260	82,200,945
21. General administrative expenses		46,295,785	96,775,907
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)		5,736,000	(19,312,000)
23. TOTAL Underwriting Deductions (Lines 18 through 22)		502,221,580	842,493,035
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(24,470,021)	(121,724,775)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		21,545,011	11,350,639
26. Net realized capital gains (losses) less capital gains tax of \$.....0		(263,295)	(88,373)
27. Net investment gains (losses) (Lines 25 plus 26)		21,281,716	11,262,266
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(3,188,306)	(110,462,509)
31. Federal and foreign income taxes incurred	X X X	241,595	(7,546,294)
32. Net income (loss) (Lines 30 minus 31)	X X X	(3,429,900)	(102,916,215)
<b>DETAILS OF WRITE-INS</b>			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0699. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0699) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0799. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0799) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1499. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1499) (Line 14 above)			
2901. Miscellaneous Expense			
2902.			
2903.			
2999. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2999) (Line 29 above)			

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year	Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33.	Capital and surplus prior reporting year .....	105,223,030	172,519,696
34.	Net income or (loss) from Line 32 .....	(3,429,900)	(102,916,215)
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 .....	5,388,547	(23,797,803)
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		(1,747,602)
39.	Change in nonadmitted assets .....	(2,264,061)	(10,247,043)
40.	Change in unauthorized and certified reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....	65,000,000	80,000,000
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		(588,003)
48.	Net change in capital and surplus (Lines 34 to 47) .....	64,694,586	(67,296,666)
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	169,917,616	105,223,030
<b>DETAILS OF WRITE-INS</b>			
4701.	Correction of Error .....		(588,003)
4702.	.....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		(588,003)

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	612,711,262	850,573,908
2. Net investment income .....	21,718,084	13,087,840
3. Miscellaneous income .....		
4. TOTAL (Lines 1 through 3) .....	634,429,366	863,661,748
5. Benefit and loss related payments .....	440,935,748	736,064,051
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	184,857,358	138,795,428
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ .....519 tax on capital gains (losses) .....	(8,513,382)	(19,367,817)
10. TOTAL (Lines 5 through 9) .....	617,279,724	855,491,662
11. Net cash from operations (Line 4 minus Line 10) .....	17,149,642	8,170,086
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	40,022,100	60,734,552
12.2 Stocks .....		
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7 Miscellaneous proceeds .....	136,226	1,973,106
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7) .....	40,158,326	62,707,658
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	48,838,142	70,723,301
13.2 Stocks .....		
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....		1,889
13.7 TOTAL investments acquired (Lines 13.1 to 13.6) .....	48,838,142	70,725,190
14. Net increase(decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(8,679,816)	(9,017,532)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		80,000,000
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....		80,000,000
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	8,469,826	80,152,554
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	146,673,014	66,520,460
19.2 End of year (Line 18 plus Line 19.1) .....	155,142,840	146,673,014

Notes: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20,0001		
---------	--	--



**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS**

Line of Business		1 Direct Business	2 Reinsurance Assured	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) individual .....				
2.	Comprehensive (hospital and medical) Group .....				
3.	Medicare Supplement .....	53,205,160			53,205,160
4.	Vision only .....				
5.	Dental only .....				
6.	Federal Employees Health Benefits Plan .....				
7.	Title XVII - Medicare .....	211,541,106		640,714	210,900,472
8.	Title XIX - Medicaid .....	45,646,374	10,214,313	139,481,249	(83,621,582)
9.	Credit AAH .....				
10.	Disability Income .....				
11.	Long-Term Care .....				
12.	Other health .....	(195,609,947)			195,609,947
13.	Health subtotal (Lines 1 through 12) .....	603,081,687	10,214,313	140,121,963	373,174,017
14.	Life .....				
15.	Proprietary .....				
16.	<b>TOTALS (Lines 13 to 15) .....</b>	<b>603,081,687</b>	<b>10,214,313</b>	<b>140,121,963</b>	<b>373,174,017</b>

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13	14
		2	3											
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefits Plan	Title XVII Medicare	Title XIX Medicaid	Credit AMH	Disability Income	Long-Term Care	Other Health	Other Non-Health
<b>1. Payments during the year:</b>														
1.1 Direct	575,929,824			36,803,124				192,858,257	329,474,999				218,993,544	
1.2 Reinsurance assumed	3,779,337								3,779,337					
1.3 Reinsurance ceded	131,135,448			18,529				204,287	130,911,622					
1.4 Net	448,573,613			36,783,595				192,453,960	2,342,714				218,993,544	
2. Paid medical incentive pools and bonuses	2,515,550							2,515,550						
<b>3. Claim liability December 31, current year from Part 2A:</b>														
3.1 Direct	50,109,287			5,146,000				27,768,560	657,727				16,277,000	
3.2 Reinsurance assumed	19,000													18,000
3.3 Reinsurance ceded	382,000			1,000				19,000	344,000					18,000
3.4 Net	49,745,287			5,145,000				27,769,560	563,727				16,277,000	
<b>4. Claim reserve December 31, current year from Part 2D:</b>														
4.1 Direct														
4.2 Reinsurance assumed														
4.3 Reinsurance ceded														
4.4 Net														
<b>6. Accrued medical incentive pools and bonuses, current year</b>	4,690,000							4,690,000						
<b>8. Net healthcare receivables (a)</b>	55,262,777			(50,633)				(1,183,945)	(3,026,856)				60,326,211	
<b>7. Amounts recoverable from reinsurers December 31, current year</b>														
<b>0. Claim liability December 31, prior year from Part 2A:</b>														
0.1 Direct	189,033,338			1,742,000				21,839,338	150,726,000				14,728,000	
0.2 Reinsurance assumed	18,000													18,000
0.3 Reinsurance ceded	150,754,000							9,000	150,727,000					18,000
0.4 Net	38,297,338			1,742,000				21,830,338	(1,000)				14,728,000	
<b>9. Claim reserve December 31, prior year from Part 2D:</b>														
9.1 Direct														
9.2 Reinsurance assumed														
9.3 Reinsurance ceded														
9.4 Net														
<b>10. Accrued medical incentive pools and bonuses, prior year</b>	5,307,000							5,307,000						
<b>11. Amounts recoverable from reinsurers December 31, prior year</b>														
<b>12. Incurred benefits:</b>														
12.1 Direct	381,743,098			40,257,757				199,791,424	(18,526,416)				158,220,333	
12.2 Reinsurance assumed	3,779,337								3,779,337					
12.3 Reinsurance ceded	(19,238,529)			20,529				214,287	(19,471,376)					
12.4 Net	404,783,995			40,277,226				199,577,127	6,724,287				158,220,333	
<b>13. Incurred medical incentive pools and bonuses</b>	2,089,550							2,089,550						

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

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

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employee Health Benefits Plan	8 Title XVI/1 Medicare	9 Title XX Medical	10 Credit A&H	11 Disability Income	12 Long- Term Care	13 Other Health	14 Other Non-Health
		2 Individual	3 Group											
<b>1. Reported in Process of Adjustment:</b>														
1.1 Direct	22,270,287			1,621,000				6,726,560	(4,318,273)				18,239,000	
1.2 Reinsurance assumed	18,000													18,000
1.3 Reinsurance ceded	108,000							6,000	64,000					18,000
1.4 Net	22,180,287			1,621,000				6,722,560	(4,402,273)				18,239,000	
<b>2. Incurred but Unreported:</b>														
2.1 Direct	27,638,000			3,526,000				19,060,000	5,216,000				36,000	
2.2 Reinsurance assumed														
2.3 Reinsurance ceded	274,000			1,000				13,000	269,000					
2.4 Net	27,565,000			3,526,000				19,047,000	4,956,000				36,000	
<b>3. Amounts Withheld from Paid Claims and Captations:</b>														
3.1 Direct														
3.2 Reinsurance assumed														
3.3 Reinsurance ceded														
3.4 Net														
<b>4. TOTALS</b>														
4.1 Direct	50,109,287			5,148,000				27,789,560	637,727				18,277,000	
4.2 Reinsurance assumed	18,000													18,000
4.3 Reinsurance ceded	392,000			1,000				19,000	344,000					18,000
4.4 Net	49,745,287			5,145,000				27,789,560	593,727				18,277,000	

10



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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Column 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
	1. Comprehensive (hospital and medical) Individual					
2. Comprehensive (hospital and medical) Group						
3. Medicare Supplement	1,681,918	35,101,878	8,000	5,137,000	1,689,918	1,742,000
4. Vision only						
5. Dental only						
6. Federal Employees Health Benefits Plan						
7. Title XVI - Medicare	21,430,680	170,963,302	241,000	27,526,680	21,731,680	21,830,338
8. Title XVI - Medicaid	1,840,157	502,567		503,727	1,840,157	(1,000)
9. Credit A&H						
10. Disability Income						
11. Long-Term Care						
12. Other health	12,478,813	204,514,730	1,000	16,278,000	12,479,813	14,736,000
13. Health subtotal (Lines 1 to 12)	37,481,548	411,052,265	250,000	48,495,287	37,741,548	38,297,338
14. Healthcare receivables (a)	149,580,888	65,262,777			149,580,888	149,580,888
15. Other non-health						
16. Medical incentive pool and bonus amounts	2,263,215	252,335	1,843,000	3,237,000	3,906,215	5,307,000
17. TOTALS (Lines 13 - 14 + 15 + 16)	(108,628,125)	358,071,823	1,883,000	62,732,287	(107,833,125)	(106,976,850)

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

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

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior	1,328,250	1,328,684	1,327,725	1,325,081	1,325,081
2. 2019	332,182	370,425	370,895	370,895	369,396
3. 2020	X X X	432,276	466,276	468,936	467,058
4. 2021	X X X	X X X	437,725	468,838	470,937
5. 2022	X X X	X X X	X X X	638,646	678,903
6. 2023	X X X	X X X	X X X	X X X	356,072

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Reserves Outstanding at End of Year				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior	1,328,982	1,328,610	1,327,725	1,325,081	1,325,081
2. 2019	359,646	371,482	370,703	370,650	369,396
3. 2020	X X X	466,604	436,589	468,486	467,058
4. 2021	X X X	X X X	467,110	471,963	470,829
5. 2022	X X X	X X X	X X X	680,695	680,784
6. 2023	X X X	X X X	X X X	X X X	403,005

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2019	460,470	369,396	73,899	20.003	443,275	96.266			443,275	96.266
2. 2020	627,672	467,058	90,565	19.391	557,623	88.840			557,623	88.840
3. 2021	533,968	470,587	59,955	12.740	530,542	99.361	32	4	530,568	99.367
4. 2022	720,769	678,903	78,947	11.584	757,650	105.103	1,581	28	759,458	105.365
5. 2023	477,751	356,072	47,771	13.418	403,843	84.530	52,793	2,681	459,297	96.129

12 Grand Total

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
 Hospital and Medical

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amount Paid					
	1 2019	2 2020	3 2021	4 2022	5 2023	
1. Prior						
2. 2019						
3. 2020	<b>NONE</b>					
4. 2021						X
5. 2022						X
6. 2023						X
						X

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year					
	1 2019	2 2020	3 2021	4 2022	5 2023	
1. Prior						
2. 2019						
3. 2020	<b>NONE</b>					
4. 2021						X
5. 2022						X
6. 2023						X
						X

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9) Percent
1. 2019										
2. 2020										
3. 2021	<b>NONE</b>									
4. 2022										
5. 2023										

12 Hospital and Medical

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

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior					
2. 2019					
3. 2020	X X X				
4. 2021	X X X	X X X			
5. 2022	X X X	X X X	X X X	6,550	8,240
6. 2023	X X X	X X X	X X X	X X X	35,152

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior					
2. 2019					
3. 2020	X X X				
4. 2021	X X X	X X X			
5. 2022	X X X	X X X	X X X	8,300	8,240
6. 2023	X X X	X X X	X X X	X X X	40,289

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claims Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2019										
2. 2020										
3. 2021										
4. 2022	13,152	8,240			8,240	62.652	8		8,248	62.713
5. 2023	51,052	35,152	2,321	6.603	37,473	73.402	5,137	154	42,784	83.788

12 Medicare Supplement

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP ..... NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Title XVIII - Medicare**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior	139,867	140,560	140,822	140,440	140,440
2. 2019	69,416	118,560	116,817	116,794	116,772
3. 2020	X X X	108,841	122,736	123,527	123,559
4. 2021	X X X	X X X	132,179	152,356	154,128
5. 2022	X X X	X X X	X X X	132,422	154,435
6. 2023	X X X	X X X	X X X	X X X	172,400

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amounts Paid and Claims Liability, Claim Reserve and Medical Incentive Pool and Bonuses, Outstanding at End of Year				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior	141,180	140,570	140,822	140,440	140,440
2. 2019	117,754	117,395	116,825	116,794	116,772
3. 2020	X X X	127,955	112,950	123,917	123,559
4. 2021	X X X	X X X	153,959	155,458	154,157
5. 2022	X X X	X X X	X X X	157,005	156,288
6. 2023	X X X	X X X	X X X	X X X	203,166

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expense	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2019	148,301	118,772	8,193	7.021	124,971	85.420			124,971	85.420
2. 2020	165,323	123,563	7,503	8.072	131,061	79.276			131,061	79.276
3. 2021	170,392	154,128	9,499	8.163	163,625	96.029	31		163,656	96.047
4. 2022	178,673	154,435	12,648	8.109	167,081	94.571	1,853	22	168,956	95.632
5. 2023	205,933	172,400	12,410	7.189	184,810	89.758	30,788	2,610	218,098	105.917

12 Title XVIII-Medicare

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND (INCURRED) HEALTH CLAIMS (\$000 Omitted)**  
**Title XIX - Medicaid**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2019	2 2020	3 2021	4 2022	5 2023
1.	Prior	686,707	686,347	684,358	682,265	682,265
2.	2019	16,102	16,102	16,102	16,102	14,863
3.	2020	X X X	139,361	139,361	139,361	139,361
4.	2021	X X X	X X X	119,311	119,311	119,311
5.	2022	X X X	X X X	X X X	331,514	334,630
6.	2023	X X X	X X X	X X X	X X X	4,329

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incurable Pool and Reinsures Outstanding at End of Year				
		1 2019	2 2020	3 2021	4 2022	5 2023
1.	Prior	686,708	686,347	684,358	682,265	682,265
2.	2019	16,102	16,102	16,102	16,102	14,863
3.	2020	X X X	139,361	139,361	139,361	139,361
4.	2021	X X X	X X X	119,311	119,311	119,311
5.	2022	X X X	X X X	X X X	331,513	334,630
6.	2023	X X X	X X X	X X X	X X X	4,653

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2019	22,008	14,863	43,460	282.404	58,323	265,008			68,323	265,008
2. 2020	168,267	139,361	72,126	51.758	211,488	112,570			211,489	112,570
3. 2021	131,972	119,311	34,272	26.725	153,583	116,375		4	153,587	116,376
4. 2022	323,679	334,630	22,511	8.728	357,104	110,531		5	357,110	110,533
5. 2023	16,126	4,329	(1,623)	(99.311)	608	2,792	664	16	1,078	5,937

12 Title XIX-Medicaid

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

Other

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amount Paid				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior	302,678	302,757	302,745	302,378	302,378
2. 2019	216,865	237,783	237,798	237,754	237,751
3. 2020	X X X	186,074	204,182	204,105	204,138
4. 2021	X X X	X X X	188,236	187,182	187,160
5. 2022	X X X	X X X	X X X	183,152	181,835
6. 2023	X X X	X X X	X X X	X X X	144,181

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Gross of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2019	2 2020	3 2021	4 2022	5 2023
1. Prior	302,693	302,793	302,745	302,378	302,378
2. 2019	225,790	237,965	237,778	237,754	237,751
3. 2020	X X X	200,186	204,196	204,105	204,138
4. 2021	X X X	X X X	193,841	187,196	187,181
5. 2022	X X X	X X X	X X X	183,874	181,835
6. 2023	X X X	X X X	X X X	X X X	150,487

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2019	292,161	237,751	22,230	8.350	259,981	88.989			259,981	88.989
2. 2020	274,142	204,138	10,938	5.358	215,076	78.454			215,076	78.454
3. 2021	231,832	187,160	16,184	8.209	203,344	82.117			203,345	82.117
4. 2022	207,865	181,835	43,490	23.844	225,325	108.303			225,325	108.303
5. 2023	202,672	144,181	36,863	25.585	181,044	89.344	16,278	1	187,321	97.365

12 Other



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

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefits Plan	8 Title XVII Medicare	9 Title XXI Medical	10 Credit AMH	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
1. Unearned premium reserves	10,768,724			3,204,052				6,263,113					2,281,569
2. Additional policy reserves (a)	23,318,000			3,999,000				8,758,000					10,561,000
3. Reserve for future contingent benefits													
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income)	205,554,252								205,554,252				
5. Aggregate write-ins for other policy reserves													
6. TOTALS (Gross)	239,641,976			6,773,052				14,039,113	205,554,252				13,275,539
7. Reinsurance ceded													
8. TOTALS (Net) (Page 3, Line 4)	239,641,976			6,773,052				14,039,113	205,554,252				13,275,539
9. Present value of amounts not yet due on claims													
10. Reserve for future contingent benefits													
11. Aggregate write-ins for other claim reserves													
12. TOTALS (Gross)													
13. Reinsurance ceded													
14. TOTALS (Net) (Page 3, Line 7)													
<b>DETAILS OF WRITE-INS</b>													
0501.													
0502.													
0503.													
0599. Summary of remaining write-ins for Line 5 from overflow page													
0599. TOTALS (Lines 0501 through 0503 plus 0599) (Line 5 above)													
1101.													
1102.													
1103.													
1199. Summary of remaining write-ins for Line 11 from overflow page													
1199. TOTALS (Lines 1101 through 1103 plus 1199) (Line 11 above)													

(a) Includes \$.....23,318,000 premium deficiency reserve.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building)	6,094	7,797	352,225		366,116
2. Salaries, wages and other benefits	3,489,894	(4,557,390)	14,477,811		13,390,315
3. Commissions (less \$.....0 coded plus \$.....0 assumed)			23,440,151		23,440,151
4. Legal fees and expenses	18,079	23,131	177,942		219,152
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	578	739	190,863		192,180
7. Traveling expenses	43,470	55,618	177,750		276,838
8. Marketing and advertising			2,875,872		2,875,872
9. Postage, express and telephone	664,547	3,403,127	2,717,376		6,787,050
10. Printing and office supplies	132,856	230,022	592,606		955,484
11. Occupancy, depreciation and amortization	11,183	14,308	45,728		71,219
12. Equipment	47,138	60,311	192,749		300,198
13. Cost or depreciation of EDP equipment and software	345,937	442,614	1,414,557		2,203,108
14. Outsourced services including EDP, claims, and other services	3,518,641	21,678,030	11,974,586		37,171,257
15. Boards, bureaus and association fees	10,212	13,065	214,356		237,633
16. Insurance, except on real estate			348,825		348,825
17. Collection and bank service charges			39,812		39,812
18. Group service and administration fees	18,204,030	13,226			18,217,256
19. Reimbursements by uninsured plans			(2,352,942)		(2,352,942)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses	31,075	39,759	127,067		197,901
22. Real estate taxes			188,891		188,891
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			126,634		126,634
23.2 State premium taxes			48,000		48,000
23.3 Regulatory authority licenses and fees	(217)	(278)	167,958		167,463
23.4 Payroll taxes	140,951	180,214	575,948		897,013
23.5 Other (excluding federal income and real estate taxes)			2,103,342		2,103,342
24. Investment expenses not included elsewhere				127,688	127,688
25. Aggregate write-ins for expenses	(4,587,518)	(320,883)	(13,922,322)		(18,830,723)
26. TOTAL Expenses Incurred (Lines 1 to 25)	22,056,650	21,285,410	46,295,785	127,688	(a) 89,765,733
27. Less expenses unpaid December 31, current year		2,713,000	5,233,994		7,946,994
28. Add expenses unpaid December 31, prior year		11,678,000	70,117,750		81,795,750
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	22,056,650	30,250,410	111,179,541	127,688	163,614,489
<b>DETAILS OF WRITE-INS</b>					
2501. Sundry Expenses	139	1,940,189	91,240		2,031,568
2502. Reinsurance Ceded	(4,587,657)	(2,261,072)	(14,013,562)		(20,862,291)
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	(4,587,518)	(320,883)	(13,922,322)		(18,830,723)

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 779,789	870,172
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 13,174,732	13,365,168
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 7,306,313	7,437,358
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. TOTAL gross investment income	21,260,834	21,672,599
11. Investment expenses		(g) 127,688
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. TOTAL Deductions (Lines 11 through 15)		127,688
17. Net investment income (Line 10 minus Line 16)		21,545,011

**DETAILS OF WRITE-INS**

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ 1,162,620 accrual of discount less \$ 1,747,457 amortization of premium and less \$ 240,902 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 29,181 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(23,973)		(23,973)		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(240,668)		(240,668)	5,373,517	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	1,346		1,346	15,031	
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. TOTAL Capital gains (losses)	(263,295)		(263,295)	5,388,548	

**DETAILS OF WRITE-INS**

0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)					

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule E):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums and contracts subject to redetermination			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	3,688,516	5,292,933	1,604,417
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	34,238,128	30,140,783	(4,097,345)
25. Aggregate write-ins for other-than-invested assets	642,706	871,573	228,867
26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	38,569,350	36,305,289	(2,264,061)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. TOTAL (Lines 26 and 27)	38,569,350	36,305,289	(2,264,061)
<b>DETAILS OF WRITE-INS</b>			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Prepaid Expenses	642,706	871,573	228,867
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	642,706	871,573	228,867

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Preferred Provider Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only	14,752	19,801	24,117	28,578	32,375	289,521
6. Aggregate write-ins for other lines of business	644,307	268,762	269,755	272,119	273,355	3,247,100
7. TOTAL	659,059	288,563	293,872	300,697	305,730	3,546,621
<b>DETAILS OF WRITE-INS</b>						
0601. Medicare Part D Drug	232,808	251,067	252,036	264,243	256,191	3,032,601
0602. Stoploss		1,673	1,771	1,720	1,745	21,437
0600. Medicaid	297,104					
0699. Summary of remaining write-ins for Line 6 from overflow page	14,395	15,822	15,948	16,156	16,419	183,263
0699. TOTALS (since 0601 through 0603 plus 0699) (Line 6 above)	644,307	268,762	269,755	272,119	273,355	3,247,100



ANNUAL STATEMENT
For the Year Ending December 31, 2024
OF THE CONDITION AND AFFAIRS OF THE
HCSC Insurance Services Company

NAIC Group Code 0917, 0917; NAIC Company Code 78611; Employer's ID Number 73-1350270
Organized under the Laws of Illinois; State of Domicile or Port of Entry IL
Country of Domicile United States of America
Licensed as business type: Life, Accident & Health [X], Dental Service Corporation [ ], Other [ ]
Property/Casualty [ ], Vision Service Corporation [ ], Is HMO Federally Qualified? Yes [ ] No [X] N/A [ ]
Hospital, Medical & Dental Service or Indemnity [ ], Health Maintenance Organization [X]
Incorporated/Organized 02/06/1958; Commenced Business 02/23/1958
Statutory Home Office 300 East Randolph Street, Chicago, IL 60601-5099
Main Administrative Office 300 East Randolph Street, Chicago, IL 60601-6099
Mail Address 300 East Randolph Street, Chicago, IL 60601-5099
Primary Location of Books and Records 300 East Randolph Street, Chicago, IL 60601-5099
Internet Website Address www.hcsc.com
Statutory Statement Contact Mark W Larson, Mark.Larson@hcsco.com

OFFICERS

Table with 2 columns: Name, Title. Christine M Kourouktsis, President; Lillian Michelle Sutton, Treasurer; Arlene Keh Lim, Secretary.

OTHERS

Scott Allen Womack, VP, Corp Tax and Finance; Jill Alison Wolowitz, Chief Compliance Officer #

Kimberly Ann Green, Vice President; James Edward Walsh, Vice President and CFO

DIRECTORS OR TRUSTEES

Tom John Boras; Christine M Kourouktsis; Scott Allen Womack

James Edward Walsh; Jill Alison Wolowitz #

State of \_\_\_\_\_ County of \_\_\_\_\_

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon...

Signature lines for Stephen Devon Harris (President), Lillian Michelle Sutton (Treasurer), and Arlene Keh Lim (Secretary). Includes dates of 2025 and 2026.

a. Is this an original filing? Yes [X] No [ ]
b. If no: 1. State the amendment number 0; 2. Date filed; 3. Number of pages attached 0

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1-2)	Net Admitted Assets
1. Bonds (Schedule D) .....	499,342,935		499,342,935	494,074,120
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common stocks .....				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2 Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3 Properties held for sale (less \$.....0 encumbrances) .....				
5. Cash (\$...(29,613,739), Schedule E-Part 1), cash equivalents (\$...230,881,787, Schedule E-Part 2) and short-term investments (\$...73,992,494, Schedule DA) .....	275,260,543		275,260,543	155,142,840
6. Contract loans (including \$.....0 premium notes) .....				
7. Derivatives (Schedule DB) .....				
8. Other invested assets (Schedule BA) .....				
9. Receivables for securities .....				
10. Securities Lending Reinvested Collateral Assets (Schedule DL) .....				
11. Aggregate write-ins for invested assets .....				
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	774,603,478		774,603,478	649,216,959
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	2,908,406		2,908,406	2,543,290
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	29,813,196		29,813,196	7,685,149
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums) .....				
15.3 Accrued retrospective premiums (\$.....47,365,166) and contracts subject to redetermination (\$.....6,203,000) .....	53,568,166		53,568,166	30,248,813
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....				6,139,148
16.2 Funds held by or deposited with reinsured companies .....				
16.3 Other amounts receivable under reinsurance contracts .....				
17. Amounts receivable relating to uninsured plans .....	163,083,260	4,652,382	158,430,878	151,703,276
18.1 Current federal and foreign income tax recoverable and interest thereon .....	15,860,386		15,860,386	
18.2 Net deferred tax asset .....				
19. Guaranty funds receivable or on deposit .....				
20. Electronic data processing equipment and software .....				
21. Furniture and equipment, including health care delivery assets (\$.....0) .....				
22. Net adjustment in assets and liabilities due to foreign exchange rates .....				
23. Receivables from parent, subsidiaries and affiliates .....	5,995		5,995	1,965,017
24. Health care (\$.....98,078,801) and other amounts receivable .....	116,259,401	18,180,600	98,078,801	176,442,530
25. Aggregate write-ins for other-than-invested assets .....	5,157,816	792,438	4,365,378	
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	1,161,260,104	23,625,420	1,137,634,684	1,025,944,182
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. TOTAL (Lines 26 and 27) .....	1,161,260,104	23,625,420	1,137,634,684	1,025,944,182
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....				
2501. Prepaid Expenses .....	792,438	792,438		
2502. State Income Tax Receivable .....	4,365,378		4,365,378	
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	5,157,816	792,438	4,365,378	

## LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....74,000 reinsurance ceded) .....	81,602,574		81,602,574	49,745,287
2. Accrued medical incentive pool and bonus amounts .....	3,866,000		3,866,000	4,880,000
3. Unpaid claims adjustment expenses .....	2,740,000		2,740,000	2,713,000
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebata per the Public Health Service Act .....	29,260,837		29,260,837	239,641,976
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserves .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....				
9. General expenses due or accrued .....	3,458,977		3,458,977	5,233,994
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) .....				1,201,651
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....	1,661,163		1,661,163	38,947,943
12. Amounts withheld or retained for the account of others .....				
13. Remittances and items not allocated .....				
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	848,573,605		848,573,605	494,914,263
16. Derivatives .....				
17. Payable for securities .....	650,525		650,525	337,812
18. Payable for securities lending .....				
19. Funds held under reinsurance treaties (with \$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers) .....				
20. Reinsurance in unauthorized and certified (\$.....0) companies .....				
21. Net adjustments in assets and liabilities due to foreign exchange rates .....				
22. Liability for amounts held under uninsured plans .....	3,514,255		3,514,255	
23. Aggregate write-ins for other liabilities (including \$.....1,601,048 current) .....	1,601,048		1,601,048	18,410,640
24. TOTAL Liabilities (Lines 1 to 23) .....	976,928,984		976,928,984	856,026,566
25. Aggregate write-ins for special surplus funds .....	X X X	X X X		
26. Common capital stock .....	X X X	X X X	2,500,000	2,500,000
27. Preferred capital stock .....	X X X	X X X		
28. Gross paid in and contributed surplus .....	X X X	X X X	1,137,264,898	1,102,264,898
29. Surplus notes .....	X X X	X X X		
30. Aggregate write-ins for other-than-special surplus funds .....	X X X	X X X		
31. Unassigned funds (surplus) .....	X X X	X X X	(979,039,198)	(934,847,282)
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$.....0) .....	X X X	X X X		
32.2 .....0 shares preferred (value included in Line 27 \$.....0) .....	X X X	X X X		
33. TOTAL Capital and Surplus (Lines 25 to 31 minus Line 32) .....	X X X	X X X	160,725,700	169,917,616
34. TOTAL Liabilities, Capital and Surplus (Lines 24 and 33) .....	X X X	X X X	1,137,654,684	1,025,944,182
<b>DETAILS OF WRITE-INS</b>				
2301. Due to NM Health Care Authority .....	1,601,048		1,601,048	18,410,640
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	1,601,048		1,601,048	18,410,640
2501. ....	X X X	X X X		
2502. ....	X X X	X X X		
2503. ....	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	X X X	X X X		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	X X X	X X X		
3001. ....	X X X	X X X		
3002. ....	X X X	X X X		
3003. ....	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page .....	X X X	X X X		
3099. TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above) .....	X X X	X X X		



## STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	4,119,678	3,546,621
2. Net premium income (including \$.....0 non-health premium income)	X X X	433,454,650	379,174,016
3. Change in unearned premium reserves and reserve for rate credits	X X X	197,944,139	98,577,543
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. TOTAL Revenues (Lines 2 to 7)	X X X	631,398,789	477,751,559
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits		303,697,494	208,524,427
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		300,548,178	173,218,668
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts		(1,834,161)	2,370,158
16. Subtotal (Lines 9 to 15)		602,411,511	384,113,253
<b>Less:</b>			
17. Net reinsurance recoveries		(5,837,780)	(22,734,282)
18. TOTAL Hospital and Medical (Lines 16 minus 17)		608,249,271	406,847,535
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....28,347,493 cost containment expenses		62,668,126	43,342,260
21. General administrative expenses		73,232,349	46,295,785
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)		7,346,000	5,736,000
23. TOTAL Underwriting Deductions (Lines 18 through 22)		751,495,746	502,221,580
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(120,096,957)	(24,470,021)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		27,554,724	21,545,011
26. Net realized capital gains (losses) less capital gains tax of \$.....(65,298)		(41,268)	(263,295)
27. Net investment gains (losses) (Lines 25 plus 26)		27,513,436	21,281,716
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(92,583,521)	(3,188,305)
31. Federal and foreign income taxes incurred	X X X	(15,566,829)	241,595
32. Net income (loss) (Lines 30 minus 31)	X X X	(77,016,692)	(3,429,900)
<b>DETAILS OF WRITE-INS</b>			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

		1	2
		Current Year	Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>			
33.	Capital and surplus prior reporting year .....	169,917,616	105,223,030
34.	Net income or (loss) from Line 32 .....	(77,016,692)	(3,423,900)
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$..... 0 .....	(1,902,155)	5,388,547
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....		
39.	Change in nonadmitted assets .....	14,943,930	(2,264,061)
40.	Change in unauthorized and certified reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....	19,783,001	
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....	35,000,000	65,000,000
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....		
48.	Net change in capital and surplus (Lines 34 to 47) .....	(9,191,916)	64,694,596
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	160,725,700	169,917,616
<b>DETAILS OF WRITE-INS</b>			
4701.	.....		
4702.	.....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....		

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	505,405,082	612,711,282
2. Net investment income	28,253,139	21,718,084
3. Miscellaneous income		
4. TOTAL (Lines 1 through 3)	533,658,220	634,429,366
5. Benefit and loss related payments	272,965,577	440,935,748
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	231,096,657	184,857,358
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	1,449,910	(8,513,382)
10. TOTAL (Lines 5 through 9)	505,512,143	617,279,724
11. Net cash from operations (Line 4 minus Line 10)	28,146,077	17,149,642
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	42,065,667	40,022,100
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	312,713	136,226
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7)	42,378,380	40,158,326
13. Cost of investments acquired (long-term only):		
13.1 Bonds	50,381,457	48,838,142
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	25,297	
13.7 TOTAL investments acquired (Lines 13.1 to 13.6)	50,406,754	48,838,142
14. Net increase(decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(8,028,374)	(8,679,816)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	100,000,000	
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	100,000,000	
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	120,117,703	8,469,826
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	155,142,840	146,673,014
19.2 End of year (Line 18 plus Line 19.1)	275,260,543	155,142,840
<b>Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:</b>		
20,0001		

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Duty	6 Dental Only	7 Federal Employees Health Benefits Plan	8 Title XVI Medicare	9 Title XXX Medicaid	10 Credit Risk	11 Disability Income	12 Long-Term Care	13 Other Health	14 Other Non-Health
		2 Individual	3 Group											
1. Net premium income	433,495,650			103,529,751				277,400,872	(244,368,198)				294,052,126	
2. Change in unearned premium reserves and reserve for rate credit	187,944,129			(7,025,521)				3,878,617	205,274,252				(4,324,159)	
3. Fee-for-service part of ( ) medical expenses														XXX
4. Risk reversion														XXX
5. Aggregate write-ins for other health care related revenues														XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7. TOTAL Revenues (Lines 1 to 6)	621,399,779			96,504,180				281,280,289	(41,253,947)				294,727,967	
8. Hospital/medical benefits	303,897,494			63,060,780				248,846,228	(31,600,745)				1,444,230	XXX
9. Other professional services														XXX
10. Outside referrals														XXX
11. Emergency room and out-of-area														XXX
12. Prescription drugs	300,548,176							25,571,160	(59,151)				250,036,168	XXX
13. Aggregate write-ins for other hospital and medical														XXX
14. Incentive paid, actuarial adjustments and bonus accounts	(1,834,181)							(2,115,161)	281,020					XXX
15. Shortfall (Lines 8 to 14)	602,011,515			60,945,780				247,201,228	(31,458,896)				287,460,298	XXX
16. Net reinsurance recoveries	(8,837,765)			143,836				333,485	(8,315,676)					XXX
17. TOTAL Hospital and Medical (Lines 15 minus 16)	593,173,750			61,089,616				247,534,713	(23,143,220)				287,460,298	XXX
18. Non-health claims (net)	608,249,271	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
19. Claim adjustment expenses including ( ) 28,347,403 cost containment expenses	62,666,126			4,122,879				25,947,495	(685,841)				34,280,437	
20. General administrative expenses	73,282,949			30,431,348				24,871,117	(17,969,822)				33,539,486	
21. Increase in reserves for accident and health contracts	7,346,000			4,522,000				4,491,000					(1,867,000)	XXX
22. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
23. TOTAL Underwriting Deductions (Lines 17 to 22)	757,485,744			130,051,271				317,277,360	(43,820,287)				344,026,282	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(136,086,027)			(27,497,091)				(36,896,771)	2,515,220				(56,218,415)	
<b>DETAILS OF WRITES</b>														
0501														XXX
0502														XXX
0503														XXX
0504														XXX
0505														XXX
0506														XXX
0507														XXX
0508														XXX
0509														XXX
0510														XXX
0511														XXX
0512														XXX
0513														XXX
0514														XXX
0515														XXX
0516														XXX
0517														XXX
0518														XXX
0519														XXX
0520														XXX
0521														XXX
0522														XXX
0523														XXX
0524														XXX
0525														XXX
0526														XXX
0527														XXX
0528														XXX
0529														XXX
0530														XXX
0531														XXX
0532														XXX
0533														XXX
0534														XXX
0535														XXX
0536														XXX
0537														XXX
0538														XXX
0539														XXX
0540														XXX
0541														XXX
0542														XXX
0543														XXX
0544														XXX
0545														XXX
0546														XXX
0547														XXX
0548														XXX
0549														XXX
0550														XXX

**UNDERWRITING AND INVESTMENT EXHIBIT**  
PART 1 - PREMIUMS

Line of Business		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Column 1 + 2 - 3)
1.	Comprehensive (hospital and medical) Individual .....				
2.	Comprehensive (hospital and medical) Group .....				
3.	Medicare Supplement .....	103,529,752			103,529,752
4.	Vision only .....				
5.	Dental only .....				
6.	Federal Employees Health Benefits Plan .....				
7.	Title XVII - Medicare .....	276,097,402		688,431	277,402,971
8.	Title XIX - Medicaid .....	(242,359,440)	9,516,833	13,726,632	(246,569,189)
9.	Credit A&H .....				
10.	Disability Income .....				
11.	Long-Term Care .....				
12.	Other health .....	299,032,126			299,032,126
13.	Health accident (Lines 1 through 12) .....	436,350,540	9,516,833	14,413,125	431,454,248
14.	Life .....				
15.	Property/casualty .....				
16.	<b>TOTALS (Lines 13 to 15) .....</b>	<b>436,350,540</b>	<b>9,516,833</b>	<b>14,413,125</b>	<b>431,454,248</b>

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefits Plan	8 Title XVII Medicare	9 Title XXI Medicaid	10 Credit A&H	11 Disability Income	12 Long- Term Care	13 Other Health	14 Other Non-Health
		2 Individual	3 Group											
<b>1. Payments during the year:</b>														
1.1 Direct	485,445,166			80,186,780				260,675,704	(30,549,360)				174,922,042	
1.2 Reinsurance assumed	5,008,011								5,008,011					
1.3 Reinsurance ceded	3,041,625			132,637				308,450	2,600,508					
1.4 Net	487,411,552			80,053,943				260,367,254	(27,941,857)				174,922,042	
2. Paid medical incentive pools and bonuses	(1,101,161)							(1,101,161)						
<b>3. Claim liability December 31, current year from Part 2A:</b>														
3.1 Direct	77,814,000			10,038,000				34,718,000					33,057,000	18,000
3.2 Reinsurance assumed	3,862,574								3,864,574					18,000
3.3 Reinsurance ceded	74,000			12,000				44,000						18,000
3.4 Net	81,602,574			10,026,000				34,675,000	3,864,574				33,057,000	
<b>4. Claim reserve December 31, current year from Part 2D:</b>														
4.1 Direct														
4.2 Reinsurance assumed														
4.3 Reinsurance ceded														
4.4 Net														
<b>5. Accrued medical incentive pools and bonuses, current year</b>	3,868,000							3,868,000						
<b>6. Net healthcare reorganizations (a)</b>	(91,895,793)							(1,610,244)	482,505				(78,778,357)	
<b>7. Amounts recoverable from reinsurers December 31, current year</b>														
<b>8. Claim liability December 31, prior year from Part 2A:</b>														
8.1 Direct	50,109,287			5,148,000				27,768,560	697,727				18,277,000	18,000
8.2 Reinsurance assumed	18,000													18,000
8.3 Reinsurance ceded	382,000			1,000				19,000	368,000					18,000
8.4 Net	48,745,287			5,145,000				27,769,560	533,727				18,277,000	
<b>9. Claim reserve December 31, prior year from Part 2D:</b>														
9.1 Direct														
9.2 Reinsurance assumed														
9.3 Reinsurance ceded														
9.4 Net														
<b>10. Accrued medical incentive pools and bonuses, prior year</b>	4,830,000							4,800,000						
<b>11. Amounts recoverable from reinsurers December 31, prior year</b>														
<b>12. Incurred benefits:</b>														
12.1 Direct	604,245,672			85,068,730				263,418,388	(31,739,895)				281,460,339	
12.2 Reinsurance assumed	8,852,585								8,852,585					
12.3 Reinsurance ceded	2,733,625			143,637				333,480	2,256,508					
12.4 Net	610,364,632			84,944,943				263,082,908	(25,143,818)				281,460,339	
<b>13. Incurred medical incentive pools and bonuses</b>	(2,115,161)							(2,115,161)						

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

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

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employee Health Benefits Plan	8 Title XVII Medicare	9 Title XX Medicaid	10 Credit A&H	11 Disability Income	12 Long- Term Care	13 Other Health	14 Other Non-Health
		2 Individual	3 Group											
<b>1. Reported in Process of Adjustment:</b>														
1.1 Direct .....	41,038,000			2,014,000				8,781,000	(2,094,000)				32,357,000	
1.2 Reinsurance assumed .....	3,062,574								3,044,574					18,000
1.3 Reinsurance ceded .....	29,000			2,000				9,000						18,000
1.4 Net .....	44,071,574			2,012,000				8,782,000	1,750,574				32,357,000	
<b>2. Incurred but Unreported:</b>														
2.1 Direct .....	36,778,000			8,034,000				25,958,000	2,094,000				700,000	
2.2 Reinsurance assumed .....														
2.3 Reinsurance ceded .....	45,000			10,000				35,000						
2.4 Net .....	36,733,000			8,044,000				25,923,000	2,094,000				700,000	
<b>3. Amounts Withheld from Paid Claims and Capitations:</b>														
3.1 Direct .....														
3.2 Reinsurance assumed .....														
3.3 Reinsurance ceded .....														
3.4 Net .....														
<b>4. TOTALS:</b>														
4.1 Direct .....	77,814,000			10,038,000				34,719,000					33,057,000	
4.2 Reinsurance assumed .....	3,062,574								3,044,574					18,000
4.3 Reinsurance ceded .....	74,000			12,000				44,000						18,000
4.4 Net .....	81,802,574			10,026,000				34,876,000	3,044,574				33,057,000	

01

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

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) Individual						
2. Comprehensive (hospital and medical) Group						
3. Medicare Supplement	5,620,817	74,454,428	7,000	10,019,000	5,818,817	5,145,000
4. Vision only						
5. Dental only						
6. Federal Employees Health Benefits Plan						
7. Title XVII - Medicare	28,320,352	234,046,871	553,000	34,122,000	28,873,352	27,768,580
8. Title XXI - Medicaid	(24,530,932)	(3,351,785)		3,044,574	(24,530,932)	553,727
9. Credit AMH						
10. Disability Income						
11. Long-Term Care						
12. Other health	13,778,705	181,143,334	98,000	33,021,000	13,814,705	18,277,000
13. Healths subtotal (Lines 1 to 12)	21,118,785	468,292,568	588,000	81,008,574	21,714,785	43,745,287
14. Healthcare receivables (a)	204,843,665	(91,035,794)			204,843,665	204,843,665
15. Other non-health						
16. Medical incentive pools and bonus amounts		(1,101,181)	3,582,000	254,000	3,582,000	4,882,000
17. TOTALS (Lines 13 - 14 + 15 + 16)	(183,724,880)	568,257,489	4,178,000	81,290,574	(179,548,693)	(150,218,378)

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



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$'000 Omitted)**  
**Grand Total**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amount Paid				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	370,425	370,666	370,660	369,385	369,385
2. 2020	432,276	468,279	468,936	467,659	468,607
3. 2021	X X X	437,728	468,880	470,629	470,629
4. 2022	X X X	X X X	639,646	678,304	846,838
5. 2023	X X X	X X X	X X X	358,072	409,449
6. 2024	X X X	X X X	X X X	X X X	558,267

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	371,462	370,703	370,650	369,385	369,385
2. 2020	468,604	468,303	468,466	467,659	468,607
3. 2021	X X X	467,110	471,983	470,629	470,629
4. 2022	X X X	X X X	680,695	680,785	846,377
5. 2023	X X X	X X X	X X X	408,805	412,098
6. 2024	X X X	X X X	X X X	X X X	637,578

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2020	627,672	468,607	80,541	19.36%	549,148	89.09%			627,672	100.00%
2. 2021	533,868	470,639	69,947	12.73%	600,586	112.50%			533,868	99.31%
3. 2022	729,769	846,838	78,462	12.12%	925,300	126.79%	1,541	2	729,769	100.84%
4. 2023	477,751	409,449	66,249	13.73%	475,698	100.00%	2,837	36	477,751	99.97%
5. 2024	831,389	558,267	54,484	9.78%	610,751	72.26%	81,291	2,702	694,724	83.57%

12 Grand Total

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Hospital and Medical**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amount Paid								
	1 2020	2 2021	3 2022	4 2023	5 2024				
1. Prior									
2. 2020									
3. 2021	<b>NONE</b>								
4. 2022									
5. 2023									
6. 2024									
						XXX	XXX	XXX	XXX

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Gross of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year								
	1 2020	2 2021	3 2022	4 2023	5 2024				
1. Prior									
2. 2020									
3. 2021	<b>NONE</b>								
4. 2022									
5. 2023									
6. 2024									
						XXX	XXX	XXX	XXX

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent									
1. 2020																			
2. 2021																			
3. 2022	<b>NONE</b>																		
4. 2023																			
5. 2024																			

12 Hospital and Medical

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

**Section A - Paid Health Claims**

1	Year in Which Losses Were Incurred	Cumulative Net Amount Paid				
		2020	2021	2022	2023	2024
1.	Prior					
2.	2020					
3.	2021	XXX				
4.	2022	XXX	XXX	6,558	8,240	8,240
5.	2023	XXX	XXX	XXX	35,152	40,782
6.	2024	XXX	XXX	XXX	XXX	74,454

**Section B - Incurred Health Claims**

1	Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claims Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		2020	2021	2022	2023	2024
1.	Prior					
2.	2020					
3.	2021	XXX				
4.	2022	XXX	XXX	8,300	8,240	8,240
5.	2023	XXX	XXX	XXX	40,288	40,788
6.	2024	XXX	XXX	XXX	XXX	84,473

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

1	2	3	4	5	6	7	8	9	10	
Years in Which Premiums were Earned and Claims were Incurred	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5) Percent	Claims Unpaid	Unpaid Claims Adjustment Expense	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9) Percent
1. 2020										
2. 2021										
3. 2022	13,192	8,240			8,240	62.652			8,240	62.652
4. 2023	51,052	40,782	2,828	8.938	43,590	85.364	7		43,597	85.367
5. 2024	98,534	74,454	3,448	4.631	77,902	80.707	10,019	321	88,244	91.422

12 Medicare Supplement

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only ..... NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP ..... NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP ..... NONE

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Title XVII - Medicare**

**Section A - Paid Health Claims**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	116,660	116,617	116,764	116,771	116,771
2. 2020	108,841	122,736	123,527	123,559	123,647
3. 2021	X X X	132,179	152,385	164,126	154,366
4. 2022	X X X	X X X	132,422	164,435	156,236
5. 2023	X X X	X X X	X X X	172,400	197,531
6. 2024	X X X	X X X	X X X	X X X	234,756

**Section B - Incurred Health Claims**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	117,395	118,825	118,764	118,771	118,771
2. 2020	127,055	122,860	123,017	123,559	123,647
3. 2021	X X X	153,958	155,458	164,157	154,366
4. 2022	X X X	X X X	157,008	158,288	156,776
5. 2023	X X X	X X X	X X X	203,168	200,186
6. 2024	X X X	X X X	X X X	X X X	263,182

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2020	165,323	123,647	7,505	8.070	131,152	79.351			131,152	79.331
2. 2021	170,392	154,366	9,507	8.158	163,873	86.174			163,873	96.174
3. 2022	174,673	155,236	12,671	8.182	167,907	95.036	1,540	2	169,449	95.911
4. 2023	205,903	197,531	15,335	7.781	212,826	103.411	2,895	36	215,557	104.688
5. 2024	261,381	234,756	18,128	7.721	252,882	89.872	34,458	2,354	289,642	102.936

12 Title XVII-Medicare

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (\$000 Omitted)**  
**Title XIX - Medicaid**

**Section A - Paid Health Claims**

Year In Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	16,102	16,102	16,102	14,863	14,863
2. 2020	139,361	139,361	139,361	139,361	139,361
3. 2021	X X X	119,311	119,311	119,311	119,311
4. 2022	X X X	X X X	331,514	334,594	301,151
5. 2023	X X X	X X X	X X X	4,329	13,182
6. 2024	X X X	X X X	X X X	X X X	(3,645)

**Section B - Incurred Health Claims**

Year In Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Sources Outstanding at End of Year				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	16,102	16,102	16,102	14,863	14,863
2. 2020	139,361	139,361	139,361	139,361	139,361
3. 2021	X X X	119,311	119,311	119,311	119,311
4. 2022	X X X	X X X	331,513	334,594	301,151
5. 2023	X X X	X X X	X X X	4,893	13,182
6. 2024	X X X	X X X	X X X	X X X	

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expenses Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2020	164,207	139,361	72,128	51.758	211,489	112.370			211,489	112.370
2. 2021	131,872	119,311	34,272	26.725	153,583	118.375			153,583	118.375
3. 2022	323,078	301,151	22,190	7.368	323,341	100.081			323,341	100.081
4. 2023	18,124	13,182	(3,825)	(28.865)	9,377	51.738			9,377	51.738
5. 2024	(41,294)	(3,645)	(367)	-9.545	(4,212)	10.200	3,645		(367)	0.863

12 Title XIX-Medicaid

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

Other

**Section A - Paid Health Claims**

Year In Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	237,753	237,753	237,754	237,751	237,751
2. 2020	196,074	204,182	204,186	204,133	203,799
3. 2021	X X X	186,236	197,192	197,191	196,982
4. 2022	X X X	X X X	163,152	181,635	182,209
5. 2023	X X X	X X X	X X X	144,191	157,914
6. 2024	X X X	X X X	X X X	X X X	250,922

**Section B - Incurred Health Claims**

Year In Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incurable Pool and Bonuses Outstanding at End of Year				
	1 2020	2 2021	3 2022	4 2023	5 2024
1. Prior	237,965	237,778	237,784	237,751	237,751
2. 2020	204,186	204,196	204,190	204,139	203,799
3. 2021	X X X	193,941	197,196	197,181	196,982
4. 2022	X X X	X X X	163,674	181,635	182,210
5. 2023	X X X	X X X	X X X	160,467	157,949
6. 2024	X X X	X X X	X X X	X X X	263,943

**Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2020	274,142	203,799	10,908	5.352	214,707	78.329			214,707	78.329
2. 2021	231,632	196,982	16,168	8.296	213,150	92.033			213,150	92.033
3. 2022	207,665	182,209	43,541	23.896	225,750	108.804			225,751	108.805
4. 2023	202,672	157,914	41,891	20.679	199,805	98.586	35		199,840	98.623
5. 2024	294,789	260,922	33,237	13.346	294,159	99.784	33,021	25	317,205	107.804

12 Other

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

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefits Plan	8 Title XVII Medicare	9 Title XX Medicaid	10 Credit A&H	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
1. Unearned premium reserves .....	10,375,637			10,375,623				1,305,496	280,000				6,585,718
2. Additional policy reserves (a) .....	10,882,000			4,960,000				6,932,000					
3. Reserve for future contingent benefits .....													
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income) .....													
5. Aggregate write-ins for other policy reserves .....													
6. TOTALS (Gross) .....	29,260,637			15,335,623				7,235,496	280,000				6,585,718
7. Reinsurance ceded .....													
8. TOTALS (Net) (Page 3, Line 4) .....	29,260,637			15,335,623				7,235,496	280,000				6,585,718
9. Proportional amounts not yet due on claims .....													
10. Reserve for future contingent benefits .....													
11. Aggregate write-ins for other claims reserves .....													
12. TOTALS (Gross) .....													
13. Reinsurance ceded .....													
14. TOTALS (Net) (Page 3, Line 7) .....													
<b>DETAILS OF WRITE-INS</b>													
0501. ....													
0502. ....													
0503. ....													
0596. Summary of remaining write-ins for Line 5 from overflow page .....													
0599. TOTALS (Lines 0501 through 0503 plus 0596) (Line 5 above) .....													
1101. ....													
1102. ....													
1103. ....													
1196. Summary of remaining write-ins for Line 11 from overflow page .....													
1199. TOTALS (Lines 1101 through 1103 plus 1196) (Line 11 above) .....													

(a) Includes \$.....10,882,000 premium deficiency reserve.



**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building) .....	11,028	10,681	518,521		540,230
2. Salaries, wages and other benefits .....	4,988,428	4,834,445	17,328,190		27,151,063
3. Commissions (less \$.....0 coded plus \$.....0 assumed) .....			42,075,328		42,075,328
4. Legal fees and expenses .....	46,018	44,570	354,929		445,517
5. Certifications and accreditation fees .....					
6. Auditing, actuarial and other consulting services .....	1,321	1,279	162,459		165,059
7. Traveling expenses .....	71,453	69,214	241,459		382,136
8. Marketing and advertising .....			2,106,872		2,106,872
9. Postage, express and telephone .....	559,898	3,799,511	1,774,061		6,133,470
10. Printing and office supplies .....	221,085	218,034	763,949		1,203,068
11. Occupancy, depreciation and amortization .....	16,826	16,297	56,853		89,976
12. Equipment .....	77,709	75,264	262,564		415,537
13. Cost or depreciation of EDP equipment and software .....	436,769	423,024	1,475,762		2,335,555
14. Outsourced services including EDP, claims, and other services .....	4,544,708	23,172,700	12,570,200		40,287,608
15. Boards, bureaus and association fees .....	15,130	14,654	233,175		262,959
16. Insurance, except on real estate .....			554,600		554,600
17. Collection and bank service charges .....			81,024		81,024
18. Group service and administration fees .....	17,387,847	25,392			17,413,239
19. Reimbursements by uninsured plans .....			14,061,333		14,061,333
20. Reimbursements from fiscal intermediaries .....					
21. Real estate expenses .....	53,886	52,171	182,003		288,040
22. Real estate taxes .....			256,149		256,149
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....			(4,409,957)		(4,409,957)
23.2 State premium taxes .....			36,000		36,000
23.3 Regulatory authority licenses and fees .....	66	64	336,583		336,713
23.4 Payroll taxes .....	275,416	266,748	930,578		1,472,742
23.5 Other (excluding federal income and real estate taxes) .....		1,647,216	(17,233,314)		(15,586,098)
24. Investment expenses not included elsewhere .....				152,892	152,892
25. Aggregate write-ins for expenses .....	(360,175)	(350,541)	(1,486,972)		(2,197,688)
26. TOTAL Expenses Incurred (Lines 1 to 25) .....	28,347,403	34,320,723	73,232,349	152,892	(a) 136,053,367
27. Less expenses unpaid December 31, current year .....		2,740,000	3,458,977		6,198,977
28. Add expenses unpaid December 31, prior year .....		2,713,000	5,233,994		7,946,994
29. Amounts receivable relating to uninsured plans, prior year .....					
30. Amounts receivable relating to uninsured plans, current year .....					
31. TOTAL Expenses Paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	28,347,403	34,293,723	75,007,366	152,892	137,801,384
<b>DETAILS OF WRITE-INS</b>					
2501. Sundry Expenses .....	273	265	(264,483)		(263,945)
2502. Reinsurance Admin Coded .....	(360,448)	(350,806)	(1,222,489)		(1,933,743)
2503. ....					
2598. Summary of remaining write-ins for Line 25 from overlow page .....					
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	(360,175)	(350,541)	(1,486,972)		(2,197,688)

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,095,017	1,137,544
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 14,750,586	14,829,584
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 11,496,899	11,740,488
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. TOTAL gross investment income	27,342,501	27,707,616
11. Investment expenses		(g) 152,892
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. TOTAL Deductions (Lines 11 through 15)		152,892
17. Net investment income (Line 10 minus Line 16)		27,554,724

**DETAILS OF WRITE-INS**

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ 656,974 accrual of discount less \$ 1,720,504 amortization of premium and less \$ 265,191 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 1,482,987 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(43,503)		(43,503)		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(63,083)		(63,083)	(1,876,858)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments				(25,296)	
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. TOTAL Capital gains (losses)	(106,586)		(106,586)	(1,902,156)	

**DETAILS OF WRITE-INS**

0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)					

**EXHIBIT OF NONADMITTED ASSETS**

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D) .....			
2.	Stocks (Schedule D):			
2.1	Preferred stocks .....			
2.2	Common stocks .....			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens .....			
3.2	Other than first liens .....			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company .....			
4.2	Properties held for the production of income .....			
4.3	Properties held for sale .....			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6.	Contract loans .....			
7.	Derivatives (Schedule DB) .....			
8.	Other invested assets (Schedule BA) .....			
9.	Receivables for securities .....			
10.	Securities lending reinvested collateral assets (Schedule DL) .....			
11.	Aggregate write-ins for invested assets .....			
12.	Subtotals, cash and invested assets (Lines 1 to 11) .....			
13.	Title plants (for Title insurers only) .....			
14.	Investment income due and accrued .....			
15.	Premiums and considerations:			
15.1	Uncollected premiums and agents' balances in the course of collection .....			
15.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
15.3	Accrued retrospective premiums and contracts subject to redetermination .....			
16.	Reinsurance:			
16.1	Amounts recoverable from reinsurers .....			
16.2	Funds held by or deposited with reinsured companies .....			
16.3	Other amounts receivable under reinsurance contracts .....			
17.	Amounts receivable relating to uninsured plans .....	4,652,382	3,688,516	(963,866)
18.1	Current federal and foreign income tax recoverable and interest thereon .....			
18.2	Net deferred tax asset .....			
19.	Guaranty funds receivable or on deposit .....			
20.	Electronic data processing equipment and software .....			
21.	Furniture and equipment, including health care delivery assets .....			
22.	Net adjustment in assets and liabilities due to foreign exchange rates .....			
23.	Receivables from parent, subsidiaries and affiliates .....			
24.	Health care and other amounts receivable .....	18,180,600	34,238,128	16,057,528
25.	Aggregate write-ins for other-than-invested assets .....	792,438	642,706	(149,732)
26.	TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	23,625,420	38,569,350	14,943,930
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
28.	TOTAL (Lines 26 and 27) .....	23,625,420	38,569,350	14,943,930
<b>DETAILS OF WRITE-INS</b>				
1101.	.....			
1102.	.....			
1103.	.....			
1198.	Summary of remaining write-ins for Line 11 from overflow page .....			
1199.	TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....			
2501.	Prepaid Expenses .....	792,438	642,706	(149,732)
2502.	.....			
2503.	.....			
2598.	Summary of remaining write-ins for Line 25 from overflow page .....			
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	792,438	642,706	(149,732)

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Sources of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....						
2. Provider Service Organizations .....						
3. Preferred Provider Organizations .....						
4. Point of Service .....						
5. Indemnity Only .....	32,375	39,671	45,139	49,802	54,241	550,337
6. Aggregate write-ins for other lines of business .....	273,355	295,469	297,518	296,969	299,590	3,569,341
7. TOTAL .....	305,730	335,140	342,657	346,831	353,821	4,119,678
<b>DETAILS OF WRITE-INS</b>						
0601. Medicare Part D Drug .....	255,181	273,772	275,673	278,055	277,284	3,305,949
0602. Stoploss .....	1,745	1,728	1,784	1,722	1,729	20,784
0603. Medicare Advantage .....	18,419	19,977	20,161	20,432	20,587	242,608
0699. Summary of remaining write-ins for Line 6 from overflow page .....						
0699. TOTALS (Lines 0601 through 0603 plus 0699) (Line 6 above) .....	273,355	295,469	297,518	296,969	299,590	3,569,341

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies and Going Concern

#### A. Accounting Practice

The financial statements of HCSC Insurance Services Company (the Company) are presented in conformity with accounting practices and procedures of the National Association of Insurance Commissioners (NAIC) as prescribed or permitted by the Illinois Department of Insurance.

The Illinois Department of Insurance recognizes only statutory practices prescribed or permitted by the State of Illinois for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under Illinois Insurance Law. The NAIC's Accounting Practices and Procedures Manual, (SAP), has been adopted as a component of prescribed or permitted practices by the State of Illinois.

For both 2024 and 2023, the Company did not have any prescribed or permitted practice exceptions.

	SSAP#	FS Page#	FS Line#	2024	2023
<b>NET INCOME</b>					
(1) The Company state basis (Pg. 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ (77,016,092)	\$ (3,429,909)
(2) State Prescribed Practices that are an increase (decrease) NAIC SAP				—	—
(3) State Permitted Practices that are an increase (decrease) NAIC SAP				—	—
(4) NAIC SAP (1-3-2004)	XXX	XXX	XXX	\$ (77,016,092)	\$ (3,429,909)
<b>SURPLUS</b>					
(5) The Company state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 100,725,700	\$ 109,917,016
(6) State Prescribed Practices that are an increase (decrease) NAIC SAP				—	—
(7) State Permitted Practices that are an increase (decrease) NAIC SAP				—	—
(8) NAIC SAP (5-6-708)	XXX	XXX	XXX	\$ 100,725,700	\$ 109,917,016

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could affect the amounts reported and disclosed therein such that actual results differ from management's estimates.

#### C. Accounting Policies

##### Investments

Investments are stated at values prescribed or permitted by the NAIC as follows:

- (1) Cash equivalents, including money market mutual funds, are investments with original maturities of three months or less. Cash equivalents are principally stated at amortized cost, which approximates fair value. All money market mutual funds are stated at net asset value (NAV) as a practical expedient for the measurement of fair value. Short-term investments are those investments that, when purchased, have a maturity between three months and one year and are stated at amortized cost, except for short-term bonds with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value.
- (2) Bonds not backed by other loans are stated at amortized cost using the interest rate method, except for those bonds with a NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value. Fair values are calculated based on market prices provided by the custodian. If there are no market prices provided by the custodian, the fair value is calculated by the Company in conjunction with its investment advisors. All NAIC Securities Valuation Office (SVO) identified bond exchange-traded funds (ETFs) held by the Company are reported at fair value.
- (3) Common stocks: Not Applicable
- (4) Preferred stocks: Not Applicable
- (5) Mortgage Loans: Not Applicable
- (6) Loan-backed securities are carried at amortized cost, except for those loan-backed securities with an initial NAIC 3-6 designation, which are carried at the lower of amortized cost or fair value.
- (7) Investments in subsidiaries, controlled and affiliated entities: Not Applicable
- (8) Investments in joint ventures, partnerships and limited liability companies: Not Applicable
- (9) Derivatives: Not Applicable

## Notes to Financial Statements

### Other Investment Accounting Policies

The net unrealized capital gains (losses) on investments carried at fair value are reported in surplus and are not recognized in income, unless there is deemed to be an Other Than Temporary Impairment (OTTI), in which case the loss is charged to income.

Realized gains and losses are determined on a specific lot identification basis. Security transactions are accounted for on a trade-date basis, with any unsettled transactions recorded as due to or due from investment broker and included in receivables for securities and payables for securities in the balance sheets.

Impairments are recognized for investments where the decline in fair value is determined to be other than temporary. Investments in bonds not backed by other loans, common stocks, or preferred stocks are written down to fair value as the new cost basis. Investments in bonds backed by other loans are written down to the present value of cash flows expected to be collected, discounted at the loan-backed securities' effective yield immediately preceding the OTTI determination. In all cases, the amount of the write-down is accounted for as a realized loss in the Company's statements of revenues and expenses. In addition, unrealized losses would be considered realized for interest-related declines in fair value should the Company lack the intent and ability to hold these securities.

### Other Accounting Policies

#### (10) Premium Deficiency Reserves (PDR)

The Company assesses the underwriting gains of contracts providing insurance coverage to members, further examining segments of business where current operating results and forecasts indicate probable future losses. The Company establishes a PDR in current operations to the extent that the sum of expected future claims and incurred costs, including claims adjustment expenses and administration costs, exceed the sum of related future premiums and anticipated investment income. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the method in which the Company manages, prices, and markets such contracts. Estimates are continually reviewed, with any necessary adjustments reflected in current operations. Changes in assumptions for such items as medical cost, as well as changes in actual experience, could cause these estimates to change in the near term.

As of December 31, 2024 and 2023, the Company had liabilities of \$10,882,000 and \$23,319,000, respectively, related to PDRs. The PDR established in 2024 related to the Company's Medicare Advantage Part D (MAPD), Dual Eligible Special Needs Plans (DSNP), and Medicare Supplement lines of business in the amount of \$5,850,000, \$82,000 and \$4,950,000, respectively. The PDR established in 2023 related to the MAPD, standalone Medicare Part D and Medicare Supplement line of business in the amount of \$8,756,000, \$10,994,000 and \$3,569,000, respectively. The need for PDR recognition was analyzed for policies the Company was committed to for 2025 and 2024 and driven by the anticipated risk and associated cost of claims as compared to premium rates. The Company did consider anticipated investment income when calculating PDRs beginning in 2024. See Footnote 2, *Accounting Changes and Corrections of Errors* for additional details.

#### (11) Claims Unpaid, Unpaid Claims Adjustment Liability, and Accident and Health Policy Reserves

Claims unpaid and unpaid claims adjustment liabilities on insured policies represent management's best estimate of the ultimate net cost to process and pay all reported and unreported claims incurred through December 31. The Company does not discount unpaid claims and claims adjustment liabilities. Although such amounts are based on estimates, management believes that the reserves are reasonable and adequate.

These estimates are continually reviewed, and, as adjustments to these liabilities become necessary, such adjustments are reflected in current operations. Changes in assumptions for such items as medical cost, as well as changes in actual experience, could cause these estimates to change in the near term.

Reserves for unearned premium income; premium deficiency reserves; risk adjustment payables; medical loss ratio rebates and risk corridor payables are shown as accident and health policy reserves on the balance sheet.

An estimate of future claim payments is not recorded for uninsured plans.

#### (12) Changes in Capitalization Policy

Not Applicable

## Notes to Financial Statements

### (13) Pharmacy Rebate Receivables

The Company contracts mainly with Prime Therapeutics, LLC (Prime), an affiliated Pharmacy Benefit Manager (PBM), for the administration of pharmaceutical drug claims.

Pharmacy rebate receivables are based on the PBM's estimate of the actual amounts due to the Company and an estimated amount calculated by the Company. The Company's estimated amount is based on the claims processed by the PBM in the current quarter multiplied by a contractual rate based on utilization. Pharmacy rebate receivables are included in amounts receivable related to uninsured plans and health care receivables in the balance sheets depending on the type of business.

### Premium Revenue

Insurance premiums are recorded on the accrual basis of accounting and are recognized as income during the period of coverage.

### Uncollected Premiums

Uncollected premiums consist of the members' portion of the Medicare Part D and MAPD premiums due. Due to collectability concerns for aged accounts receivable, an allowance for doubtful accounts is recorded. The balance reported for uncollected premiums in the accompanying balance sheets was net of an allowance for doubtful accounts of \$17,606,134 and \$21,127,411 at December 31, 2024 and 2023, respectively.

### Uninsured plans

The Company charges uninsured plans an administrative fee, which is usually calculated on a per subscriber basis, for processing claims and administering the plan. Administrative fee revenue is shown as a reduction of claims adjustment expenses and general and administrative expenses in the statements of revenues and expenses, while the claims processed, and associated claims reimbursements received from uninsured plans are excluded from the statements of revenues and expenses. The primary type of uninsured plan contracts for which the Company receives an administrative fee for providing services is Administrative Services Contracts (ASC). ASC includes business where the Company pays benefits on behalf of employers using HCSC's check stock.

### Income Taxes

Deferred income taxes are provided for differences between the financial statement and the tax bases of assets and liabilities. Changes in deferred tax assets and liabilities are recorded as an addition or reduction to capital and surplus. Deferred taxes do not include amounts for state taxes. The application of SSAP No. 101—*Income Taxes* (SSAP No. 101) requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized. The admissibility of deferred tax assets is limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse within three years of the balance sheet date; plus (2) the lesser of the remaining gross deferred tax assets expected to be realized within three years of the balance sheet date, or an amount that is no greater than the applicable percentage of capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for the current reporting period's statement filed with the domiciliary state commissioner adjusted to exclude any net deferred tax assets, electronic data processing equipment and operating system software, and any net positive goodwill; plus (3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted.

### Medicare Standalone Part D and Medicare Advantage Prescription Drug

The Company offers standalone Medicare Part D prescription drug and MAPD insurance coverage under contracts with The Centers for Medicare and Medicaid Services (CMS). These contracts consist of an insurance component where the insurance company assumes the risk for individuals in exchange for a fixed premium that is paid in part by CMS and in part by the covered individual. This activity is reported as insurance premiums and claims. After the end of each calendar year, for the standalone Medicare Part D and the Medicare Part D portion of the MAPD contract, the net gain or loss on each Part D contract is calculated and a settlement amount is determined. Based on the agreed-upon formula, a portion of any gains in excess of the target are returned to CMS and are reported as a reduction to premium revenues. Any losses outside the agreed-upon target result in an additional premium payment from CMS to the Company and are reported as an increase to premium revenues.

CMS also pays 80% of all Part D net claim costs in excess of a predetermined threshold per person, per year. Amounts received from CMS are reported as deposits and are not included in the statements of revenues and expenses. Instead, they are reported as uninsured payments pursuant to SSAP No. 47, *Uninsured Plans*, which pertains to accounting for uninsured business. The claim amounts over the threshold are reported as receivables due from CMS, and payments received from CMS are reported as collection of the receivable.

## Notes to Financial Statements

Lastly, for certain low-income members, CMS is responsible for part or all of the members' cost-sharing amounts, such as deductibles. This program is known as Low Income Member Cost Share. CMS pays the Company each month an amount that is expected to cover these cost-sharing amounts. The Company pays these claims on behalf of CMS and then settles with CMS based on actual experience after the end of the contract year. Revenues and claims under this arrangement are reported as deposits and, as such, are excluded from the statements of revenues and expenses.

In addition, CMS implemented the Coverage GAP Discount Program, in which the drug manufacturers provide a 50% discount on brand drugs to Part D members in the coverage gap. CMS pays monthly cash advances to the Company and then on a quarterly basis, after the manufacturers have reimbursed the Company for the actual cost of the 50% discount, nets the actual cost against the next advance. Revenues and claims under this arrangement are reported as deposits and, as such, are excluded from the statements of revenues and expenses.

### D. Going Concern

In connection with preparing financial statements for each annual and interim reporting period, management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. There are no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

## 2. Accounting Changes and Corrections of Errors

During 2024, the Company implemented a change in accounting principle to include anticipated investment income in its calculation of PDR. This approach allows for a more holistic view of the Company's forecasted operating results. The cumulative effect of this change, as of the beginning of the year, has been recognized as an adjustment to the opening balance of unassigned funds (surplus) which resulted in an increase to unassigned funds (surplus) of \$19,783,001 with a corresponding decrease to total liabilities. This adjustment is reported on Line 43, cumulative effect of changes in accounting principles, within the Statement of Revenues and Expenses. The current year impact had the Company not elected to change its accounting principle would have resulted in a decrease to unassigned funds (surplus) of \$30,001,000 with a corresponding increase to total liabilities.

## 3. Business Combinations and Goodwill

### A. Statutory Purchase Method

Not Applicable

### B. Statutory Merger

Not Applicable

### C. Assumption Reinsurance

Not Applicable

### D. Impairment Loss

Not Applicable

### E. Subcomponents and Calculation of Adjusted Surplus and Total Admitted Goodwill

Not Applicable

## 4. Discontinued Operations

Not Applicable

## 5. Investments

### A. Mortgage Loans, including Mezzanine Real Estate Loans

Not Applicable

### B. Debt Restructuring

Not Applicable



## Notes to Financial Statements

### C. Reverse Mortgages

Not Applicable

### D. Loan-Backed Securities

(1) Prepayment assumptions for fixed-rate agency mortgage-backed securities are determined utilizing Mortgage Industry Advisor Committee (MIAC) Mortgage Industry Medians (MIMs). MIMs are derived from a semi-monthly dealer-consensus survey of long-term prepayment projections. Prepayment assumptions for other mortgage-backed, loan-backed and structured securities are obtained from Moody's Analytics. Moody's applies a flat economic credit model and utilizes a vector of multiple monthly speeds as opposed to a single speed for more robust projections. In instances where Moody's projections are not available, data is obtained from Reuters which utilizes the median prepayment speed from contributors' models.

(2) In 2024, the Company did not recognize any OTTI on loan-backed securities that are classified under either intent to sell or under inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.

(3) The Company did not recognize any OTTI on loan-backed securities in 2024.

(4) All securities with an unrealized loss (fair value is less than cost or amortized cost) for which an OTTI has not been recognized in earnings as a realized loss (including securities with a recognized OTTI for non-interest related declines when a non-recognized interest related impairment remains), segregated by the amount of time the securities have been in an unrealized loss position, are as follows:

a. The aggregate amount of unrealized losses:

1 Less than 12 months	\$ 614,201
2 12 months or longer	<u>\$ 13,465,970</u>

b. The aggregate related fair value of securities with unrealized losses:

1 Less than 12 months	\$ 38,786,915
2 12 months or longer	<u>\$ 84,668,800</u>

(5) The Company believes that all unrealized losses on individual securities are the result of normal price fluctuations due to market conditions and are not an indication of OTTI. Market conditions include interest rate fluctuations, credit quality, supply, and demand.

### E. Dollar Repurchase Agreements and/or Securities Lending Transactions

Not Applicable

### F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

### G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

### H. Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

### I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

### J. Real Estate

Not Applicable

### K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable

Notes to Financial Statements

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	1	2	3	4	5	6	7
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Percentage Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Percentage Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
b. Collateral held under security lending agreements	--	--	--	--	--	--	--
c. Subject to repurchase agreements	--	--	--	--	--	--	--
d. Subject to reverse repurchase agreements	--	--	--	--	--	--	--
e. Subject to dollar repurchase agreements	--	--	--	--	--	--	--
f. Subject to dollar reverse repurchase agreements	--	--	--	--	--	--	--
g. Placed under option contracts	--	--	--	--	--	--	--
h. Letting stock or securities restricted as to sale - excluding FHLB capital stock	--	--	--	--	--	--	--
i. FHLB capital stock	--	--	--	--	--	--	--
j. On deposit with states	4,392,772	4,309,408	\$83,364	--	4,392,772	0.38%	0.39%
k. On deposit with other regulatory bodies	--	--	--	--	--	--	--
l. Pledged as collateral to FHLB (including assets backing funding agreements)	--	--	--	--	--	--	--
m. Pledged as collateral not captured in other categories	--	--	--	--	--	--	--
n. Other restricted assets	--	--	--	--	--	--	--
<b>o. Total Restricted Assets (Sum of a through n)</b>	<b>\$4,392,772</b>	<b>\$4,309,408</b>	<b>\$83,364</b>	<b>\$ --</b>	<b>\$ 4,392,772</b>	<b>0.38%</b>	<b>0.39%</b>

(a) Column 6 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 3, Line 28

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

Not Applicable

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate)

Not Applicable

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Not Applicable

M. Working Capital Finance Investments

Not Applicable

N. Offsetting and Netting of Assets and Liabilities

Not Applicable

O. SGI Securities

Not Applicable

P. Short Sales

Not Applicable

Q. Prepayment Penalty and Acceleration Fees

Not Applicable

R. Reporting Entity's Share of Cash Pool by Asset type

Not Applicable

S. Aggregate Collateral Loans by Qualifying Investment Collateral

Not Applicable

## Notes to Financial Statements

## 6. Joint Ventures, Partnerships and LLCs

## A. Investments That Exceed 10% of the Admitted Assets

Not Applicable

## B. Impaired Investments

Not Applicable

## 7. Investment Income

## A. Bases, By Category of Investment Income, For Excluding (Nonadmitting) Any Investment Income Due and Accrued

Not Applicable

## B. Total Amount Excluded

Not Applicable

## C. The gross, nonadmitted and admitted amounts for interest income due and accrued

<u>Interest Income Due and Accrued</u>	<u>Amount at</u> <u>December 31, 2024</u>
1. Gross	\$ 2,908,405
2. Nonadmitted	\$ —
3. Admitted	\$ 2,908,405

## D. The aggregate deferred interest

Not Applicable

## E. The cumulative amounts of paid-in-kind (PIK) interest included in the current principal balance

Not Applicable

## 8. Derivative Instruments

## A. Derivatives Under SSAP No. 86 - Derivatives

Not Applicable

## B. Derivatives Under SSAP No. 108 - Derivative Hedging Variable Annuity Guarantees

Not Applicable

## 9. Income Taxes

## A. SSAP No. 101 Paragraph 22 Disclosure

(1) The components of the net deferred tax asset/(liability) at December 31, 2024 are as follows:

	12/31/2024		
	(1)	(2)	(3)
	Ordinary	Capital	(Col. 1+2) Total
(a) Gross Deferred Tax Assets	\$ 80,505,490	\$ 2,884,790	\$ 83,390,280
(b) Statutory Valuation Allowance Adjustments	80,059,029	2,884,790	82,943,819
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	446,461	—	446,461
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	446,461	—	446,461
(f) Deferred Tax Liabilities	446,461	—	446,461
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ —	\$ —	\$ —

## Notes to Financial Statements

The components of the net deferred tax asset/(liability) at December 31, 2023 are as follows:

	12/31/2023		
	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total
(a) Gross Deferred Tax Assets	\$ 83,869,710	\$ 1,531,332	\$ 86,401,042
(b) Statutory Valuation Allowance Adjustments	83,481,567	2,531,332	86,012,899
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	388,143	—	388,143
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	388,143	—	388,143
(f) Deferred Tax Liabilities	388,143	—	388,143
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ —	\$ —	\$ —

The change in the components of the net deferred tax asset (liability) is as follows:

	Change During 2024		
	(7) Ordinary	(8) Capital	(9) (Col. 7+8) Total
(a) Gross Deferred Tax Assets	\$ (3,364,220)	\$ 353,458	\$ (3,010,762)
(b) Statutory Valuation Allowance Adjustments	(3,422,538)	353,458	(3,069,080)
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	58,318	—	58,318
(d) Deferred Tax Assets Nonadmitted	—	—	—
(e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d)	58,318	—	58,318
(f) Deferred Tax Liabilities	58,318	—	58,318
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$ —	\$ —	\$ —

## (2) Admission Calculation Components SSAP No. 101

	12/31/2024		
	(1) Ordinary	(2) Capital	(3) (Col. 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ —	\$ —	\$ —
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	—	—	—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date	—	—	—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	N/A	N/A	24,108,855
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	446,461	—	446,461
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	\$ 446,461	\$ —	\$ 446,461

Notes to Financial Statements

	12/31/2023		
	(4) Ordinary	(5) Capital	(6) (Col. 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ —	\$ —	\$ —
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	—	—	—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date	—	—	—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	N/A	N/A	25,487,642
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	388,143	—	388,143
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	\$ 388,143	\$ —	\$ 388,143

	Change During 2024		
	(7) Ordinary	(8) Capital	(9) (Col. 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	\$ —	\$ —	\$ —
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)	—	—	—
1. Adjusted Gross Deferred Tax Assets Expected To Be Realized Following the Balance Sheet Date	—	—	—
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	N/A	N/A	(1,378,787)
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount Of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	58,318	—	58,318
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 Total (2(a)+2(b)+2(c))	\$ 58,318	\$ —	\$ 58,318

(3) The following table provides the authorized control level risk-based capital ratio percentage and the amount of adjusted capital and surplus, excluding deferred tax assets, used to determine the recovery period and threshold limitation amounts under SSAP No. 101 paragraphs 11.b.i and 11.b.ii as of December 31:

	2024	2023
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	624 %	553 %
(b) Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation in 2(b)2 Above	\$ 160,725,700	\$ 169,917,616

**Notes to Financial Statements**

(4) Impact of Tax Planning Strategies

12/31/2024		12/31/2023		2024 Change	
(1)	(2)	(3)	(4)	(5)	(6)
Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(Col 2-4) Capital

(a) Determination of Adjusted Gross Deferred Tax Assets and Net Admitted Deferred Tax Assets, By Tax Character As a Percentage.

	(1)	(2)	(3)	(4)	(5)	(6)
1 Adjusted Gross DTAs Amount From Note 9A1(c)	\$ 446,461	\$ —	\$ 388,143	\$ —	\$ 58,318	\$ —
2 Percentage Of Adjusted Gross DTAs By Tax Character Attributable to the Impact of Tax Planning Strategies	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
3 Net Admitted Adjusted Gross DTAs Amount from Note 9A1(e)	\$ 446,461	\$ —	\$ 388,143	\$ —	\$ 58,318	\$ —
4 Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

(b) Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_ No

B. SSAP No 101 Paragraph 23 Disclosure

At December 31, 2024 and 2023, the Company had no unrecognized deferred tax liabilities.

C. SSAP No. 101 Paragraph 24 Disclosure

Current income taxes incurred consist of the following major components:

(1) Current Income Tax

	(1)	(2)	(3)
	12/31/2024	12/31/2023	Col (1-2) Change
a. Federal	\$ (15,566,829)	\$ 241,595	\$ (15,808,424)
b. Foreign	—	—	—
c. Subtotal	(15,566,829)	241,595	(15,808,424)
d. Federal income tax on net capital gains	(65,298)	—	(65,298)
e. Utilization of capital loss carry-forwards	—	—	—
f. Other	—	—	—
g. Federal and foreign income taxes incurred	\$ (15,632,127)	\$ 241,595	\$ (15,873,722)

## Notes to Financial Statements

The tax effects of the change in temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	(1)	(2)	(3)
	12/31/2024	12/31/2023	Col. (1 - 2) Change
<b>2. Deferred Tax Assets:</b>			
(a) Ordinary:			
(1) Discounting of unpaid losses	\$ 5,592,482	\$ 8,268,947	\$ (2,676,465)
(2) Unearned premium reserve	760,151	452,286	307,865
(3) Policyholder reserves	2,285,220	4,896,990	(2,611,770)
(4) Investments	—	—	—
(5) Deferred acquisition costs	—	—	—
(6) Capital and surplus dividends accrual	—	—	—
(7) Fixed assets	—	—	—
(8) Compensation and benefits accrual	—	—	—
(9) Pension accrual	—	—	—
(10) Receivables - nonadmitted	1,143,412	909,557	233,855
(11) Net operating loss carry-forward	59,259,285	60,070,995	(811,710)
(12) Tax credit carry-forward	—	—	—
(13) Other (including items <5% of total ordinary tax assets)	—	—	—
(14) Contingent Liabilities	103,047	116,367	(13,320)
(15) Allowance for doubtful accounts	11,361,893	9,154,568	2,207,325
(16) Benefit Plan AML (OCI)	—	—	—
(17) Intangible assets	—	—	—
(99) Subtotal	80,505,490	83,869,710	(3,364,220)
(b) Statutory valuation allowance adjustment	\$ 80,059,029	\$ 83,481,567	\$ (3,422,538)
(c) Nonadmitted	\$ —	\$ —	\$ —
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 446,461	\$ 388,143	\$ 58,318
(e) Capital:			
(1) Investments	\$ —	\$ —	\$ —
(2) Net capital loss carry-forward	—	45,994	(45,994)
(3) Real estate	—	—	—
(4) Unrealized gains/losses	2,884,790	2,485,338	399,452
(5) Other (including items <5% of total capital tax assets)	—	—	—
(99) Subtotal	\$ 2,884,790	\$ 2,531,332	\$ 353,458
(f) Statutory valuation allowance adjustment	2,884,790	2,531,332	353,458
(g) Nonadmitted	—	—	—
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ —	\$ —	\$ —
(i) Admitted deferred tax assets (2d + 2h)	\$ 446,461	\$ 388,143	\$ 58,318
<b>3. Deferred Tax Liabilities:</b>			
(a) Ordinary:			
(1) Investments	\$ 254,744	\$ 202,565	\$ 52,179
(2) Fixed assets	—	—	—
(3) Deferred and uncollected premium	—	—	—
(4) Capital and surplus reserves	—	—	—
(5) Other (including items <5% of total ordinary tax liabilities)	—	—	—
(6) Prepaid Expenses	166,412	134,968	31,444
(7) TCJA transitional discounting of Sec 846	\$ 25,305	\$ 50,610	\$ (25,305)
(99) Subtotal	\$ 446,461	\$ 388,143	\$ 58,318
(b) Capital:			
(1) Investments	—	—	—
(2) Real estate	—	—	—
(3) Other (including items <5% of total capital tax liabilities)	\$ —	\$ —	\$ —
(99) Subtotal	\$ —	\$ —	\$ —
(c) Deferred tax liabilities (3a99 + 3b99)	446,461	388,143	58,318
<b>4. Net deferred tax assets/liabilities (2i - 3c)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

The change in net deferred income taxes is comprised of the following:

	2024	2023	Change
Total of adjusted gross deferred tax assets, including valuation allowance	\$ 446,461	\$ 388,143	\$ 58,318
Total of all deferred tax liabilities	446,461	388,143	58,318
Net deferred tax asset	\$ —	\$ —	\$ —
Less: Change in unrealized capital gains losses & benefit plan AML			—
Change in benefit plans			—
Change in deferred tax asset recorded in surplus			\$ —

## Notes to Financial Statements

## D. SSAP No. 101 Paragraph 25 Disclosure

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for 2024 are as follows:

Description	Amount	Effective Tax Rate
Provision computed at statutory rate	\$ (19,456,252)	21.0 %
Change in Nonadmitted Assets	3,138,226	(3.4)
Change in Valuation Allowance	(3,468,532)	3.8
Adjustment to Prior Year Tax Requirement	4,154,431	(4.5)
Total	\$ (15,632,127)	16.9 %
Federal Income Taxes Incurred	\$ (15,632,127)	16.9 %
Change in net deferred income taxes	—	0.0
Total statutory income taxes	\$ (15,632,127)	16.9 %

## E. SSAP No. 101 Paragraph 26 Disclosure

(1) As of December 31, 2024, the Company had tax benefits from operating loss carryforwards of \$603,497 from the 2014 tax year, \$480,219 from the 2015 tax year, \$88,409 from the 2016 tax year, \$734,510 from the 2017 tax year, \$13,094,677 from the 2018 tax year, \$28,990,461 from the 2019 tax year, \$13,860,424 from the 2022 tax year, and \$1,407,088 from the 2024 tax year which are expected to expire in 2034, 2035, 2036, 2037, 2038, 2039, 2042, and 2044 respectively.

(2) There were no federal income taxes incurred in the current year and the preceding two years, which are available for recoupment in the event of future net losses.

(3) The Company has not made any protective tax deposits under IRC §6603 of which it reasonably expects to recover in a subsequent period.

## F. SSAP No. 101 Paragraph 28 Disclosure

The Company is included in the consolidated federal income tax return with its parent, Health Care Service Corporation, a Mutual Legal Reserve Company (HCSC). The following entities are included in the consolidated federal income tax return:

Health Care Service Corporation, a Mutual Legal Reserve Company	HCSC Medicare Holdings, Inc
SOS Insurance Company (NM PPO)	HCSC Medicare, Inc
CMH Technology Subsidiary, LLC	HCSC Purchasing, LLC
Dearborn Life Insurance Company (DLIC)	HCSC Ventures, Inc. (HCSCV)
Dearborn National Life Insurance Company of New York	Illinois Blue Cross Blue Shield Insurance Company (IL PPO)
Dental Network of America, LLC (DNoA)	Innovista, LLC (Innovista)
Dental Solutions, Inc.	Innovista Health Partners, LLC
DentMax, LLC	Innovista Medical Center Texas, LLC d/b/a Innovista Medical Center
GHS General Insurance Agency, Inc.	Medecision, Inc. (Medecision)
GHS Health Maintenance Organization, Inc. (GHS HMO or BlueLinco)	South Water Insurance Company
GHS Insurance Company (GHSIC)	Texas Blue Cross Blue Shield Insurance Company (TX PPO)
GSI Health, LLC	Luminare Health Benefits, Inc.
HCSC Insurance Services Company (HISC)	USB HTC Fund 2017-2, LLC
HCSC Investments, LLC	USB RETC Fund 2017-2, LLC
HCSC ITC, LLC	

The method of allocation among the companies is subject to a written agreement, approved by the Company's Board of Directors, whereby allocation is made primarily on a separate return basis with a current credit for net operating losses or other items utilized in the consolidated return. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes. Further pursuant to the agreement, if the consolidated group incurs corporate alternative minimum tax (CAMT), the Company may be allocated a portion of that consolidated liability. If allocated a portion of the consolidated CAMT liability, the Company would be allocated a corresponding amount of CAMT credit carryforward.



## Notes to Financial Statements

### G. SSAP No. 101 Paragraph 27 Disclosure

The Company has no material positions for which management believes it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date. As of December 31, 2024 management considers the Company's open tax years to include returns filed for 2019 through 2023, and the return that will be filed for 2024.

### H. Repatriation Transition Tax (RTT)

Not Applicable

### I. Alternative Minimum Tax (AMT) Credit

The Inflation Reduction Act was enacted on August 16, 2022 and includes a 15% corporate alternative minimum tax (CAMT) for applicable corporations which is effective for tax years beginning after 2022. The Company is a member of a tax-controlled group of corporations with its parent, Health Care Service Corporation, a Mutual Legal Reserve Company, and has determined it is an applicable reporting entity. The Company has made an accounting policy election to disregard CAMT when evaluating the need for a valuation allowance for its non-CAMT deferred tax assets.

The Company has no CAMT credits as of December 31, 2024.

## 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

### A. Nature of Relationship

The Company is directly owned by HCSC, an Illinois domiciled company.

In addition, the Company has a master service agreement with Prime, a third-party PBM, to perform certain claims processing and customer services for the Company's business. Prime is partially owned by HCSC.

### B. Description of the Transactions

The Company has recorded capital contributions from HCSC in the amount of \$35,000,000 and \$65,000,000 in 2024 and 2023, respectively. The Company had a capital contribution receivable for \$65,000,000 as of December 31, 2023, which was collected on February 15, 2024.

Effective January 1, 2023, an assignment agreement between the Company and HCSC was approved by New Mexico Health Care Authority (HCA) in which the Company assigned its New Mexico Medicaid agreement with HCA to HCSC on a prospective basis, therefore it will be reported as direct business in HCSC's financial statements. As a result of this assignment, the reinsurance agreement between the Company and HCSC was terminated effective December 31, 2022 for policies effective January 1, 2023. At December 31, 2024 and 2023, HISC had \$1,661,163 and \$38,947,943, respectively, of ceded reinsurance premiums payable and \$0 and \$6,139,148, respectively, of paid claims recoverable.

Effective January 1, 2023, the Company entered into a reinsurance agreement with HCSC, in which the Company shall assume 100% of HCSC's total incurred medical claim liability that exceeded \$1,000,000 for a New Mexico Medicaid member during the reinsurance year. HCSC shall pay the Company a reinsurance premium of \$3.00 per member per month. The agreement reprices annually. At December 31, 2024 and 2023, HISC had \$770,883 and \$680,091, respectively, of assumed reinsurance premium receivable, and \$3,844,574 and \$553,727, respectively, of assumed reinsurance claims payable.

### C. Transactions with related parties who are not reported on Schedule Y

Not Applicable

### D. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

The Company reported net amounts due to HCSC of \$838,883,449 and \$491,954,254 at December 31, 2024 and 2023, respectively. The amount due to HCSC is related to administrative fees due to HCSC, claims paid on the Company's behalf and NM Medicaid premium collected on behalf of HCSC.

The Company reported amounts due to GHSIC of \$4,845,859 and due from GHSIC of \$1,161,544 at December 31, 2024 and 2023, respectively, for amounts paid on behalf of the Company and for amounts collected on behalf of the Company, primarily related to coverage gap discounts from manufacturers.

The Company reported amounts due to GHS HMO of \$22,621 and due from GHS HMO of \$777,714 at December 31, 2024 and 2023, respectively, for amounts paid on behalf of the Company and for amounts collected on behalf of the Company, primarily related to coverage gap discounts from manufacturers.

## Notes to Financial Statements

At December 31, 2024 and 2023 the Company reported amounts due from IL PPO primarily for claims paid on its behalf of \$5,995 and \$25,759, respectively.

The Company reported amounts due to Prime of \$4,821,676 and \$2,960,009 at December 31, 2024 and 2023, respectively.

In March 2024 and subsequently approved in April 2024, the Company and its parent, HCSC filed forms with CMS requesting to novate the Company's standalone Medicare Part D contract to HCSC effective January 1, 2025. In addition, in March 2024 and subsequently approved in May 2024, the Company and its parent, HCSC filed form D with the Illinois Department of Insurance requesting approval of an assumption reinsurance agreement between the Company and HCSC effective January 1, 2025. The Company has issued various standalone Medicare Part D policies pursuant to its standalone Medicare Part D contract with CMS, which under the assumption reinsurance agreement, the Company as the "ceding company" would transfer all rights and liabilities of the Company's standalone Medicare Part D policies and contracts issued under the CMS contract. Accordingly, associated admitted assets of \$312,052,559 and liabilities of \$63,272,146 totaling net admitted assets of \$248,780,413 were transferred to HCSC on January 1, 2025. There was no statutory gain or loss on the transfer.

### E. Material Management or Service Contracts and Cost-Sharing Arrangements

The Company and HCSC are parties to an administrative services agreement under which HCSC provides certain managerial, technical, and marketing services. During 2024 and 2023, the total amounts billed by HCSC, based upon actual costs incurred were \$60,412,294 and \$56,561,751, respectively.

The Company has a master services agreement with Prime to perform certain claims processing and customer services for the Company. During 2024 and 2023, the total amounts billed by Prime for incurred expenses were \$16,736,098 and \$16,401,894, respectively.

### F. Guarantees/Undertakings

HCSC has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company to its customers in order for the Company to be licensed by the Blue Cross and Blue Shield Association. If the Company ceases operations, HCSC is required to provide coverage to the Company's subscribers without consideration of health status.

### G. Control Relationships

Refer to Schedule Y.

### H. Amount deducted from the Value of an Upstream Intermediate Entity or Ultimate Parent Owned

Not Applicable

### I. Investments in Subsidiary, Controlled and Affiliated (SCA) entities that Exceed 10% of Admitted Assets

Not Applicable

### J. Impairment of SCA entities

Not Applicable

### K. Investments in foreign insurance subsidiaries

Not Applicable

### L. Investment in a downstream noninsurance holding company

Not Applicable

### M. All SCA investments

Not Applicable

### N. Investments in Insurance SCAs Audited Statutory Equity Reflects a Departure from NAIC Guidance

Not Applicable

### O. SCA and SSAP No. 48 Entity Loss Tracking

Not Applicable

## Notes to Financial Statements

### 11. Debt

#### A. Debt and Holding Company Obligations, including Capital Notes

Not Applicable

#### B. Federal Home Loan Bank (FHLB) Agreements

Not Applicable

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

Not Applicable. The Company does not have employees.

### 13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

#### A. The number of shares of each class of capital stock authorized, issued and outstanding as of the balance sheet date and the par value or stated value of each class.

The Company has 500 shares, at \$5,000 par value, of common stock authorized, issued and outstanding. All shares are held by the Company's parent, HCSC.

#### B. The dividend rate, liquidation value and redemption schedule (including prices and dates) of any preferred stock issues.

Not Applicable

#### C. Dividend restrictions, if any, and an indication if the dividends are cumulative.

The maximum dividends which can be paid by an insurance company domiciled in the State of Illinois to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus and net gain from operations. Statutory surplus at December 31, 2024 was \$160,725,700 and the net loss at December 31, 2024 was \$77,016,692. The Company would not be permitted to pay dividends in 2025 because it is reporting negative unassigned funds.

#### D. The dates and amounts of dividends paid. Note for each payment whether the dividend was ordinary or extraordinary.

Not Applicable

#### E. The portion of the reporting entity's profits that may be paid as ordinary dividends to stockholders.

Not Applicable

#### F. A description of any restrictions placed on unassigned funds (surplus), including for whom the surplus is being held.

Not Applicable

#### G. For mutual reciprocals, and similarly organized entities, the total amount of advances to surplus not repaid, if any.

Not Applicable

#### H. The total amount of stock held by the reporting entity, including stock of affiliated entities, for special purposes.

Not Applicable

#### I. Changes in balances of any special surplus funds from the prior period.

Not Applicable

#### J. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses.

Net unrealized loss of \$13,737,097 and \$11,834,942 as of December 31, 2024 and 2023, respectively.

#### K. Surplus Notes

Not Applicable

## Notes to Financial Statements

### L. Quasi-Reorganizations

Not Applicable

### M. Effective date of Quasi-reorganization

Not Applicable

## 14. Liabilities, Contingencies and Assessments

### A. Contingent Commitments

Not Applicable

### B. Assessments

(1) In 2024 and 2023, the Company incurred \$0 and \$520,990 respectively, for health insurance risk pool assessments and health exchange assessments related to New Mexico Medicaid. Effective January 1, 2023, the Company assigned its New Mexico Medicaid agreement with HCA to HCSC on a prospective basis. The Company paid this estimated assessment in the year incurred. Accordingly, there were no assessments accrued and unpaid at December 31, 2024 or December 31, 2023.

(2)

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$	—
b. Decreases current year:		
Credits Utilized	\$	—
c. Increases current year:		
Accruals	\$	—
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$	—

(3) The Company did not have any guarantee fund assessments due to insolvency for 2024 or 2023.

### C. Gain Contingencies

Not Applicable

### D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

No claims related to extra contractual obligations and bad faith losses stemming from lawsuits were material, individually or in the aggregate.

### E. Joint and Several Liabilities

Not Applicable

### F. All Other Contingencies

The Company is frequently made party to a variety of legal proceedings, investigations, audits and claims, including the specific matters described below. These legal proceedings include claims of or relating to bad faith claims processing, noncompliance with state and federal regulatory regimes, failure to timely or appropriately pay or administer claims and benefits, rescission of insurance coverage, anticompetitive practices, general contractual matters, intellectual property litigation, and employment litigation. Some of these legal proceedings are or are purported to be class actions or derivative claims. The Company is defending itself against the claims brought in these matters.

Where available information indicates that it is probable that a loss has been incurred, and said loss can be reasonably estimated, the Company accrues for the estimated loss by a charge to operations. However, it is not always possible to determine whether a loss is probable and estimable. Furthermore, due to the uncertainties regarding these matters, there is no guarantee that the final resolutions will not exceed the accrued amounts. As of December 31, 2024, the Company has appropriately considered the impact of these matters within its financial statements.

#### United States ex rel. Kuriyan Litigation

United States ex rel. Kuriyan v. HCSC, et al., Case No. 1:16-cv-01148-JB-KK. On October 18, 2016, relator Jacob Kuriyan filed a complaint in the United States District Court for New Mexico on behalf of the United States and the State of New Mexico against HCSC, Molina Healthcare of New Mexico, Inc., Presbyterian

## Notes to Financial Statements

Health Plan, Inc. and United Healthcare of New Mexico, Inc. The relator alleges that each of the defendants served as a Managed Care Organization (MCO) for New Mexico's Medicaid program in 2014. The relator contends that each of the MCOs failed to meet the minimum 85 percent medical expense ratio in 2014 and failed to remit the balance to the state of New Mexico. Relator further alleges that those dollars were ultimately recouped by the state of New Mexico.

The relator alleges that the MCOs, in total, improperly retained overpayments of over \$200 million. The relator asserts claims under the False Claims Act, the New Mexico Medicaid False Claims Act, and the New Mexico Fraud Against Taxpayers Act.

On March 22, 2023, the District Court issued an interlocutory order that, among other things, grants: (i) the United States', the State of New Mexico's and New Mexico Health Care Authority's Motion to Dismiss Relator's Qui Tam Action Under the Public Disclosure Bar, filed July 7, 2022; and (ii) the United States and the State of New Mexico's Motion for Summary Judgment on Relator's Demand for an Alternate Remedy and Memorandum in Support, filed July 7, 2022. The District Court directed the Magistrate Judge to prepare a detailed memorandum opinion, and on August 28, 2023, the Magistrate Judge issued a Report and Recommendation to the District Court, in which the Magistrate recommended that the District Court grant both pending motions. Relator has objected to that report and recommendation and the government responded to those objections on September 25, 2023. Relator also filed a motion for summary judgment on its claims against the MCOs, which has been stayed. On August 30, 2024, the district court granted summary judgment against the relator. On September 10, 2024, relator filed a motion to alter or amend the judgment. That motion was fully briefed and then argued on October 25, 2024. The court took the motion under advisement, and it remains pending.

### M.G. v. Scrase Litigation

M.G. v. Scrase, et al., Case No. 1:22-cv-0325. On April 28, 2022, three minor children by and through their parents and Disability Rights New Mexico, Inc., an organizational plaintiff allegedly authorized by law to represent and/or advocate on behalf of medically fragile Medicaid beneficiaries, filed a complaint in the United States District Court for the District of New Mexico against the Company, Presbyterian Health Plan, Inc., Western Sky Communicate Care, Inc., The State of New Mexico Health Care Authority, and David Scrase (the Secretary for the Health Care Authority). The action alleges that each of the non-governmental defendants served as an MCO for New Mexico's Medicaid program and failed to provide a putative class of Medicaid-eligible minor children with the number of in-home private duty nursing hours of care called for in their Individualized Service Plan conducted by the University of New Mexico Center for Development and Disability. Based on these allegations, plaintiffs assert a third-party beneficiary claim against the Company for breach of its Medicaid Managed Care Services Agreement with the State of New Mexico.

The action also alleges that the government defendants breached the Medicaid Managed Care Services Agreement, violated the Americans with Disabilities Act, violated Section 504 of the Rehabilitation Act (29 U.S.C. § 794), violated Section 1557 of the Patient Protection and Affordable Care Act (42 U.S.C. § 18116), and violated 42 U.S.C. § 1396 by not making sure that the non-governmental defendants provided the required number of in-home private duty nursing hours of care to the putative class members.

Based on these allegations, plaintiffs seek an award requiring the Company to furnish and fulfill authorized private-duty nursing hours, as well as nominal and punitive damages, attorney's fees, and expenses.

On July 15, 2022, the MCO Defendants, including the Company, filed a motion to dismiss the complaint in its entirety. That motion was fully briefed as of October 4, 2022, and the Court granted the motion on October 27, 2022, dismissing the MCO Defendants, including the Company, with prejudice. Plaintiffs moved for permission to take an immediate appeal of the Order dismissing the MCO Defendants, but the Court denied the motion.

The case is proceeding as to the remaining defendants. On May 26, 2023, the Court granted a preliminary injunction against the State Defendants requiring certain actions to be taken to provide private duty nursing services to the two surviving named plaintiffs, one of whom subsequently was dismissed from the case due to no longer being a New Mexico Medicaid enrollee. On June 30, 2023, the Plaintiffs moved for class certification, which the Court granted on December 12, 2023. On October 18, 2024, Plaintiffs filed a motion to expand the preliminary injunction to all Early and Periodic Screening, Diagnostic and Treatment-eligible Medicaid enrollees. Briefing on the motion remains ongoing.

### Government Investigations, Audits and Reviews

The Company has been involved or is currently involved in various routine, regular, and special investigations, audits, and reviews by CMS, state insurance departments, state attorneys general, the Office of Civil Rights, U.S. Congressional committees, the U.S. Department of Labor, and other governmental authorities. Certain of the Company's business practices have been reviewed or are currently under review, including the payment of pharmacy rebates, certain claims processing practices, and compliance with various state unclaimed property laws, among other matters.

## Notes to Financial Statements

The outcome of any current or future litigation or governmental investigations, audits, and reviews, including the matters described above, cannot be accurately predicted, nor can the Company predict any resulting judgments, penalties, fines, or other sanctions that may be imposed at the discretion of federal or state regulatory authorities or because of actions by third parties. The Company believes that any liability that may result from any of these actions is unlikely to have a material adverse effect on the Company's financial position or results of operations.

### 15. Leases

#### A. Lessee Leasing Arrangements

Not Applicable

#### B. Lessor Leasing Arrangements

Not Applicable

### 16. Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not Applicable

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

#### A. Transfer of Receivables Reported as Sales

Not Applicable

#### B. Transfer and Servicing of Financial Assets

Not Applicable

#### C. Wash Sales

Not Applicable

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

#### A. Administrative Services Only Plans (ASO)

The claim payments related to standalone Medicare Part D and MAPD's ASO uninsured plans and the uninsured portion of partially insured plans is as follows during 2024:

	Description	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ —	\$ —	\$ —
b.	Total net other income or expenses (including interest paid to or received from plans)	—	—	—
c.	Net gain or loss from operations (a+b)	—	—	—
d.	Total claim payment volume	\$ —	\$567,998,515	\$567,998,515

CMS paid the Company an estimated monthly deposit under the Company's standalone Medicare Part D Drug contract and for its MAPD contracts for low income cost sharing (LICS) and Reinsurance claims. These LICS and Reinsurance claims are the financial responsibility of CMS. For 2024 and 2023 the monthly estimated payments received by the Company from CMS were lower than the actual claim payments made on behalf of CMS. This resulted in a receivable of \$91,834,483 and \$52,884,607 at December 31, 2024 and 2023, respectively, which is included in assets as amounts receivable relating to uninsured plans.

## Notes to Financial Statements

## B. ASC Plans

The gain (loss) from operations from ASC uninsured plans and the uninsured portion of partially insured plans was as follows during 2024:

	Description	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
a.	Gross reimbursement for medical cost incurred	\$ 20,699,514	\$263,093	\$20,962,607
b.	Gross administrative fees accrued	362,281	—	362,281
c.	Other income or expenses (including interest paid to or received from plans)	—	—	—
d.	Gross expenses incurred (claims and administrative)	36,213,186	263,093	36,476,279
e.	Total net gain (loss) from operations	\$ (15,151,391)	\$ —	\$ (15,151,391)

## C. Medicare or Other Similarly Structured Cost-Based Reimbursement Contracts

Not Applicable

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

Not Applicable

## 20. Fair Value Measurements

## A. Fair Value Measurement Techniques and Inputs

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest-level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). There were no changes in valuation techniques from the prior period.

The levels of the fair value hierarchy are as follows, as defined by SSAP No. 100R, Fair Value, are as follows:

Level Input	Definition
Level 1 –	Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
Level 2 –	Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
Level 3 –	Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.
Net Asset Value (NAV) –	NAV per share is the amount of net assets attributable to each share of capital stock (other than senior equity securities, that is, preferred stock) outstanding at the close of the period. It excludes the effects of assuming conversion of outstanding convertible securities, whether or not their conversion would have a diluting effect.

## Notes to Financial Statements

## (1) Fair Value Measurements at Reporting Date

The following table summarizes fair value measurements by level as of December 31, 2024 for financial instruments carried at fair value on a recurring basis:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>a. Assets at fair value</b>					
Bonds	\$ 165,098,862	\$ —	\$ —	\$ —	\$ 165,098,862
Money Market Mutual Funds	—	—	—	230,881,787	230,881,787
Total assets at fair value	\$ 165,098,862	\$ —	\$ —	\$ 230,881,787	\$ 395,980,649
<b>b. Liabilities at fair value</b>					
Total liabilities at fair value	\$ —	\$ —	\$ —	\$ —	\$ —

The following table summarizes fair value measurements by level as of December 31, 2023 for financial instruments carried at fair value on a recurring basis:

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
<b>a. Assets at fair value</b>					
Bonds	\$ 166,975,720	\$ —	\$ —	\$ —	\$ 166,975,720
Money Market Mutual Funds	—	—	—	152,792,465	152,792,465
Total assets at fair value	\$ 166,975,720	\$ —	\$ —	\$ 152,792,465	\$ 319,768,185
<b>b. Liabilities at fair value</b>					
Total liabilities at fair value	\$ —	\$ —	\$ —	\$ —	\$ —

(2)– (5) Not Applicable

## B. Other Fair Value Disclosures

Not Applicable

## C. Fair Value of All Financial Instruments

The following table provides the aggregate fair value for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2024:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 471,597,127	\$ 499,342,935	\$ 165,098,862	\$ 306,498,265	\$ —	\$ —	\$ —
Short Term Investments	—	—	—	—	—	—	—
Money Market Mutual Funds	230,881,787	230,881,787	—	—	—	230,881,787	—
Total	\$ 702,478,914	\$ 730,224,722	\$ 165,098,862	\$ 306,498,265	\$ —	\$ 230,881,787	\$ —

The following table provides the aggregate fair value for all financial instruments, excluding those accounted for under the equity method, by fair value hierarchy level as of December 31, 2023:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 466,395,482	\$ 494,074,120	\$ 166,975,720	\$ 299,419,763	\$ —	\$ —	\$ —
Short Term Investments	49,743,850	49,737,229	—	49,737,229	—	—	—
Money Market Mutual Funds	103,055,233	103,055,233	—	—	—	103,055,233	—
Total	\$ 619,194,565	\$ 646,866,582	\$ 166,975,720	\$ 349,156,992	\$ —	\$ 103,055,233	\$ —



## Notes to Financial Statements

**D. Explanation if Fair Value is not practicable**

Not Applicable

**E. Investments carried at NAV probable of being sold at amount different than NAV per share**

Not Applicable

**21. Other Items**

**A. Unusual or Infrequent Items**

Not Applicable

**B. Troubled Debt Restructuring: Debtors**

Not Applicable

**C. Other Disclosures**

Comment on General Interrogatories Part 2 – Health Interrogatories 11.3 and 11.4 minimum net worth of \$1,500,000 required by State of Illinois: Illinois risk-based capital provisions may require substantially more net worth. Other states may also have minimum net worth requirements that apply to a foreign insurer. The Company meets all minimum net worth requirements.

**D. Business Interruption Insurance Recoveries**

Not Applicable

**E. State and Federal Tax Credits**

Not Applicable

**F. Subprime-Mortgage-Related Risk Exposure**

(1) The Company has defined its sub-prime related risk exposure as any investment which has exposure to underlying residential mortgage loans where the borrowers did not qualify for conventional prime rate loans because of, but not limited to, low credit ratings and/or less than conventional documentation of their income and/or net assets.

The Company, along with its investment advisors, regularly reviews its investments to determine its exposure to sub-prime related investments.

(2) Not Applicable - The Company does not engage in sub-prime mortgage lending.

(3) The Company has no direct exposure to sub-prime investments.

(4) Not Applicable – The Company does not engage in Mortgage Guaranty nor Financial Guaranty insurance coverage or underwriting

**G. Retained Assets**

Not Applicable

**H. Insurance-Linked Securities (ILS) Contracts**

Not Applicable

**I. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy**

Not Applicable

**22. Events Subsequent**

Management of the Company has evaluated all events occurring after December 31, 2024 through February 28, 2025, the date the statutory-basis financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. Based on this evaluation, no significant subsequent events occurred other than disclosed elsewhere in the financial statements.

## Notes to Financial Statements

### 23. Reinsurance

#### A. Ceded Reinsurance Report

##### Section 1 – General Interrogatories

(1) No

(2) No

##### Section 2 – Ceded Reinsurance Report – Part A

(1) No

(2) No

##### Section 3 – Ceded Reinsurance Report – Part B

(1) As of December 31, 2024 the Company did not have any paid loss recoverable, but had unpaid loss recoverable of \$11,044,000 due from HCSC and had reinsurance premiums payable of \$1,661,163 due to HCSC under its reinsurance agreement. In addition, the Company had an unpaid loss recoverable of \$56,000 due from Eyemed Insurance Company and unpaid loss recoverable of \$18,000 due from Lincoln National Life Insurance Company.

(2) No

#### B. Uncollectible Reinsurance

Not Applicable

#### C. Commutation of Ceded Reinsurance

Not Applicable

#### D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable

#### E. Reinsurance Credit

Not Applicable

### 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments for its standalone Medicare Part D, MAPD and Medicaid business. The standalone Medicare Part D and MAPD business is subjected to a "risk share settlement" for the Part D portion of the contract and risk adjustment premium with CMS and are settled subsequent to the end of the plan year. In addition, Medical Loss Ratio rebates for the standalone Medicare Part D, MAPD and Medicaid business are settled subsequent to the end of the plan year.

B. The retrospective premium and accrued risk share settlements are recorded as an adjustment to premium earned once estimable and in the period the determination is made.

C. The amount of net premiums written by the Company at December 31, 2024 and 2023 that are subject to retrospective rating features is \$276,284,032 and \$281,943,192, respectively. This represented 64% and 74% of the total net premiums written in 2024 and 2023, respectively.

## Notes to Financial Statements

## D. Medical Loss Ratio Rebates pursuant to Public Health Service Act

Premium income was increased by \$11,301 related to Medicaid MLR rebates pursuant to the Public Health Service Act that were incurred for the year ended December 31, 2024. There were no MLR rebates pursuant to the Public Health Service Act that were accrued, but not paid, as of December 31, 2024.

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
December 31, 2023					
(1) Medical loss ratio rebates incurred	\$ —	\$ —	\$ —	\$ (57,213,392)	\$ (57,213,392)
(2) Medical loss ratio rebates paid	—	—	—	\$ —	—
(3) Medical loss ratio rebates unpaid	\$ —	\$ —	\$ —	\$ 200,086,608	\$200,086,608
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$200,086,608
December 31, 2024					
(7) Medical loss ratio rebates incurred	\$ —	\$ —	\$ —	(11,301)	\$ (11,301)
(8) Medical loss ratio rebates paid	—	—	—	200,075,307	200,075,307
(9) Medical loss ratio rebates unpaid	\$ —	\$ —	\$ —	\$ —	\$ —
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	—
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	—
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ —

## E. Risk - Sharing Provisions of the ACA

(1) Did the reporting entity write accident and health insurance premium that is subject to the ACA risk-sharing provisions (YES/NO)? NO

(2) Impact of Risk Sharing Provisions of ACA on Admitted Assets, Liabilities and Revenue for the Current Year

Not Applicable.

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

Not Applicable.

## 25. Change in Incurred Claims &amp; Claim Adjustment Expenses

A. Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years did not change materially in calendar year 2024, with no significant impact on surplus. Reserves for incurred claims and claims adjustment expenses attributable to insured events of prior years are periodically updated. These updates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

B. There were no significant changes in methodologies or assumptions used in calculating the liability for unpaid losses and loss adjustment expenses

## 26. Intercompany Pooling Arrangements

Not Applicable

## 27. Structured Settlements

Not Applicable

## Notes to Financial Statements

## 28. Health Care Receivables

## A. Pharmaceutical Rebate Receivables

The total pharmacy rebate receivable at December 31, 2024, 2023 and 2022 was \$118,000,134, \$232,559,875 and \$183,303,648 respectively. Of these amounts, \$19,834,928, \$32,089,652 and \$12,524,349 were nonadmitted for 2024, 2023 and 2022 respectively. The net admitted assets of \$98,165,207 and \$200,470,223 at December 31, 2024 and 2023, respectively, are included in the amounts receivable related to uninsured plans and healthcare receivables in the balance sheets depending on the type of business. The billed or confirmed pharmacy rebates owed to the Company in 2024, 2023 and 2022 was \$268,835,284, \$423,926,957 and \$338,644,643 respectively.

In 2024, 2023 and 2022, the Company collected pharmacy rebates of \$466,610,579, \$366,584,832 and \$339,769,138, respectively. The chart below contains further detail regarding pharmacy rebate receivables and collections, by quarter, for 2022 through 2024.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2024	\$ 95,958,191	\$ —	\$ —	\$ —	\$ —
9/30/2024	102,555,074	98,438,337	92,277,101	—	—
6/30/2024	102,253,577	88,942,193	89,717,855	—	—
3/31/2024	84,975,244	81,454,754	84,459,730	1,287,266	—
12/31/2023	118,456,731	99,967,604	118,780,600	3,547,003	1,491,150
9/30/2023	121,629,706	110,021,317	117,816,113	4,203,644	1,387,141
6/30/2023	130,341,354	129,949,352	115,004,683	1,669,140	1,326,025
3/31/2023	104,984,643	83,988,684	83,455,666	22,129,591	1,911,541
12/31/2022	83,473,578	81,755,010	86,499,873	1,924,354	3,308,690
9/30/2022	102,863,050	92,947,252	88,759,933	2,094,563	119,228
6/30/2022	90,435,045	80,686,976	76,907,523	2,351,832	216,623
3/31/2022	90,129,412	83,255,405	80,119,682	10,999,911	98,076

## B. Risk Sharing Receivables

The Company had no material admitted risk sharing receivables, individually or in the aggregate.

## 29. Participating Policies

Not Applicable

## 30. PDRs

1. Liability carried for PDRs	\$10,882,000
2. Date of the most recent evaluation of this liability	12/31/2024
3. Was anticipated investment income utilized in the calculation? (Yes / No)	Yes

## 31. Anticipated Salvage and Subrogation

The Company considered estimated anticipated salvage and subrogation in its determination of the net liability for unpaid losses and reduced such liability by \$57,000.

The following table illustrates the significance of the amounts:

1. Gross Loss Reserves	\$ 85,525,574
2. Offset for anticipated Salvage & Subrogation	57,000
3. Reserve for Unpaid Losses [Page 3, lines 1-2]	85,468,574
4. Net Losses Unpaid (U&I Exhibit Part 2, col. 1, lines 3 to 5)	\$ 85,468,574

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?  
If yes, complete Schedule Y, Parts 1, 1A, 2 and 3. Yes  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? Illinois
- 1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes  No
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. \_\_\_\_\_
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2022
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2022
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/24/2024
- 3.4 By what department or departments?  
Illinois Department of Insurance
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? Yes  No   
4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? Yes  No   
4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?  
If yes, complete and file the merger history data file with the NAIC. Yes  No
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation. \_\_\_\_\_

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No
- 6.2 If yes, give full information: \_\_\_\_\_
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes  No
- 7.2 If yes, 0.000%  
7.21 State the percentage of foreign control  
7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a depository institution holding company (DIHC) or a DIHC itself, regulated by the Federal Reserve Board? Yes  No
- 8.2 If response to 8.1 is yes, please identify the name of the DIHC. \_\_\_\_\_
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes  No
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency (i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)) and identify the affiliate's primary federal regulator. \_\_\_\_\_

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
		No	No	No	No

- 8.5 Is the reporting entity a depository institution holding company with significant insurance operations as defined by the Board of Governors of Federal Reserve System or a subsidiary of the depository institution holding company? Yes  No
- 8.6 If response to 8.5 is no, is the reporting entity a company or subsidiary of a company that has otherwise been made subject to the Federal Reserve Board's capital rule? Yes  No  N/A
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young, LLP, 155 N. Wacker Dr. Chicago Illinois 60606
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes  No
- 10.2 If the response to 10.1 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes  No
- 10.4 If the response to 10.3 is yes, provide information related to this exemption: \_\_\_\_\_
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A
- 10.6 If the response to 10.5 is no or n/a, please explain: \_\_\_\_\_

## GENERAL INTERROGATORIES (Continued)

Parent's audit committee is deemed the audit committee of reporting entity.

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 Daniel Good, FSA, MAAA - Chief Actuary of Health Care Service Corporation, 300 E. Randolph St. 37th Fl. Chicago, IL 60601
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes  No   
 12.11 Name of real estate holding company  
 12.12 Number of parcels involved  
 12.13 Total book/adjusted carrying value \$ ..... 0  
 12.2 If yes, provide explanation
13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:  
 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes  No  N/A   
 13.3 Have there been any changes made to any of the trust indentures during the year? Yes  No  N/A   
 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes  No   
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 c. Compliance with applicable governmental laws, rules and regulations;  
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 e. Accountability for adherence to the code.  
 14.11 If the response to 14.1 is no, please explain:  
 14.2 Has the code of ethics for senior managers been amended? Yes  No   
 14.21 If the response to 14.2 is yes, provide information related to amendment(s).  
 The Company's Code of Business Ethics and Conduct is reviewed annually, typically during the fourth quarter of each year. Any amendments are approved by the Board of Directors and are Distributed to all employees including senior management.  
 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes  No   
 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes  No   
 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

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

### BOARD OF DIRECTORS

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

### FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes  No
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.11 To directors or other officers \$ ..... 0  
 20.12 To stockholders not officers \$ ..... 0  
 20.13 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):  
 20.21 To directors or other officers \$ ..... 0  
 20.22 To stockholders not officers \$ ..... 0  
 20.23 Trustees, supreme or grand (Fraternal only) \$ ..... 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes  No   
 21.2 If yes, state the amount thereof at December 31 of the current year:  
 21.21 Rented from others \$ ..... 0  
 21.22 Borrowed from others \$ ..... 0  
 21.23 Leased from others \$ ..... 0  
 21.24 Other \$ ..... 0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No   
 22.2 If answer is yes:  
 22.21 Amount paid as losses or risk adjustment \$ ..... 0  
 22.22 Amount paid as expenses \$ ..... 0  
 22.23 Other amounts paid \$ ..... 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No   
 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount \$ ..... 0
- 24.1 Does the insurer utilize third parties to pay agent commissions in which the amounts advanced by the third parties are not settled in full within 90 days? Yes  No   
 24.2 If the response to 24.1 is yes, identify the third-party that pays the agents and whether they are a related party.

## GENERAL INTERROGATORIES (Continued)

1 Name of Third-Party	2 Is the Third-Party Agent a Related Party (Yes/No)
	No

### INVESTMENT

- 25.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 25.03) Yes[X] No[]
- 25.02 If no, give full and complete information, relating thereto
- 25.03 For securities lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 25.04 For the reporting entity's securities lending program, report amount of collateral for conforming programs as outlined in the Risk-Based Capital Instructions. \$ ..... 0
- 25.05 For the reporting entity's securities lending program, report amount of collateral for other programs. \$ ..... 0
- 25.06 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes[] No[] N/A[X]
- 25.07 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes[] No[] N/A[X]
- 25.08 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes[] No[] N/A[X]
- 25.09 For the reporting entity's securities lending program, state the amount of the following as of December 31 of the current year:
- 25.091 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ ..... 0
- 25.092 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. \$ ..... 0
- 25.093 Total payable for securities lending reported on the liability page. \$ ..... 0
- 26.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 25.03). Yes[X] No[]
- 26.2 If yes, state the amount thereof at December 31 of the current year:
- 26.21 Subject to repurchase agreements \$ ..... 0
- 26.22 Subject to reverse repurchase agreements \$ ..... 0
- 26.23 Subject to dollar repurchase agreements \$ ..... 0
- 26.24 Subject to reverse dollar repurchase agreements \$ ..... 0
- 26.25 Placed under option agreements \$ ..... 0
- 26.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock \$ ..... 0
- 26.27 FHLB Capital Stock \$ ..... 0
- 26.28 On deposit with states \$ ..... 4,392,772
- 26.29 On deposit with other regulatory bodies \$ ..... 0
- 26.30 Pledged as collateral - excluding collateral pledged to an FHLB \$ ..... 0
- 26.31 Pledged as collateral to FHLB - including assets backing funding agreements \$ ..... 0
- 26.32 Other \$ ..... 0
- 26.3 For category (26.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 27.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
- 27.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
- If no, attach a description with this statement.
- LINES 27.3 through 27.5: FOR LIFE/FRATERNAL REPORTING ENTITIES ONLY:
- 27.3 Does the reporting entity utilize derivatives to hedge variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity? Yes[] No[X]
- 27.4 If the response to 27.3 is yes, does the reporting entity utilize:
- 27.41 Special Accounting Provision of SSAP No. 108 Yes[] No[X]
- 27.42 Permitted Accounting Practice Yes[] No[X]
- 27.43 Other Accounting Guidance Yes[] No[X]
- 27.5 By responding yes to 27.41 regarding utilizing the special accounting provisions of SSAP No. 108, the reporting entity attests to the following:
- The reporting entity has obtained explicit approval from the domiciliary state.
  - Hedging strategy subject to the special accounting provisions is consistent with the requirements of VM-21.
  - Actuarial certification has been obtained which indicates that the hedging strategy is incorporated within the establishment of VM-21 reserves and provides the impact of the hedging strategy within the Actuarial Guideline Conditional Tail Expectation Amount.
  - Financial Officer Certification has been obtained which indicates that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy within VM-21 and that the Clearly Defined Hedging Strategy is the hedging strategy being used by the company in its actual day-to-day risk mitigation efforts
- 28.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
- 28.2 If yes, state the amount thereof at December 31 of the current year. \$ ..... 0
- 29 Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safeguarding Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[]
- 29.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Northern Trust Company	50 S. LaSalle Street, Chicago, IL 60603
US Bank National Association	880 Nicollet Mall, Minneapolis, MN 55402

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

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

- 29.03 Have there been any changes, including name changes, in the custodian(s) identified in 29.01 during the current year? Yes[] No[X]
- 29.04 If yes, give full and complete information relating thereto:

## GENERAL INTERROGATORIES (Continued)

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

29.05 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. This includes both primary and sub-advisors. For assets that are managed internally by employees of the reporting entity, note as such. ["... that have access to the investment accounts"; "...handle securities"]

1 Name of Firm or Individual	2 Affiliation
Lillian Michelle Sutton	I
J.P. Morgan Investment Management Inc.	U

29.0597 For those firms/individuals listed in the table for Question 29.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's invested assets? Yes[X] No[ ]

29.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 29.05, does the total assets under management aggregate to more than 50% of the reporting entity's invested assets? Yes[X] No[ ]

29.06 For those firms or individuals listed in the table for 29.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
107038	J.P. Morgan Investment Management Inc.	549300W78QH4XMM5K69	SEC	DS

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

30.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
30.2999 Total		

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
31.1 Bonds	499,342,935	471,597,127	(27,745,808)
31.2 Preferred stocks			
31.3 Totals	499,342,935	471,597,127	(27,745,808)

31.4 Describe the sources or methods utilized in determining the fair values:

Fair values are calculated based on market prices provided by the custodian. If there are no market prices provided by the custodian, the fair value is calculated by the Company in conjunction with its investment advisors.

32.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes[X] No[ ]

32.2 If the answer to 32.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes[X] No[ ] N/A[ ]

32.3 If the answer to 32.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

33.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes[X] No[ ]

33.2 If no, list exceptions:

34. By self-designating SGI securities, the reporting entity is certifying the following elements of each self-designated SGI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated SGI securities? Yes[ ] No[X]



**GENERAL INTERROGATORIES (Continued)**

35. By self-designating PLGI securities, the reporting entity is certifying its compliance with the requirements as specified in the Purposes and Procedures Manual of the NAIC Investment Analysis Office (P&P Manual) for private letter rating (PLR) securities and the following elements of each self-designated PLGI security:
- a. The security was either:
    - i. issued prior to January 1, 2018 (which is exempt from PLR filing requirements pursuant to the P&P Manual), or
    - ii. issued from January 1, 2018 to December 31, 2021 and subject to a confidentiality agreement executed prior to January 1, 2022 which confidentiality agreement remains in force, for which an insurance company cannot provide a copy of a private letter rating rationale report to the SVO due to confidentiality or other contractual reasons ("waived submission PLR securities").
  - b. The reporting entity is holding capital commensurate with the NAIC Designation and NAIC Designation Category reported for the security.
  - c. The NAIC Designation and NAIC Designation Category were derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is shown on a current private letter rating, dated during the financial statement year, held by the insurer and available for examination by state insurance regulators.
  - d. Other than for waived submission PLR securities, defined above, on or after January 1, 2024 for any PLR securities issued on or after January 1, 2022, if the reporting entity is not permitted to share this private credit rating or the private rating letter rationale report of the PL security with the SVO, it certifies that it is reporting it as an NAIC 5.B GI and may not assign any other self-designation.

Has the reporting entity self-designated PLGI to securities, all of which meet the above requirement and as specified in the P&P Manual? Yes  No

36. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:
- a. The shares were purchased prior to January 1, 2019.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
  - c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.
  - d. The fund only or predominantly holds bonds in its portfolio.
  - e. The current reported NAIC Designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.
  - f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.

Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria? Yes  No

37. By rolling/renewing short-term or cash equivalent investments with continued reporting on Schedule DA, Part 1 or Schedule E Part 2 (identified through a code (%) in those investment schedules), the reporting entity is certifying to the following:
- a. The investment is a liquid asset that can be terminated by the reporting entity on the current maturity date.
  - b. If the investment is with a nonrelated party or nonaffiliate, then it reflects an arms-length transaction with renewal completed at the discretion of all involved parties.
  - c. If the investment is with a related party or affiliates, then the reporting entity has completed robust re-underwriting of the transaction for which documentation is available for regulator review.
  - d. Short-term and cash equivalent investments that have been renewed/rolled from the prior period that do not meet the criteria in 37.a-37.c are reported as long-term investments.

Has the reporting entity rolled/renewed short-term or cash equivalent investments in accordance with these criteria? Yes  No  N/A

- 38.1 Does the reporting entity directly hold cryptocurrencies? Yes  No   
 38.2 If the response to 38.1 is yes, on what schedule are they reported?

- 39.1 Does the reporting entity directly or indirectly accept cryptocurrencies as payments for premiums on policies? Yes  No   
 39.2 If the response to 39.1 is yes, are the cryptocurrencies held directly or are they immediately converted to U.S. dollars?  
     39.21 Held Directly Yes  No   
     39.22 Immediately converted to U.S. dollars Yes  No   
 39.3 If the response to 38.1 or 39.1 is yes, list all cryptocurrencies accepted for payments of premiums or that are held directly.

1	2	3
Name of Cryptocurrency	Immediately Converted to USD, Directly Held, or Both	Accepted for Payment of Premiums

**OTHER**

- 40.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 0  
 40.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1	2
Name	Amount Paid

- 41.1 Amount of payments for legal expenses, if any? \$ ..... 215,858  
 41.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Amounts represent allocations from HCSC	215,858

- 42.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers, or departments of government, if any? \$ ..... 13,973  
 42.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers, or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
Amounts represent allocations from HCSC	13,973

**GENERAL INTERROGATORIES (Continued)**

**PART 2 - HEALTH INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes  No
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 96,524,182
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ 86,088,780
- 1.6 Individual policies - Most current three years:
  - 1.61 TOTAL Premium earned \$ 96,524,182
  - 1.62 TOTAL incurred claims \$ 86,088,780
  - 1.63 Number of covered lives 54,241
- All years prior to most current three years:
  - 1.64 TOTAL Premium earned \$ 0
  - 1.65 TOTAL incurred claims \$ 0
  - 1.66 Number of covered lives 0
- 1.7 Group policies - Most current three years:
  - 1.71 TOTAL Premium earned \$ 0
  - 1.72 TOTAL incurred claims \$ 0
  - 1.73 Number of covered lives 0
- All years prior to most current three years:
  - 1.74 TOTAL Premium earned \$ 0
  - 1.75 TOTAL incurred claims \$ 0
  - 1.76 Number of covered lives 0

2. Health Test

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	631,398,789	477,751,669
2.2 Premium Denominator	631,398,789	477,751,669
2.3 Premium Ratio (2.1 / 2.2)	100.000	100.000
2.4 Reserve Numerator	114,729,411	294,267,263
2.5 Reserve Denominator	114,729,411	294,267,263
2.6 Reserve Ratio (2.4 / 2.5)	100.000	100.000

- 3.1 Has the reporting entity received any endorsement or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes  No
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes  No
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes  No  N/A
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes  No
- 5.2 If no, explain:  
 HCSC has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company in order for the subsidiary to be licensed by the Blue Cross and Blue Shield Association.
- 5.3 Maximum retained risk (see instructions):
  - 5.31 Comprehensive Medical \$ 0
  - 5.32 Medical Only \$ 0
  - 5.33 Medicare Supplement \$ 0
  - 5.34 Dental & Vision \$ 0
  - 5.35 Other Limited Benefit Plan \$ 0
  - 5.36 Other \$ 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
 The Company's parent, Health Care Service Corporation (HCSC) has guaranteed, to the full extent of its assets, all the contractual and financial obligations of the Company to its customers in order for the subsidiary to be licensed by the Blue Cross and Blue Shield Association. If the Company ceases operations, HCSC is required to provide coverage to the Company's subscribers without consideration of health status.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes  No
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
  - 8.1 Number of providers at start of reporting year 175,714
  - 8.2 Number of providers at end of reporting year 242,123
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes  No
- 9.2 If yes, direct premium earned:
  - 9.21 Business with rate guarantees between 15-36 months 0
  - 9.22 Business with rate guarantees over 36 months 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes  No
- 10.2 If yes:
  - 10.21 Maximum amount payable bonuses \$ 0
  - 10.22 Amount actually paid for year bonuses \$ (1,101,164)
  - 10.23 Maximum amount payable withholds \$ 0
  - 10.24 Amount actually paid for year withholds \$ 0
- 11.1 Is the reporting entity organized as:
  - 11.12 A Medical Group/Staff Model Yes  No
  - 11.13 An Individual Practice Association (IPA), or, Yes  No
  - 11.14 A Mixed Model (combination of above)? Yes  No
- 11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes  No
- 11.3 If yes, show the name of the state requiring such minimum capital and surplus: Illinois
- 11.4 If yes, show the amount required. \$ 1,500,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes  No
- 11.6 If the amount is calculated, show the calculation.
- 12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
See Schedule T

- 13.1 Do you act as a custodian for health savings accounts? Yes  No
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date: \$ 0
- 13.3 Do you act as an administrator for health savings accounts? Yes  No
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date: \$ 0
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes  No  N/A

## GENERAL INTERROGATORIES (Continued)

14.2 If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded)

15.1 Direct Premium Written \$ ..... 0  
 15.2 Total incurred claims \$ ..... 0  
 15.3 Number of covered lives ..... 0

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, *short form app*)
Whole Life (whether full underwriting, limited underwriting, jet issue, *short form app*)
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes  No   
 16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes  No

**FIVE-YEAR HISTORICAL DATA**

	1 2024	2 2023	3 2022	4 2021	5 2020
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. TOTAL Admitted Assets (Page 2, Line 28) .....	1,137,654,684	1,025,944,182	1,077,551,884	994,601,182	904,886,791
2. TOTAL Liabilities (Page 3, Line 24) .....	976,928,984	856,026,586	972,328,854	822,081,486	719,545,444
3. Statutory minimum capital and surplus requirement .....	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
4. TOTAL Capital and Surplus (Page 3, Line 33) .....	160,725,700	169,917,616	105,223,030	172,519,696	185,341,347
<b>(INCOME STATEMENT (Page 4)</b>					
5. TOTAL Revenues (Line 8) .....	631,398,789	477,751,559	720,768,260	533,965,624	627,672,243
6. TOTAL Medical and Hospital Expenses (Line 18) .....	608,249,271	406,847,535	682,828,183	464,507,155	475,437,755
7. Claims adjustment expenses (Line 20) .....	62,668,126	43,342,260	82,200,945	53,976,011	92,922,399
8. TOTAL Administrative Expenses (Line 21) .....	73,232,349	46,295,785	96,775,907	116,896,184	190,244,294
9. Net underwriting gain (loss) (Line 24) .....	(120,096,957)	(24,470,021)	(121,724,775)	(71,425,726)	(71,631,205)
10. Net investment gain (loss) (Line 27) .....	27,513,436	21,281,716	11,262,266	9,247,534	13,381,056
11. TOTAL Other Income (Lines 28 plus 29) .....					(26,239)
12. Net income or (loss) (Line 32) .....	(77,016,692)	(3,429,900)	(102,916,215)	(41,687,704)	(88,311,033)
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11) .....	28,146,077	17,149,642	8,170,086	(15,527,157)	19,413,834
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. TOTAL Adjusted Capital .....	160,725,700	169,917,616	105,223,030	172,519,696	185,341,347
15. Authorized control level risk-based capital .....	25,748,398	30,736,572	31,543,344	31,694,410	29,002,429
<b>ENROLLMENT (Exhibit 1)</b>					
16. TOTAL Members at End of Period (Column 5, Line 7) .....	353,821	305,730	559,186	541,117	542,768
17. TOTAL Members Months (Column 6, Line 7) .....	4,119,678	3,546,621	6,592,543	6,422,932	6,380,902
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. TOTAL Hospital and Medical plus other non-health (Lines 18 plus Line 19) .....	96.3	85.2	94.7	87.0	75.7
20. Cost containment expenses .....	4.5	4.6	6.3	7.9	11.3
21. Other claims adjustment expenses .....	5.4	4.5	5.1	2.2	3.5
22. TOTAL Underwriting Deductions (Line 23) .....	119.0	105.1	116.9	113.4	111.4
23. TOTAL Underwriting Gain (Loss) (Line 24) .....	(19.0)	(5.1)	(16.9)	(13.4)	(11.4)
<b>UNPAID CLAIMS ANALYSIS</b>					
(LHA Exhibit, Part 2B)					
24. TOTAL Claims Incurred for Prior Years (Line 17, Column 5) .....	(179,546,660)	(107,933,125)	(107,381,261)	(99,168,782)	(90,699,799)
25. Estimated liability of unpaid claims-(prior year (Line 17, Column 6)) .....	(150,218,378)	(105,976,550)	(109,514,128)	(96,566,505)	(99,533,822)
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Column 1) .....					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Column 1) .....					
28. Affiliated common stocks (Sch. D Summary, Line 24, Column 1) .....					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....					
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....					
32. TOTAL of Above Lines 26 to 31 .....					
33. TOTAL Investment in Parent included in Lines 26 to 31 above .....					

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

If no, please explain:

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS  
ALLOCATED BY STATES AND TERRITORIES**

		Direct Business Only								
	1	2	3	4	5	6	7	8	9	10
State, Etc.	Active Status (A)	Accident & Health Premiums	Medicare Title XVII	Medicaid Title XIX	CHIP Title XXI	Federal Employee Health Benefits Plan Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 8	Deposit-Type Contracts
1. Alabama (AL)	L									
2. Alaska (AK)	L									
3. Arizona (AZ)	L									
4. Arkansas (AR)	L									
5. California (CA)	L									
6. Colorado (CO)	L									
7. Connecticut (CT)	N									
8. Delaware (DE)	L									
9. District of Columbia (DC)	L									
10. Florida (FL)	L									
11. Georgia (GA)	L									
12. Hawaii (HI)	N									
13. Idaho (ID)	L									
14. Illinois (IL)	L	260,437,645							260,437,645	
16. Indiana (IN)	L									
18. Iowa (IA)	L									
17. Kansas (KS)	L									
18. Kentucky (KY)	L									
19. Louisiana (LA)	L	1,007,651							1,007,651	
20. Maine (ME)	N									
21. Maryland (MD)	L									
22. Massachusetts (MA)	L									
23. Michigan (MI)	L									
24. Minnesota (MN)	L									
25. Mississippi (MS)	L									
26. Missouri (MO)	L									
27. Montana (MT)	L									
29. Nebraska (NE)	L									
29. Nevada (NV)	L									
30. New Hampshire (NH)	N									
31. New Jersey (NJ)	N									
32. New Mexico (NM)	L	5,188,798	52,191,507	(242,368,440)					(184,978,135)	
33. New York (NY)	N									
34. North Carolina (NC)	L									
35. North Dakota (ND)	L									
36. Ohio (OH)	L									
37. Oklahoma (OK)	L	47,849,551							47,849,551	
38. Oregon (OR)	L									
39. Pennsylvania (PA)	L									
40. Rhode Island (RI)	L									
41. South Carolina (SC)	L									
42. South Dakota (SD)	L									
43. Tennessee (TN)	L									
44. Texas (TX)	L	88,138,263	226,896,895						314,634,158	
45. Utah (UT)	L									
46. Vermont (VT)	N									
47. Virginia (VA)	L									
48. Washington (WA)	L									
49. West Virginia (WV)	L									
50. Wisconsin (WI)	L									
51. Wyoming (WY)	L									
52. American Samoa (AS)	N									
53. Guam (GU)	N									
54. Puerto Rico (PR)	N									
55. U.S. Virgin Islands (VI)	N									
58. Northern Mariana Islands (MP)	N									
57. Canada (CAN)	N									
58. Aggregate other alien (OT)	X X X									
59. Subtotal	X X X	402,621,378	276,067,402	(242,368,440)					436,350,340	
60. Reporting entity contributions for Employee Benefit Plans	X X X									
61. TOTAL (Direct Business)	X X X	402,621,378	276,067,402	(242,368,440)					436,350,340	
<b>DETAILS OF WRITE-INS</b>										
68001	X X X									
68002	X X X									
68003	X X X									
68998 Summary of remaining write-ins for Line 68 from overflow page	X X X									
68999 TOTALS (Lines 68001 through 68003 plus 68998) (Line 58 above)	X X X									

(A) Active Status Codes:

- 1. L - Licensed or Chartered - Licensed insurance carrier or licensed RRO
- 2. R - Regulated - Non-licensed RROs
- 3. E - Eligible - Reporting entities eligible or approved to write surplus lines in the state

44

4. Q - Quoted - Quoted or accredited reinsurer

5. N - None of the above - Not allowed to write business in the state

13

(N) Explanation of basis of allocation by state, premium by state, etc:

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER  
MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

COMPANY	NAC CODE	FEDERAL ID NUMBER	DOMICILED STATE	PERCENTAGE OWNED BY PARENT
HEALTH CARE SERVICE CORPORATION, A MUTUAL LEGAL RESERVE COMPANY	70670	36-1330670	IL	
DEARBORN LIFE INSURANCE COMPANY	71129	36-5399632	IL	100.00%
DEARBORN NATIONAL LIFE INSURANCE COMPANY OF NEW YORK	6590	22-3024145	NY	100.00%
DENTAL NETWORK OF AMERICA, LLC		36-3829423	DE	100.00%
DENTEMAX, LLC		33-0612285	DE	100.00%
DENTAL SOLUTIONS, INC.		20-1007299	ME	100.00%
HCSC PURCHASER, LLC		36-4156061	DE	100.00%
HCSC INSURANCE SERVICES COMPANY	79011	73-1330270	IL	100.00%
PRDC THERAPEUTICS LLC		24-074803	DE	59.99%
AVAILITY, LLC		73-3713044	DE	19.51%
COLLECTIVEHEALTH, INC.		46-5993333	DE	14.49%
GEN INSURANCE COMPANY	29716	73-1307329	OK	100.00%
GEN GENERAL INSURANCE AGENCY, INC.		73-1514081	OK	100.00%
GEN HEALTH MAINTENANCE ORGANIZATION, INC. D/B/A BLUEFIELD'S HMO	1181*	73-1591643	OK	100.00%
MEDECISION, INC.		23-3330829	PA	100.00%
GEN TECHNOLOGY SUBSIDIARY, LLC		63-4612148	DE	100.00%
GEN HEALTH, LLC		63-0040511	PA	100.00%
TMA PRACTICEEDGE, LLC		20-3420675	TX	35.00%
HEALTH INTELLIGENCE COMPANY LLC D/B/A BLUE HEALTH INTELLIGENCE		27-0389214	DE	18.64%
GENATYA, LLC		36-0902611	DE	100.00%
ESSENTIAL HEALTH PARTNERS, LLC		63-3082990	IL	66.00%
GENATYA HEALTH, LLC		63-4282041	TX	49.00%
SILVER CROSS HMO, LLC		63-3023773	IL	50.00%
TRUSTEY ALLIANCE INC.		66-0311402	DE	14.74%
HCSC VENTURES, INC.		37-1709170	DE	100.00%
ALACRISIA HOLDINGS, INC.		63-2511587	DE	26.30%
AVACON HEALTH SERVICES, LLC		46-8518962	DE	16.49%
BLUECROSS BLUEFIELD VENTURES, INC.		26-2690737	DE	21.17%
BLUECROSS BLUEFIELD VENTURE PARTNERS, L.P.		26-2694039	DE	1.00%
BLUECROSS BLUEFIELD VENTURE PARTNERS, L.P.		26-2694039	DE	21.34%
BLUECROSS BLUEFIELD VENTURE PARTNERS V, LLC		28-1560437	DE	11.00%
COGNITIVE, INC.		47-1622551	DE	11.29%
HCSC INC, LLC		63-1622051	DE	100.00%
HCSC INC FUND 011 P1, LLC		63-1381644	DE	100.00%
HCSC INC FUND 011 P1, LLC		63-4346261	DE	100.00%
HCSC-AMTAS I, LLC		63-0213300	TX	100.00%
HEALTHLINK CHICAGO II, LLC		63-0970260	DE	66.27%
HCSC INVESTMENTS, LLC		37-4354008	DE	100.00%
ILLINOIS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	6033	61-1762002	IL	100.00%
NEW MEXICO INSURANCE COMPANY D/B/A BLUE CROSS AND BLUE SHIELD OF NEW MEXICO INSURANCE COMPANY	6039	38-3884400	NM	100.00%

8

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER  
MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**

TEXAS BLUE CROSS BLUE SHIELD INSURANCE COMPANY	(SP)	36-4836897	TX	100.00%
SOUTH STATE DISBURANCE COMPANY		84-2710874	UT	100.00%
TRUSTMARK HEALTH SERVICES, INC.		33-2848038	DE	100.00%
HEALTH UTILITY NETWORK, INC. D/B/A AVANTER HEALTH		85-8195472	DE	14.28%
CEVICAREPT, LLC		86-4779022	DE	0.00%
CARDNO FOR CHILDREN FOUNDATION OF TEXAS, INC.		75-3395811	TX	0.00%
THE OKLAHOMA CARDNO FOUNDATION, INC.		73-1478848	OK	0.00%
THE CARDNO FOUNDATION OF MONTANA, INC.		33-5811311	MT	0.00%
PLANTER CREDIT UNION		36-6057472	IL	0.00%
LUTHERAN FEDERAL CREDIT UNION		75-0020171	TX	0.00%

<sup>1</sup>Includes 4.74% passive investment through private equity funds.