

ANNUAL STATEMENT

OF THE

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND

of PROVIDENCE COUNTY

STATE OF RHODE ISLAND

TO THE

Insurance Department

OF THE

STATE OF RHODE ISLAND

FOR THE YEAR ENDED

December 31, 2019

HEALTH

2019



53473201920100100

ANNUAL STATEMENT

For the Year Ended December 31, 2019
OF THE CONDITION AND AFFAIRS OF THE

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND

NAIC Group Code 0000 (Current Period) 0000 (Prior Period) NAIC Company Code 53473 Employer's ID Number 05-0158952

Organized under the Laws of RHODE ISLAND, State of Domicile or Port of Entry RI

Country of Domicile USA

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

Incorporated/Organized February 27, 1939 Commenced Business September 1, 1939

Statutory Home Office 500 EXCHANGE STREET, PROVIDENCE, RI, US 02903
 (Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 500 EXCHANGE STREET (Street and Number)
PROVIDENCE, RI, US 02903 (City or Town, State, Country and Zip Code)
401-459-5886 (Area Code) (Telephone Number)

Mail Address 500 EXCHANGE STREET, PROVIDENCE, RI, US 02903
 (Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 500 EXCHANGE STREET PROVIDENCE, RI, US 02903 401-459-1000
 (Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.bcbsri.com

Statutory Statement Contact MARK C. STEWART 401-459-5886
 (Name) (Area Code) (Telephone Number) (Extension)
MARK.STEWART@BCBSRI.ORG 401-459-1198
 (E-Mail Address) (Fax Number)

OFFICERS

| | Name | Title |
|----|-----------------------------|--|
| 1. | <u>KIM A. KECK</u> | <u>PRESIDENT & CEO</u> |
| 2. | <u>MICHELE B. LEDERBERG</u> | <u>EVP. CHIEF ADMINISTRATIVE OFFICER & CHIEF LEGAL OFFICER</u> |
| 3. | <u>MARK C. STEWART</u> | <u>EXECUTIVE VICE PRESIDENT & CFO</u> |

VICE-PRESIDENTS

| Name | Title | Name | Title |
|-----------------------------------|--|----------------------------|--|
| <u>MONICA A. AUCIELLO</u> | <u>VP - GENERAL COUNSEL</u> | <u>CHRISTOPHER G. BUSH</u> | <u>VP - NETWORK MANAGEMENT</u> |
| <u>MATTHEW COLLINS M.D.</u> | <u>EVP - CHIEF MEDICAL OFFICER</u> | <u>MELISSA B. CUMMINGS</u> | <u>EVP - CHIEF CUSTOMER OFFICER</u> |
| <u>TARA L. DEMOURA</u> | <u>VP - CUSTOMER OPERATIONS</u> | <u>JEREMY S. DUNCAN</u> | <u>VP - MARKETING</u> |
| <u>AMARNATH GURIVIREDDYGARI #</u> | <u>VP - CHIEF DATA & ANALYTICS OFFICER</u> | <u>MICHAEL J. MARRONE</u> | <u>VP - FINANCE</u> |
| <u>COREY R. MCCARTY</u> | <u>VP - CONSUMER SEGMENT</u> | <u>CHRISTINA PITNEY</u> | <u>VP - STRATEGIC PLN & PARTNERSHIPS</u> |
| <u>VISAEL RODRIGUEZ</u> | <u>VP - CHIEF PEOPLE OFFICER</u> | <u>SAMUEL B. SLADE</u> | <u>VP - EMPLOYER SEGMENT</u> |
| <u>KEVIN SPLAINE</u> | <u>EVP - CARE INTEGRATION & MGMT</u> | <u>LINDA WINFREY</u> | <u>VP - INTERNAL AUDIT & ERM</u> |

DIRECTORS OR TRUSTEES

| | | | |
|--------------------------|-----------------------------|----------------------------|--------------------------------|
| <u>ERIC BEANE #</u> | <u>STEPHEN COHAN</u> | <u>CHRISTOPHER CROSBY</u> | <u>NICHOLAS DENICE</u> |
| <u>MICHAEL DICHIRO</u> | <u>PAUL DOUGHTY #</u> | <u>SCOTT DUHAMEL</u> | <u>LOUIS GIANCOLA #</u> |
| <u>KAREN HAMMOND #</u> | <u>DONNA HUNTLEY-NEWBY</u> | <u>MICHAEL A ISRAELITE</u> | <u>ELIZABETH B. LANGE M.D.</u> |
| <u>JOHN C. LANGENUS</u> | <u>WARREN E. LICHT M.D.</u> | <u>CELESTE MARSELLA #</u> | <u>DEBRA PAUL</u> |
| <u>PETER QUATTROMANI</u> | <u>ROBERT A. SANDERS</u> | <u>MERRILL SHERMAN</u> | |

State of RHODE ISLAND

County of PROVIDENCE 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)
KIM A. KECK
 (Printed Name)
 1.

 PRESIDENT & CEO
 (Title)

 (Signature)
MICHELE B. LEDERBERG
 (Printed Name)
 2.

 EVP. CHIEF ADMINISTRATIVE OFFICER & CHIEF LEGAL OFFICER
 (Title)

Subscribed and sworn to (or affirmed) before me this on this _____ day of _____, 2020, by

- a. Is this an original filing? Yes 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) | 385,332,697 | | 385,332,697 | 314,102,016 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks | | | | 45,225 |
| 2.2 Common stocks | 103,037,605 | | 103,037,605 | 108,095,353 |
| 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 \$ 57,806,264 encumbrances) | 39,689,896 | | 39,689,896 | 37,693,095 |
| 4.2 Properties held for the production of income (less \$ 0 encumbrances) | | | | |
| 4.3 Properties held for sale (less \$ 0 encumbrances) | | | | |
| 5. Cash (\$ 30,094,736, Schedule E - Part 1), cash equivalents (\$ 4,825,235, Schedule E - Part 2), and short-term investments (\$ 0, Schedule DA) | 34,919,970 | | 34,919,970 | 14,745,766 |
| 6. Contract loans (including \$ 0 premium notes) | | | | |
| 7. Derivatives (Schedule DB) | | | | |
| 8. Other invested assets (Schedule BA) | 15,109,488 | | 15,109,488 | 16,852,066 |
| 9. Receivables for securities | 11,686 | | 11,686 | 2,896 |
| 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) | 578,101,342 | | 578,101,342 | 491,536,417 |
| 13. Title plants less \$ 0 charged off (for Title insurers only) | | | | |
| 14. Investment income due and accrued | 2,447,147 | | 2,447,147 | 1,893,771 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 34,873,897 | 1,662,951 | 33,210,946 | 30,530,022 |
| 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 (\$ 225,926) and contracts subject to redetermination (\$ 37,591,545) | 37,817,471 | | 37,817,471 | 35,672,098 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | 62,459 | | 62,459 | 815,020 |
| 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 | 31,722,130 | 16,918 | 31,705,212 | 22,670,406 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | | |
| 18.2 Net deferred tax asset | 36,258,104 | 36,258,104 | | |
| 19. Guaranty funds receivable or on deposit | | | | |
| 20. Electronic data processing equipment and software | 26,029,551 | 25,924,162 | 105,389 | 298,359 |
| 21. Furniture and equipment, including health care delivery assets (\$ 0) | 1,177,832 | 1,177,832 | | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 23. Receivables from parent, subsidiaries and affiliates | | | | |
| 24. Health care (\$ 36,567,863) and other amounts receivable | 37,701,440 | 1,133,577 | 36,567,863 | 20,498,523 |
| 25. Aggregate write-ins for other-than-invested assets | 46,554,243 | 15,589,845 | 30,964,398 | 34,327,824 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 832,745,616 | 81,763,389 | 750,982,227 | 638,242,440 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 28. Total (Lines 26 and 27) | 832,745,616 | 81,763,389 | 750,982,227 | 638,242,440 |

| DETAILS OF WRITE-IN LINES | | | | |
|---|------------|------------|------------|------------|
| 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. OTHER RECEIVABLES | 25,307,847 | 875,162 | 24,432,685 | 18,918,157 |
| 2502. PREPAID EXPENSES | 9,697,528 | 9,697,528 | | |
| 2503. FEP UNPAID CLAIMS | 6,342,430 | | 6,342,430 | 8,825,063 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 5,206,438 | 5,017,155 | 189,283 | 6,584,604 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 46,554,243 | 15,589,845 | 30,964,398 | 34,327,824 |

NONE

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|---|--------------|----------------|-------------|-------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$ 0 reinsurance ceded) | 122,513,583 | | 122,513,583 | 120,163,351 |
| 2. Accrued medical incentive pool and bonus amounts | 47,167,000 | | 47,167,000 | 27,714,000 |
| 3. Unpaid claims adjustment expenses | 16,946,264 | | 16,946,264 | 18,365,862 |
| 4. Aggregate health policy reserves, including the liability of \$ 2,118,475 for medical loss ratio rebate per the Public Health Services Act | 53,513,643 | | 53,513,643 | 23,786,238 |
| 5. Aggregate life policy reserves | | | | |
| 6. Property/casualty unearned premium reserves | | | | |
| 7. Aggregate health claim reserves | 3,295,000 | | 3,295,000 | 3,418,000 |
| 8. Premiums received in advance | 17,375,834 | | 17,375,834 | 20,029,112 |
| 9. General expenses due or accrued | 44,993,073 | | 44,993,073 | 44,605,768 |
| 10.1. Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses)) | 436,194 | | 436,194 | 335,172 |
| 10.2. Net deferred tax liability | | | | |
| 11. Ceded reinsurance premiums payable | 149,413 | | 149,413 | 372,895 |
| 12. Amounts withheld or retained for the account of others | 199,630 | | 199,630 | 7,201,386 |
| 13. Remittances and items not allocated | 1,697,505 | | 1,697,505 | 2,596,568 |
| 14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current) | | | | 25,196,659 |
| 15. Amounts due to parent, subsidiaries and affiliates | | | | |
| 16. Derivatives | | | | |
| 17. Payable for securities | | | | 1,633,075 |
| 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 | 33,199,697 | | 33,199,697 | 27,531,217 |
| 23. Aggregate write-ins for other liabilities (including \$ 31,579,734 current) | 37,911,622 | | 37,911,622 | 16,634,513 |
| 24. Total liabilities (Lines 1 to 23) | 379,398,458 | | 379,398,458 | 339,583,816 |
| 25. Aggregate write-ins for special surplus funds | X X X | X X X | 35,300,000 | |
| 26. Common capital stock | X X X | X X X | | |
| 27. Preferred capital stock | X X X | X X X | | |
| 28. Gross paid in and contributed surplus | X X X | X X X | | |
| 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 | 336,283,769 | 298,658,624 |
| 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 | 371,583,769 | 298,658,624 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33) | X X X | X X X | 750,982,227 | 638,242,440 |

| DETAILS OF WRITE-IN LINES | | | | |
|---|------------|-------|------------|------------|
| 2301. OTHER ACCOUNTS PAYABLE | 30,473,456 | | 30,473,456 | 11,597,544 |
| 2302. UNFUNDED ACCUMULATED BENEFIT OBLIGATION | 4,331,888 | | 4,331,888 | 2,576,921 |
| 2303. ACCRUED CAPITAL EXPENSES | 2,261,902 | | 2,261,902 | 2,336,939 |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 844,376 | | 844,376 | 123,109 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | 37,911,622 | | 37,911,622 | 16,634,513 |
| 2501. PPACA HEALTH INSURER FEE 2020 | X X X | X X X | 35,300,000 | |
| 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 | 35,300,000 | |
| 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 | | |

NONE

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|---|----------------|---------------|---------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 1. Member Months | X X X | 4,615,952 | 4,711,740 |
| 2. Net premium income (including \$ 0 non-health premium income) | X X X | 1,696,205,986 | 1,712,956,037 |
| 3. Change in unearned premium reserves and reserve for rate credits | X X X | 1,960,386 | (4,090,980) |
| 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 | 1,698,166,372 | 1,708,865,057 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits | | 958,933,390 | 954,017,502 |
| 10. Other professional services | | 22,318,902 | 22,951,081 |
| 11. Outside referrals | | | |
| 12. Emergency room and out-of-area | | 152,383,806 | 157,306,261 |
| 13. Prescription drugs | | 205,098,168 | 214,046,431 |
| 14. Aggregate write-ins for other hospital and medical | | 57,050,966 | 51,716,474 |
| 15. Incentive pool, withhold adjustments and bonus amounts | | 40,034,912 | 19,391,856 |
| 16. Subtotal (Lines 9 to 15) | | 1,435,820,144 | 1,419,429,605 |
| Less: | | | |
| 17. Net reinsurance recoveries | | (110,676) | 2,062,386 |
| 18. Total hospital and medical (Lines 16 minus 17) | | 1,435,930,820 | 1,417,367,219 |
| 19. Non-health claims (net) | | | |
| 20. Claims adjustment expenses, including \$ 24,703,294 cost containment expenses | | 56,563,135 | 60,188,631 |
| 21. General administrative expenses | | 170,198,332 | 196,550,484 |
| 22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only) | | 6,600,000 | (2,100,000) |
| 23. Total underwriting deductions (Lines 18 through 22) | | 1,669,292,287 | 1,672,006,334 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | X X X | 28,874,085 | 36,858,723 |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17) | | 12,658,997 | 6,019,021 |
| 26. Net realized capital gains (losses) less capital gains tax of \$ 0 | | 8,470,756 | (7,130,761) |
| 27. Net investment gains (losses) (Lines 25 plus 26) | | 21,129,753 | (1,111,740) |
| 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 | | (17,428,226) | (26,337,001) |
| 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 | 32,575,612 | 9,409,982 |
| 31. Federal and foreign income taxes incurred | X X X | (36,258,103) | (1,416) |
| 32. Net income (loss) (Lines 30 minus 31) | X X X | 68,833,715 | 9,411,398 |

| DETAILS OF WRITE-IN LINES | | | |
|---|--|-------|--------------|
| 0601. | | X X X | |
| 0602. | | X X X | |
| 0603. | | X X X | |
| 0698. Summary of remaining write-ins for Line 06 from overflow page | | X X X | |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above) | | X X X | |
| 0701. | | X X X | |
| 0702. | | X X X | |
| 0703. | | X X X | |
| 0798. Summary of remaining write-ins for Line 07 from overflow page | | X X X | |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above) | | X X X | |
| 1401. MENTAL HEALTH | | | 57,050,966 |
| 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) | | | 57,050,966 |
| 2901. WELLNESS WORKS REVENUE | | | 2,866,752 |
| 2902. GAIN HISTORIC TAX CREDITS | | | 630,000 |
| 2903. INDIGO COMMISSIONS | | | 24,468 |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | | | (20,949,446) |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | | | (17,428,226) |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | 1 | 2 |
|--|--------------|--------------|
| | Current Year | Prior Year |
| CAPITAL & SURPLUS ACCOUNT | | |
| 33. Capital and surplus prior reporting year | 298,658,624 | 292,996,877 |
| 34. Net income or (loss) from Line 32 | 68,833,715 | 9,411,398 |
| 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 | 6,113,758 | (12,192,962) |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | |
| 38. Change in net deferred income tax | (36,258,104) | 4,784,747 |
| 39. Change in nonadmitted assets | 35,990,741 | 1,104,279 |
| 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 | | |
| 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 | (1,754,965) | 2,554,285 |
| 48. Net change in capital and surplus (Lines 34 to 47) | 72,925,145 | 5,661,747 |
| 49. Capital and surplus end of reporting year (Line 33 plus 48) | 371,583,769 | 298,658,624 |

| DETAILS OF WRITE-IN LINES | | |
|---|-------------|-----------|
| 4701. NON-QUALIFIED PENSION PLAN | (576,379) | 493,033 |
| 4702. OTHER POSTEMPLOYMENT BENEFITS | (1,178,586) | 2,061,252 |
| 4703. | | |
| 4798. Summary of remaining write-ins for Line 47 from overflow page | | |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) | (1,754,965) | 2,554,285 |

CASH FLOW

| | 1 | 2 |
|---|---------------|---------------|
| Cash from Operations | Current Year | Prior Year |
| 1. Premiums collected net of reinsurance | 1,684,122,883 | 1,712,443,894 |
| 2. Net investment income | 12,708,973 | 7,031,027 |
| 3. Miscellaneous income | (1,025,635) | (26,246,662) |
| 4. Total (Lines 1 through 3) | 1,695,806,221 | 1,693,228,259 |
| 5. Benefit and loss related payments | 1,406,560,097 | 1,437,659,071 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | 209,787,230 | 235,939,849 |
| 8. Dividends paid to policyholders | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses) | (36,256,531) | (384,149) |
| 10. Total (Lines 5 through 9) | 1,580,090,796 | 1,673,214,771 |
| 11. Net cash from operations (Line 4 minus Line 10) | 115,715,425 | 20,013,488 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 245,893,817 | 138,445,360 |
| 12.2 Stocks | 98,325,009 | 64,395,021 |
| 12.3 Mortgage loans | | |
| 12.4 Real estate | | |
| 12.5 Other invested assets | 2,889 | 49,693 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | (11,022) | (8,300) |
| 12.7 Miscellaneous proceeds | | 91,615 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 344,210,693 | 202,973,389 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 317,532,136 | 160,876,666 |
| 13.2 Stocks | 77,082,505 | 67,995,111 |
| 13.3 Mortgage loans | | |
| 13.4 Real estate | 4,454,687 | 3,573,482 |
| 13.5 Other invested assets | | 3,493,000 |
| 13.6 Miscellaneous applications | 8,790 | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 399,078,118 | 235,938,259 |
| 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) | (54,867,425) | (32,964,870) |
| Cash from Financing and Miscellaneous Sources | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes | | |
| 16.2 Capital and paid in surplus, less treasury stock | | |
| 16.3 Borrowed funds | (25,196,659) | 25,196,659 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 Dividends to stockholders | | |
| 16.6 Other cash provided (applied) | (15,477,137) | (18,483,833) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | (40,673,796) | 6,712,826 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | 20,174,204 | (6,238,556) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 14,745,766 | 20,984,322 |
| 19.2 End of year (Line 18 plus Line 19.1) | 34,919,970 | 14,745,766 |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

| | | |
|---------|--|--|
| 20.0001 | | |
| 20.0002 | | |
| 20.0003 | | |

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 Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Net premium income | 1,696,205,986 | 860,345,373 | 59,739,803 | 30,755,871 | 828,185 | 115,707,082 | 604,829,734 | | 23,999,938 | |
| 2. Change in unearned premium reserves and reserve for rate credit | 1,960,386 | | | | | 1,960,386 | | | | |
| 3. Fee-for-service (net of \$ 0 medical expenses) | | | | | | | | | | X X X |
| 4. Risk revenue | | | | | | | | | | X X X |
| 5. Aggregate write-ins for other health care related revenues | | | | | | | | | | X X X |
| 6. Aggregate write-ins for other non-health care related revenues | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 7. Total revenues (Lines 1 to 6) | 1,698,166,372 | 860,345,373 | 59,739,803 | 30,755,871 | 828,185 | 117,667,468 | 604,829,734 | | 23,999,938 | |
| 8. Hospital/medical benefits | 958,933,390 | 433,001,518 | 51,654,176 | | | 75,038,292 | 392,824,294 | | 6,415,110 | X X X |
| 9. Other professional services | 22,318,902 | | | 21,839,118 | 479,784 | | | | | X X X |
| 10. Outside referrals | | | | | | | | | | X X X |
| 11. Emergency room and out-of-area | 152,383,806 | 97,660,638 | | | | | 54,723,168 | | | X X X |
| 12. Prescription drugs | 205,098,168 | 130,078,001 | 1,200,137 | | | 26,117,620 | 35,044,149 | | 12,658,261 | X X X |
| 13. Aggregate write-ins for other hospital and medical | 57,050,966 | 37,782,679 | | | | 6,862,435 | 12,405,852 | | | X X X |
| 14. Incentive pool, withhold adjustments and bonus amounts | 40,034,912 | 19,369,425 | | | | | 20,665,487 | | | X X X |
| 15. Subtotal (Lines 8 to 14) | 1,435,820,144 | 717,892,261 | 52,854,313 | 21,839,118 | 479,784 | 108,018,347 | 515,662,950 | | 19,073,371 | X X X |
| 16. Net reinsurance recoveries | (110,676) | (110,676) | | | | | | | | X X X |
| 17. Total hospital and medical (Lines 15 minus 16) | 1,435,930,820 | 718,002,937 | 52,854,313 | 21,839,118 | 479,784 | 108,018,347 | 515,662,950 | | 19,073,371 | X X X |
| 18. Non-health claims (net) | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 19. Claims adjustment expenses including \$ 24,703,294 cost containment expenses | 56,563,135 | 28,631,843 | 2,296,449 | 1,319,933 | 73,145 | 3,076,219 | 20,467,144 | | 698,402 | |
| 20. General administrative expenses | 170,198,332 | 92,962,163 | 6,542,846 | 3,760,641 | 208,399 | 6,421,215 | 58,313,241 | | 1,989,827 | |
| 21. Increase in reserves for accident and health contracts | 6,600,000 | | | | | | 6,600,000 | | | X X X |
| 22. Increase in reserves for life contracts | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 23. Total underwriting deductions (Lines 17 to 22) | 1,669,292,287 | 839,596,943 | 61,693,608 | 26,919,692 | 761,328 | 117,515,781 | 601,043,335 | | 21,761,600 | |
| 24. Net underwriting gain or (loss) (Line 7 minus Line 23) | 28,874,085 | 20,748,430 | (1,953,805) | 3,836,179 | 66,857 | 151,687 | 3,786,399 | | 2,238,338 | |

| DETAILS OF WRITE-IN LINES | | | | | | | | | | |
|---|------------|------------|-------|-------|-------|-----------|------------|-------|-------|-------|
| 0501. | | | | | | | | | | X X X |
| 0502. | | | | | | | | | | X X X |
| 0503. | | | | | | | | | | X X X |
| 0598. Summary of remaining write-ins for Line 05 from overflow page | | | | | | | | | | X X X |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above) | | | | | | | | | | X X X |
| 0601. | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0602. | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0603. | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0698. Summary of remaining write-ins for Line 06 from overflow page | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above) | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 1301. MENTAL HEALTH | 57,050,966 | 37,782,679 | | | | 6,862,435 | 12,405,852 | | | X X X |
| 1302. | | | | | | | | | | X X X |
| 1303. | | | | | | | | | | X X X |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | | | | | | | | | | X X X |
| 1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) | 57,050,966 | 37,782,679 | | | | 6,862,435 | 12,405,852 | | | X X X |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS

| Line of Business | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Ceded | 4 Net Premium Income (Cols. 1 + 2 - 3) |
|---|--------------------------|------------------------------|----------------------------|--|
| 1. Comprehensive (hospital and medical) | 860,345,373 | | | 860,345,373 |
| 2. Medicare Supplement | 59,739,803 | | | 59,739,803 |
| 3. Dental only | 30,755,871 | | | 30,755,871 |
| 4. Vision only | 828,185 | | | 828,185 |
| 5. Federal Employees Health Benefits Plan | 117,667,468 | | | 117,667,468 |
| 6. Title XVIII – Medicare | 604,829,734 | | | 604,829,734 |
| 7. Title XIX – Medicaid | | | | |
| 8. Other health | 26,112,160 | | 2,112,223 | 23,999,937 |
| 9. Health subtotal (Lines 1 through 8) | 1,700,278,594 | | 2,112,223 | 1,698,166,371 |
| 10. Life | | | | |
| 11. Property/casualty | | | | |
| 12. Totals (Lines 9 to 11) | 1,700,278,594 | | 2,112,223 | 1,698,166,371 |

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 Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct | 1,403,359,919 | 700,833,697 | 50,963,653 | 22,059,105 | 389,756 | 110,378,575 | 502,710,010 | | 16,025,123 | |
| 1.2 Reinsurance assumed | | | | | | | | | | |
| 1.3 Reinsurance ceded | 641,884 | 641,884 | | | | | | | | |
| 1.4 Net | 1,402,718,035 | 700,191,813 | 50,963,653 | 22,059,105 | 389,756 | 110,378,575 | 502,710,010 | | 16,025,123 | |
| 2. Paid medical incentive pools and bonuses | 27,438,786 | 14,501,619 | | | | | 12,937,167 | | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct | 122,513,583 | 56,156,408 | 8,780,126 | 1,103,000 | 132,303 | 7,138,003 | 45,342,153 | | 3,861,590 | |
| 3.2 Reinsurance assumed | | | | | | | | | | |
| 3.3 Reinsurance ceded | | | | | | | | | | |
| 3.4 Net | 122,513,583 | 56,156,408 | 8,780,126 | 1,103,000 | 132,303 | 7,138,003 | 45,342,153 | | 3,861,590 | |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct | 3,295,000 | 3,295,000 | | | | | | | | |
| 4.2 Reinsurance assumed | | | | | | | | | | |
| 4.3 Reinsurance ceded | | | | | | | | | | |
| 4.4 Net | 3,295,000 | 3,295,000 | | | | | | | | |
| 5. Accrued medical incentive pools and bonuses, current year | 47,167,000 | 27,374,102 | | | | | 19,792,898 | | | |
| 6. Net healthcare receivables (a) | 16,548,117 | 9,606,526 | | (13) | | | 6,941,604 | | | |
| 7. Amounts recoverable from reinsurers December 31, current year | 62,459 | 62,459 | | | | | | | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct | 120,163,351 | 56,076,569 | 6,889,466 | 1,323,000 | 42,275 | 9,498,231 | 45,520,468 | | 813,342 | |
| 8.2 Reinsurance assumed | | | | | | | | | | |
| 8.3 Reinsurance ceded | | | | | | | | | | |
| 8.4 Net | 120,163,351 | 56,076,569 | 6,889,466 | 1,323,000 | 42,275 | 9,498,231 | 45,520,468 | | 813,342 | |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct | 3,418,000 | 3,418,000 | | | | | | | | |
| 9.2 Reinsurance assumed | | | | | | | | | | |
| 9.3 Reinsurance ceded | | | | | | | | | | |
| 9.4 Net | 3,418,000 | 3,418,000 | | | | | | | | |
| 10. Accrued medical incentive pools and bonuses, prior year | 27,714,000 | 15,426,794 | | | | | 12,287,206 | | | |
| 11. Amounts recoverable from reinsurers December 31, prior year | 815,020 | 815,020 | | | | | | | | |
| 12. Incurred benefits: | | | | | | | | | | |
| 12.1 Direct | 1,389,039,034 | 691,184,010 | 52,854,313 | 21,839,118 | 479,784 | 108,018,347 | 495,590,091 | | 19,073,371 | |
| 12.2 Reinsurance assumed | | | | | | | | | | |
| 12.3 Reinsurance ceded | (110,677) | (110,677) | | | | | | | | |
| 12.4 Net | 1,389,149,711 | 691,294,687 | 52,854,313 | 21,839,118 | 479,784 | 108,018,347 | 495,590,091 | | 19,073,371 | |
| 13. Incurred medical incentive pools and bonuses | 46,891,786 | 26,448,927 | | | | | 20,442,859 | | | |

(a) Excludes \$ 391,357 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 | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Reported in Process of Adjustment: | | | | | | | | | | |
| 1.1 Direct | 44,663,480 | 19,606,225 | 1,808,803 | 202,044 | 132,303 | 1,641,111 | 17,411,404 | | 3,861,590 | |
| 1.2 Reinsurance assumed | | | | | | | | | | |
| 1.3 Reinsurance ceded | | | | | | | | | | |
| 1.4 Net | 44,663,480 | 19,606,225 | 1,808,803 | 202,044 | 132,303 | 1,641,111 | 17,411,404 | | 3,861,590 | |
| 2. Incurred but Unreported: | | | | | | | | | | |
| 2.1 Direct | 77,850,103 | 36,550,183 | 6,971,323 | 900,956 | | 5,496,892 | 27,930,749 | | | |
| 2.2 Reinsurance assumed | | | | | | | | | | |
| 2.3 Reinsurance ceded | | | | | | | | | | |
| 2.4 Net | 77,850,103 | 36,550,183 | 6,971,323 | 900,956 | | 5,496,892 | 27,930,749 | | | |
| 3. Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | |
| 3.1 Direct | | | | | | | | | | |
| 3.2 Reinsurance assumed | | | | | | | | | | |
| 3.3 Reinsurance ceded | | | | | | | | | | |
| 3.4 Net | | | | | | | | | | |
| 4. TOTALS: | | | | | | | | | | |
| 4.1 Direct | 122,513,583 | 56,156,408 | 8,780,126 | 1,103,000 | 132,303 | 7,138,003 | 45,342,153 | | 3,861,590 | |
| 4.2 Reinsurance assumed | | | | | | | | | | |
| 4.3 Reinsurance ceded | | | | | | | | | | |
| 4.4 Net | 122,513,583 | 56,156,408 | 8,780,126 | 1,103,000 | 132,303 | 7,138,003 | 45,342,153 | | 3,861,590 | |

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) | 38,095,318 | 662,738,379 | (130,623) | 59,582,031 | 37,964,695 | 59,494,569 |
| 2. Medicare Supplement | 6,204,088 | 44,759,565 | 119,558 | 8,660,568 | 6,323,646 | 6,889,466 |
| 3. Dental only | 1,072,305 | 20,986,800 | 7,262 | 1,095,738 | 1,079,567 | 1,323,000 |
| 4. Vision only | 52,368 | 337,388 | | 132,303 | 52,368 | 42,275 |
| 5. Federal Employees Health Benefits Plan | 7,513,921 | 102,864,654 | 10,488 | 7,127,515 | 7,524,409 | 9,498,231 |
| 6. Title XVIII – Medicare | 30,283,300 | 472,426,710 | 235,765 | 45,106,388 | 30,519,065 | 45,520,468 |
| 7. Title XIX – Medicaid | | | | | | |
| 8. Other health | 1,750,034 | 14,275,089 | | 3,861,590 | 1,750,034 | 813,342 |
| 9. Health subtotal (Lines 1 to 8) | 84,971,334 | 1,318,388,585 | 242,450 | 125,566,133 | 85,213,784 | 123,581,351 |
| 10. Health care receivables (a) | 11,441,699 | 24,233,264 | | 1,635,120 | 11,441,699 | 20,761,966 |
| 11. Other non-health | | | | | | |
| 12. Medical incentive pools and bonus amounts | 27,389,586 | 49,200 | 397,000 | 46,770,000 | 27,786,586 | 27,714,000 |
| 13. Totals (Lines 9 - 10 + 11 + 12) | 100,919,221 | 1,294,204,521 | 639,450 | 170,701,013 | 101,558,671 | 130,533,385 |

(a) Excludes \$ 391,357 loans or advances to providers not yet expensed.

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

Section A – Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 757,293 | 756,526 | 756,551 | 756,167 | 755,991 |
| 2. 2015 | 710,792 | 758,401 | 758,341 | 758,009 | 757,571 |
| 3. 2016 | X X X | 712,867 | 759,791 | 760,795 | 760,488 |
| 4. 2017 | X X X | X X X | 717,259 | 764,361 | 764,732 |
| 5. 2018 | X X X | X X X | X X X | 675,910 | 718,756 |
| 6. 2019 | X X X | X X X | X X X | X X X | 662,738 |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 757,293 | 756,526 | 756,551 | 756,167 | 755,991 |
| 2. 2015 | 710,792 | 758,401 | 758,341 | 758,009 | 757,571 |
| 3. 2016 | X X X | 712,867 | 763,390 | 760,795 | 760,488 |
| 4. 2017 | X X X | X X X | 776,928 | 764,738 | 764,732 |
| 5. 2018 | X X X | X X X | X X X | 750,454 | 718,625 |
| 6. 2019 | X X X | X X X | X X X | X X X | 749,695 |

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 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. 2015 | 894,906 | 759,731 | | | 759,731 | 84.895 | | | 759,731 | 84.895 |
| 2. 2016 | 907,498 | 764,183 | | | 764,183 | 84.208 | | | 764,183 | 84.208 |
| 3. 2017 | 903,939 | 717,259 | | | 717,259 | 79.348 | | | 717,259 | 79.348 |
| 4. 2018 | 869,572 | 675,910 | 14,478 | 2.142 | 690,388 | 79.394 | (131) | (13) | 690,244 | 79.377 |
| 5. 2019 | 860,345 | 662,738 | 14,478 | 2.185 | 677,216 | 78.714 | 86,956 | 8,476 | 772,648 | 89.807 |

12.HM

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 43,692 | 43,671 | 43,664 | 43,666 | 43,673 |
| 2. 2015 | 39,808 | 45,145 | 45,159 | 45,246 | 45,258 |
| 3. 2016 | X X X | 39,757 | 44,694 | 44,828 | 44,842 |
| 4. 2017 | X X X | X X X | 41,516 | 46,654 | 46,771 |
| 5. 2018 | X X X | X X X | X X X | 42,938 | 48,800 |
| 6. 2019 | X X X | X X X | X X X | X X X | 44,760 |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 45,145 | 45,124 | 43,664 | 43,666 | 43,673 |
| 2. 2015 | 39,757 | 45,191 | 43,159 | 45,246 | 45,258 |
| 3. 2016 | X X X | 45,684 | 44,714 | 44,828 | 44,842 |
| 4. 2017 | X X X | X X X | 47,439 | 46,694 | 46,771 |
| 5. 2018 | X X X | X X X | X X X | 49,788 | 48,919 |
| 6. 2019 | X X X | X X X | X X X | X X X | 53,420 |

12.MS

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. 2015 | 56,055 | 44,708 | | | 44,708 | 79.757 | | | 44,708 | 79.757 |
| 2. 2016 | 57,632 | 46,453 | | | 46,453 | 80.603 | | | 46,453 | 80.603 |
| 3. 2017 | 59,551 | 41,516 | | | 41,516 | 69.715 | | | 41,516 | 69.715 |
| 4. 2018 | 59,572 | 42,938 | 1,053 | 2.452 | 43,991 | 73.845 | 120 | 8 | 44,119 | 74.060 |
| 5. 2019 | 59,740 | 44,760 | 1,053 | 2.353 | 45,813 | 76.687 | 8,661 | 607 | 55,081 | 92.201 |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)
Dental Only

Section A – Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 24,408 | 24,411 | 24,411 | 24,411 | 24,411 |
| 2. 2015 | 21,079 | 22,904 | 22,914 | 22,918 | 22,919 |
| 3. 2016 | X X X | 20,903 | 22,076 | 22,087 | 22,089 |
| 4. 2017 | X X X | X X X | 20,659 | 21,764 | 21,771 |
| 5. 2018 | X X X | X X X | X X X | 21,396 | 22,499 |
| 6. 2019 | X X X | X X X | X X X | X X X | 20,987 |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 22,904 | 22,907 | 24,411 | 24,411 | 24,411 |
| 2. 2015 | 20,903 | 22,730 | 22,914 | 22,918 | 22,919 |
| 3. 2016 | X X X | 22,226 | 22,095 | 22,087 | 22,089 |
| 4. 2017 | X X X | X X X | 21,899 | 21,780 | 21,771 |
| 5. 2018 | X X X | X X X | X X X | 22,703 | 22,506 |
| 6. 2019 | X X X | X X X | X X X | X X X | 22,083 |

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. 2015 | 29,415 | 22,086 | | | 22,086 | 75.084 | | | 22,086 | 75.084 |
| 2. 2016 | 30,695 | 21,832 | | | 21,832 | 71.126 | | | 21,832 | 71.126 |
| 3. 2017 | 30,354 | 20,659 | | | 20,659 | 68.060 | | | 20,659 | 68.060 |
| 4. 2018 | 31,960 | 21,396 | 456 | 2.131 | 21,852 | 68.373 | 7 | 2 | 21,861 | 68.401 |
| 5. 2019 | 30,756 | 20,987 | 456 | 2.173 | 21,443 | 69.720 | 1,096 | 265 | 22,804 | 74.145 |

12.D0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (\$000 Omitted)
 Vision Only

Section A – Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | | | | | |
| 2. 2015 | | | | | |
| 3. 2016 | XXX | | | | |
| 4. 2017 | XXX | XXX | 140 | 140 | 140 |
| 5. 2018 | XXX | XXX | XXX | 374 | 384 |
| 6. 2019 | XXX | XXX | XXX | XXX | 337 |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | | | | | |
| 2. 2015 | | | | | |
| 3. 2016 | XXX | | | | |
| 4. 2017 | XXX | XXX | | 140 | 140 |
| 5. 2018 | XXX | XXX | XXX | 416 | 384 |
| 6. 2019 | XXX | XXX | XXX | XXX | 337 |

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. 2015 | | | | | | | | | | |
| 2. 2016 | | | | | | | | | | |
| 3. 2017 | | | | | | | | | | |
| 4. 2018 | 764 | 374 | | | 374 | 48.953 | | | 374 | 48.953 |
| 5. 2019 | 828 | 337 | | | 337 | 40.700 | 132 | | 469 | 56.643 |

12.VO

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
 (\$000 Omitted)
Fed Emp Health Benefits Plan

Section A – Paid Health Claims

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 96,702 | 96,483 | 96,479 | 96,472 | 96,480 |
| 2. 2015 | 93,070 | 100,632 | 100,603 | 100,552 | 100,554 |
| 3. 2016 | X X X | 93,815 | 100,538 | 100,621 | 100,658 |
| 4. 2017 | X X X | X X X | 94,717 | 105,801 | 105,812 |
| 5. 2018 | X X X | X X X | X X X | 100,591 | 93,085 |
| 6. 2019 | X X X | X X X | X X X | X X X | 102,865 |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 100,632 | 100,413 | 96,479 | 96,472 | 96,480 |
| 2. 2015 | 93,815 | 101,448 | 100,603 | 100,552 | 100,554 |
| 3. 2016 | X X X | 101,219 | 100,560 | 100,621 | 100,658 |
| 4. 2017 | X X X | X X X | 103,197 | 105,893 | 105,812 |
| 5. 2018 | X X X | X X X | X X X | 109,997 | 93,095 |
| 6. 2019 | X X X | X X X | X X X | X X X | 109,992 |

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. 2015 | 111,864 | 100,509 | | | 100,509 | 89.849 | | | 100,509 | 89.849 |
| 2. 2016 | 113,836 | 101,440 | | | 101,440 | 89.111 | | | 101,440 | 89.111 |
| 3. 2017 | 111,865 | 94,717 | | | 94,717 | 84.671 | | | 94,717 | 84.671 |
| 4. 2018 | 124,336 | 100,591 | 2,280 | 2.267 | 102,871 | 82.736 | 10 | 2 | 102,883 | 82.746 |
| 5. 2019 | 117,667 | 102,865 | 2,280 | 2.216 | 105,145 | 89.358 | 7,128 | 1,331 | 113,604 | 96.547 |

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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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 457,158 | 456,573 | 456,726 | 456,337 | 456,365 |
| 2. 2015 | 453,479 | 490,419 | 490,221 | 490,007 | 489,971 |
| 3. 2016 | X X X | 471,134 | 507,725 | 508,162 | 508,037 |
| 4. 2017 | X X X | X X X | 472,389 | 512,163 | 512,669 |
| 5. 2018 | X X X | X X X | X X X | 469,154 | 438,955 |
| 6. 2019 | X X X | X X X | X X X | X X X | 472,427 |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | 490,419 | 489,834 | 456,726 | 456,337 | 456,365 |
| 2. 2015 | 471,134 | 511,298 | 490,221 | 490,007 | 489,971 |
| 3. 2016 | X X X | 525,885 | 510,571 | 508,162 | 508,037 |
| 4. 2017 | X X X | X X X | 529,322 | 513,120 | 512,669 |
| 5. 2018 | X X X | X X X | X X X | 526,004 | 439,588 |
| 6. 2019 | X X X | X X X | X X X | X X X | 536,929 |

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. 2015 | 545,426 | 507,527 | | | 507,527 | 93.051 | | | 507,527 | 93.051 |
| 2. 2016 | 581,753 | 508,980 | | | 508,980 | 87.491 | | | 508,980 | 87.491 |
| 3. 2017 | 590,047 | 472,389 | | | 472,389 | 80.060 | | | 472,389 | 80.060 |
| 4. 2018 | 600,598 | 469,154 | 10,385 | 2.214 | 479,539 | 79.844 | 633 | 59 | 480,231 | 79.959 |
| 5. 2019 | 604,830 | 472,427 | 10,385 | 2.198 | 482,812 | 79.826 | 64,502 | 6,011 | 553,325 | 91.484 |

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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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | | | | | |
| 2. 2015 | | | | | |
| 3. 2016 | XXX | | | | |
| 4. 2017 | XXX | XXX | | | |
| 5. 2018 | XXX | XXX | XXX | | |
| 6. 2019 | XXX | XXX | XXX | XXX | |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | | | | | |
| 2. 2015 | | | | | |
| 3. 2016 | XXX | | | | |
| 4. 2017 | XXX | XXX | | | |
| 5. 2018 | XXX | XXX | XXX | | |
| 6. 2019 | 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. 2015 | | | | | | | | | | |
| 2. 2016 | | | | | | | | | | |
| 3. 2017 | | | | | | | | | | |
| 4. 2018 | | | | | | | | | | |
| 5. 2019 | | | | | | | | | | |

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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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | | | 12,561 | 14,289 | 14,289 |
| 2. 2015 | 12,561 | | 13,845 | 12,561 | 12,561 |
| 3. 2016 | X X X | | 12,014 | 13,243 | 13,243 |
| 4. 2017 | X X X | X X X | | 11,948 | 13,177 |
| 5. 2018 | X X X | X X X | X X X | | 15,597 |
| 6. 2019 | X X X | X X X | X X X | X 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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 |
| 1. Prior | | | 13,845 | 14,289 | 14,289 |
| 2. 2015 | 13,845 | | 13,842 | 12,561 | 12,561 |
| 3. 2016 | X X X | | 12,745 | 13,210 | 13,243 |
| 4. 2017 | X X X | X X X | | 12,407 | 13,177 |
| 5. 2018 | X X X | X X X | X X X | | 16,410 |
| 6. 2019 | 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 Expense Incurred (Col. 5 + 7 + 8) | 10 (Col. 9 / 1) Percent |
|---|-------------------------|-------------------------|---|------------------------------|---|------------------------------|-----------------------|---|--|-------------------------------|
| 1. 2015 | 23,653 | 12,561 | | | 12,561 | 53.105 | | | 12,561 | 53.105 |
| 2. 2016 | 24,682 | 13,243 | | | 13,243 | 53.654 | | | 13,243 | 53.654 |
| 3. 2017 | 23,595 | 11,948 | | | 11,948 | 50.638 | | | 11,948 | 50.638 |
| 4. 2018 | 22,065 | 15,597 | 331 | 2.122 | 15,928 | 72.187 | | | 15,928 | 72.187 |
| 5. 2019 | 24,000 | 14,275 | 331 | 2.319 | 14,606 | 60.858 | 3,862 | 194 | 18,662 | 77.758 |

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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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 | |
| 1. Prior | | 1,391,814 | 1,390,225 | 1,392,120 | 1,391,342 | 1,391,209 |
| 2. 2015 | | 1,330,830 | 1,431,346 | 1,429,799 | 1,429,293 | 1,428,834 |
| 3. 2016 | X X X | | 1,350,490 | 1,448,067 | 1,449,736 | 1,449,357 |
| 4. 2017 | X X X | X X X | | 1,358,628 | 1,464,060 | 1,465,072 |
| 5. 2018 | X X X | X X X | X X X | | 1,325,960 | 1,339,353 |
| 6. 2019 | X X X | X X X | X X X | X X X | | 1,318,389 |

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 2015 | 2 2016 | 3 2017 | 4 2018 | 5 2019 | |
| 1. Prior | | 1,430,238 | 1,427,365 | 1,392,120 | 1,391,342 | 1,391,209 |
| 2. 2015 | | 1,348,415 | 1,452,910 | 1,427,799 | 1,429,293 | 1,428,834 |
| 3. 2016 | X X X | | 1,420,626 | 1,454,540 | 1,449,736 | 1,449,357 |
| 4. 2017 | X X X | X X X | | 1,491,192 | 1,465,542 | 1,465,072 |
| 5. 2018 | X X X | X X X | X X X | | 1,475,772 | 1,339,991 |
| 6. 2019 | X X X | X X X | X X X | X X X | | 1,490,593 |

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. 2015 | 1,661,319 | 1,447,122 | | | 1,447,122 | 87.107 | | | 1,447,122 | 87.107 |
| 2. 2016 | 1,716,096 | 1,456,131 | | | 1,456,131 | 84.851 | | | 1,456,131 | 84.851 |
| 3. 2017 | 1,719,351 | 1,358,488 | | | 1,358,488 | 79.012 | | | 1,358,488 | 79.012 |
| 4. 2018 | 1,708,867 | 1,325,960 | 28,983 | 2.186 | 1,354,943 | 79.289 | 639 | 58 | 1,355,640 | 79.330 |
| 5. 2019 | 1,698,166 | 1,318,389 | 28,983 | 2.198 | 1,347,372 | 79.343 | 172,337 | 16,884 | 1,536,593 | 90.485 |

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UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|-------|
| | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| 1. Unearned premium reserves | 20,809,168 | | | | | 20,809,168 | | | |
| 2. Additional policy reserves (a) | 32,218,475 | | | | | | 32,218,475 | | |
| 3. Reserve for future contingent benefits | | | | | | | | | |
| 4. Reserve for rate credits or experience rating refunds (including \$ 0 for investment income) | 486,000 | | | | | | 486,000 | | |
| 5. Aggregate write-ins for other policy reserves | | | | | | | | | |
| 6. Totals (gross) | 53,513,643 | | | | | 20,809,168 | 32,704,475 | | |
| 7. Reinsurance ceded | | | | | | | | | |
| 8. Totals (Net) (Page 3, Line 4) | 53,513,643 | | | | | 20,809,168 | 32,704,475 | | |
| 9. Present value of amounts not yet due on claims | | | | | | | | | |
| 10. Reserve for future contingent benefits | 460,000 | 460,000 | | | | | | | |
| 11. Aggregate write-ins for other claim reserves | 2,835,000 | 2,835,000 | | | | | | | |
| 12. Totals (gross) | 3,295,000 | 3,295,000 | | | | | | | |
| 13. Reinsurance ceded | | | | | | | | | |
| 14. Totals (Net) (Page 3, Line 7) | 3,295,000 | 3,295,000 | | | | | | | |

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| DETAILS OF WRITE-IN LINES | | | | | | | | | |
|---|-----------|-----------|--|--|--|--|--|--|--|
| 0501. | | | | | | | | | |
| 0502. | | | | | | | | | |
| 0503. | | | | | | | | | |
| 0598. Summary of remaining write-ins for Line 05 from overflow page | | | | | | | | | |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above) | | | | | | | | | |
| 1101. MATERNITY | 2,835,000 | 2,835,000 | | | | | | | |
| 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) | 2,835,000 | 2,835,000 | | | | | | | |

NONE

(a) Includes \$ 6,600,000 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 (\$ 8,450,051 for occupancy of own building) | | 36,413 | 11,291,558 | | 11,327,971 |
| 2. Salaries, wages and other benefits | 19,862,069 | 12,074,761 | 66,423,640 | | 98,360,470 |
| 3. Commissions (less \$ 0 ceded plus \$ 0 assumed) | | | 11,587,682 | | 11,587,682 |
| 4. Legal fees and expenses | (1,119) | 1,133 | 1,637,265 | | 1,637,279 |
| 5. Certifications and accreditation fees | | | | | |
| 6. Auditing, actuarial and other consulting services | 260,165 | 805,088 | 10,670,670 | | 11,735,923 |
| 7. Traveling expenses | 64,112 | 154,667 | 827,071 | | 1,045,850 |
| 8. Marketing and advertising | 4,533 | 8,646 | 3,367,728 | | 3,380,907 |
| 9. Postage, express and telephone | 111,756 | 877,866 | 3,027,618 | | 4,017,240 |
| 10. Printing and office supplies | 34,503 | 736,937 | 1,718,899 | | 2,490,339 |
| 11. Occupancy, depreciation and amortization | 15,053 | 255,293 | 3,407,197 | | 3,677,543 |
| 12. Equipment | | | | | |
| 13. Cost or depreciation of EDP equipment and software | 6,291,438 | 4,111,208 | 27,925,294 | | 38,327,940 |
| 14. Outsourced services including EDP, claims, and other services | 5,073,072 | 16,035,088 | 46,738,310 | | 67,846,470 |
| 15. Boards, bureaus and association fees | 87,359 | 30,837 | 1,884,999 | | 2,003,195 |
| 16. Insurance, except on real estate | | 2,538 | 1,614,592 | | 1,617,130 |
| 17. Collection and bank service charges | | | | | |
| 18. Group service and administration fees | | | 1,791,263 | | 1,791,263 |
| 19. Reimbursements by uninsured plans | (7,610,588) | (9,836,171) | (49,707,649) | | (67,154,408) |
| 20. Reimbursements from fiscal intermediaries | | | | | |
| 21. Real estate expenses | | | | 4,324,751 | 4,324,751 |
| 22. Real estate taxes | | | | 1,431,888 | 1,431,888 |
| 23. Taxes, licenses and fees: | | | | | |
| 23.1 State and local insurance taxes | | | 13,855 | | 13,855 |
| 23.2 State premium taxes | | | 19,178,587 | | 19,178,587 |
| 23.3 Regulatory authority licenses and fees | | | 3,233,421 | | 3,233,421 |
| 23.4 Payroll taxes | 1,322,513 | 744,677 | 3,491,231 | | 5,558,421 |
| 23.5 Other (excluding federal income and real estate taxes) | | | | | |
| 24. Investment expenses not included elsewhere | | | | | |
| 25. Aggregate write-ins for expenses | (811,572) | 5,820,860 | 75,101 | 1,347,515 | 6,431,904 |
| 26. Total expenses incurred (Lines 1 to 25) | 24,703,294 | 31,859,841 | 170,198,332 | 7,104,154 (a) | 233,865,621 |
| 27. Less expenses unpaid December 31, current year | 7,392,263 | 9,554,001 | 44,993,073 | | 61,939,337 |
| 28. Add expenses unpaid December 31, prior year | 7,706,501 | 10,659,361 | 44,605,768 | | 62,971,630 |
| 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) | 25,017,532 | 32,965,201 | 169,811,027 | 7,104,154 | 234,897,914 |

| DETAILS OF WRITE-IN LINES | | | | | |
|---|-------------|-------------|--------|-----------|-------------|
| 2501. ADMINISTRATIVE ALLOWANCES | 1,228,652 | 1,587,949 | (439) | | 2,816,162 |
| 2502. MISCELLANEOUS | 23,747 | 34,078 | 75,540 | | 133,365 |
| 2503. HOME PLAN SERVICE CHARGE | | 6,933,876 | | | 6,933,876 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | (2,063,971) | (2,735,043) | | 1,347,515 | (3,451,499) |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | (811,572) | 5,820,860 | 75,101 | 1,347,515 | 6,431,904 |

(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) 1,858,537 | 1,751,725 |
| 1.1 Bonds exempt from U.S. tax | (a) | |
| 1.2 Other bonds (unaffiliated) | (a) 8,320,114 | 9,166,658 |
| 1.3 Bonds of affiliates | (a) | |
| 2.1 Preferred stocks (unaffiliated) | (b) 351 | |
| 2.11 Preferred stocks of affiliates | (b) | |
| 2.2 Common stocks (unaffiliated) | | 2,586,160 |
| 2.21 Common stocks of affiliates | | |
| 3. Mortgage loans | (c) | |
| 4. Real estate | (d) 8,982,563 | 8,982,563 |
| 5. Contract loans | | |
| 6. Cash, cash equivalents and short-term investments | (e) 725,078 | 691,110 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | 33,648 | 33,648 |
| 9. Aggregate write-ins for investment income | | (755,301) |
| 10. Total gross investment income | 22,658,552 | 22,456,563 |
| 11. Investment expenses | | (g) 7,104,154 |
| 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) 2,693,412 |
| 15. Aggregate write-ins for deductions from investment income | | |
| 16. Total deductions (Lines 11 through 15) | | 9,797,566 |
| 17. Net investment income (Line 10 minus Line 16) | | 12,658,997 |

| DETAILS OF WRITE-IN LINES | | |
|---|-------------|-----------|
| 0901. INVESTMENT EXPENSES INTERNAL COSTS INVESTING AND INCOME | | (418,026) |
| 0902. PROMPT PAY INTEREST | | (337,275) |
| 0903. | | |
| 0998. Summary of remaining write-ins for Line 09 from overflow page | | |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above) | | (755,301) |
| 1501. | NONE | |
| 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 \$ 365,560 accrual of discount less \$ 974,678 amortization of premium and less \$ 1,027,854 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 \$ 8,629 accrual of discount less \$ 2,879 amortization of premium and less \$ 14,814 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 | 449,780 | | 449,780 | (53,907) | |
| 1.1 Bonds exempt from U.S. tax | | | | | |
| 1.2 Other bonds (unaffiliated) | (215,678) | | (215,678) | 15,516 | |
| 1.3 Bonds of affiliates | | | | | |
| 2.1 Preferred stocks (unaffiliated) | 6,672 | | 6,672 | | |
| 2.11 Preferred stocks of affiliates | | | | | |
| 2.2 Common stocks (unaffiliated) | 8,240,790 | | 8,240,790 | 7,892,053 | |
| 2.21 Common stocks of affiliates | | | | | |
| 3. Mortgage loans | | | | | |
| 4. Real estate | | | | | |
| 5. Contract loans | | | | | |
| 6. Cash, cash equivalents and short-term investments | (11,022) | | (11,022) | | |
| 7. Derivative instruments | | | | | |
| 8. Other invested assets | 214 | | 214 | (1,739,904) | |
| 9. Aggregate write-ins for capital gains (losses) | | | | | |
| 10. Total capital gains (losses) | 8,470,756 | | 8,470,756 | 6,113,758 | |

| DETAILS OF WRITE-IN LINES | | | | | |
|---|-------------|--|--|--|--|
| 0901. | NONE | | | | |
| 0902. | | | | | |
| 0903. | | | | | |
| 0998. Summary of remaining write-ins for Line 09 from overflow page | | | | | |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above) | | | | | |

EXHIBIT OF NONADMITTED ASSETS

| | 1 Current Year Total Nonadmitted Assets | 2 Prior Year Total Nonadmitted Assets | 3 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 lines | | | |
| 3.2 Other than first lines | | | |
| 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 | 1,662,951 | 1,840,292 | 177,341 |
| 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 | 16,918 | 51,319 | 34,401 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | |
| 18.2 Net deferred tax asset | 36,258,104 | 72,516,207 | 36,258,103 |
| 19. Guaranty funds receivable or on deposit | | | |
| 20. Electronic data processing equipment and software | 25,924,162 | 26,736,384 | 812,222 |
| 21. Furniture and equipment, including health care delivery assets | 1,177,832 | 1,764,119 | 586,287 |
| 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 | 1,133,577 | 1,013,443 | (120,134) |
| 25. Aggregate write-ins for other-than-invested assets | 15,589,845 | 13,832,366 | (1,757,479) |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 81,763,389 | 117,754,130 | 35,990,741 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | |
| 28. Total (Lines 26 and 27) | 81,763,389 | 117,754,130 | 35,990,741 |

| DETAILS OF WRITE-IN LINES | | | |
|---|------------|------------|-------------|
| 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 | 9,697,528 | 9,552,536 | (144,992) |
| 2502. LEASEHOLD IMPROVEMENTS | 5,017,155 | 4,279,830 | (737,325) |
| 2503. OTHER RECEIVABLES | 875,162 | | (875,162) |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | | | |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 15,589,845 | 13,832,366 | (1,757,479) |

NONE

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. Provider Service Organizations | | | | | | |
| 3. Preferred Provider Organizations | 213,821 | 210,430 | 207,180 | 206,612 | 206,695 | 2,499,996 |
| 4. Point of Service | | | | | | |
| 5. Indemnity Only | 1,293 | 1,244 | 1,217 | 1,148 | 1,119 | 14,357 |
| 6. Aggregate write-ins for other lines of business | 175,479 | 174,132 | 175,487 | 175,506 | 175,720 | 2,101,599 |
| 7. Total | 390,593 | 385,806 | 383,884 | 383,266 | 383,534 | 4,615,952 |

| DETAILS OF WRITE-IN LINES | | | | | | |
|---|---------|---------|---------|---------|---------|-----------|
| 0601. DENTAL ONLY | 81,673 | 79,882 | 80,693 | 80,380 | 79,979 | 963,629 |
| 0602. STOP LOSS | 43,244 | 43,439 | 43,274 | 43,324 | 43,438 | 520,660 |
| 0603. MEDICARE SUPPLEMENT | 25,191 | 25,311 | 25,405 | 25,625 | 25,716 | 305,879 |
| 0698. Summary of remaining write-ins for Line 06 from overflow page | 25,371 | 25,500 | 26,115 | 26,177 | 26,587 | 311,431 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above) | 175,479 | 174,132 | 175,487 | 175,506 | 175,720 | 2,101,599 |

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

- (1) The annual statement has been completed in accordance with the NAIC Accounting Practices and Procedures manual and as prescribed by the State of Rhode Island Department of Business Regulation – Insurance Division.
- (2) The Plan’s 2019 annual statement excludes Administrative Service Contract (ASC) business from revenue, and medical and hospital claims. The ASC reimbursement has been classified as a reduction to claims adjustment and general administrative expenses.
- (3) Effective for 2017 the Plan has obtained a permitted practice to fully non-admit its DTA balance related to AMT credits, and to record no impact to its statutory capital and surplus as a result of the accounting for AMT credits, until such time as any amount of the AMT credit is used to offset Federal Income tax obligations or is refunded to BCBSRI in cash by the IRS. If the AMT credits were admitted surplus would be higher by \$36,258,104 and \$72,516,207, in 2019 and 2018 respectively and net income would be lower by \$18,129,052 in 2019 and higher by \$36,258,104 in 2018.

| <u>NET INCOME</u> | SSAP# | F/S State | F/S Line# | <u>Dec 31, 2019</u> | <u>Dec 31, 2018</u> |
|---|-----------|--------------|--------------|---------------------|---------------------|
| (1) The Plan’s state basis (RI) | xxx | xxx | xxx | \$68,833,715 | \$ 9,411,398 |
| (2) State prescribed practice that increase/(decrease) NAIC SAP | | | | | |
| (3) State permitted practice that increase/(decrease) NAIC SAP | INT 18-01 | 4 | 31 | <u>(18,129,052)</u> | <u>36,258,104</u> |
| (4) NAIC SAP | xxx | xxx | xxx | \$50,704,663 | \$45,669,502 |
| | | | | <u>Dec 31, 2019</u> | <u>Dec 31, 2018</u> |
| | | | | \$371,583,769 | \$298,658,624 |
| | | | | <u>36,258,104</u> | <u>72,516,207</u> |
| (8) NAIC SAP | xxx | xxx | xxx | \$407,841,873 | \$371,174,831 |

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

The preparation of the financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The Plan is subject to an annual fee under section 9010 of the Patient Protection Affordable Care Act (PPACA). The fee is payable based upon the Plan offering health insurance for a specific calendar year commencing January 1, 2014 or thereafter. Per statutory accounting guidance, the entire amount of the annual fee is recognized on January 1st of the fee year in taxes, licenses and fees exclusive of federal income taxes in the statutory financial statements. Under generally accepted accounting principles, the annual fee is reported as a deferred asset on January 1 and amortized to expense on a straight line basis. Finally, per statutory accounting, the estimated fee for the subsequent year is distributed from unassigned funds and reported as an aggregate write-in for special surplus funds. There is no similar requirement under generally accepted accounting principles.

Income Tax Accounting Implications of the Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) eliminating the corporate alternative minimum tax (AMT) and (3) changing how existing AMT credits will be realized. BCBSRI was required to recognize the effect of the tax law changes in the period of enactment. In February 2018, the National Association of Insurance Commissioners adopted INT 18-01: Updated Tax Estimates under the Tax Cuts and Jobs Act (“INT 18-01”), which allows reporting entities to record provisional

NOTES TO FINANCIAL STATEMENTS

amounts during a measurement period not to extend beyond one year from the enactment date (i.e. December 22, 2018). BCBSRI has completed its analysis within the measurement period in accordance with INT 18-01.

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the effective interest rate method.
- (3) Common stocks at fair market value except the investments in stocks of uncombined subsidiaries and affiliates in which the Plan has an interest of 20% or more are carried on the equity basis.
- (4) Preferred stock are stated in accordance with guidance provided in SSAP No. 32.
- (5) The Plan does not have mortgage loans on real estate.
- (6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The prospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative.
- (7) The Plan has a minority interest in International Blue Solutions, LLC with a carrying value of \$1,228,562. The Plan also has a minority interest in Blue Health Intelligence Co, LLC with a carrying value of \$1,320,372. The Plan also has a minority interest in Prime Therapeutics with a carrying value of \$10,576,653. The Plan also has a minority interest in Oak Street Health-RI, LLC of \$1,954,193.
- (8) The Plan has minor ownership interests in partnerships and limited liability companies. The value of these interests are based on the underlying audited GAAP equity of the investee.
- (9) The Plan does not own derivative investments.
- (10) The Plan considers anticipated investment income as a factor in premium deficiency calculation.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Plan has not modified its capitalization policy from the prior period.
- (13) The Plan's pharmacy benefit manager provides estimated pharmacy rebates on a quarterly basis.

D. Going Concern

Management continually evaluates the Plan's ability to continue as a going concern. After considering management's plans, potential events and principal conditions, there is no substantial doubt about the Plan's ability to continue as a going concern.

2. Accounting Changes and Correction of Errors

There were no Accounting Changes and Correction of Errors in 2019.

3. Business Combinations and Goodwill

There were no Business Combinations and resulting Goodwill in 2019.

4. Discontinued Operations

The Plan did not incur discontinued operations for 2019.

5. Investments

- A. The Plan did not have any outstanding mortgage loans in 2019.
- B. The Plan did not have any debt restructuring in 2019.
- C. The Plan did not have any reverse mortgages in 2019.
- D. Loan-Backed Securities

- (1) The Plan utilizes the prospective method for loan backed securities. The Plan obtains the prepayment assumptions for mortgage-backed/asset-backed securities from the following hierarchy: Bloomberg median speed; if none, then 6 month historical CPR; if none, then YieldBook prepayment model that runs fixed rate MBS at 100% of the model and Hybrid Arms at 100% of MTB (Model to Balloon). CMBS are run at a 0% constant prepayment

NOTES TO FINANCIAL STATEMENTS

rate. If this information is not obtainable from one of these sources then analysts determine the cash flows to be used. The Plan utilizes the fair market value as published by the NAIC Valuation Securities Manual. If the rate is not published by the Securities Valuation Office (SVO), the security is carried at amortized value in accordance with NAIC guidelines.

- (2) The Plan did not recognize other-than-temporary impairment (OTTI) for loan-backed securities:

| | 1 | 2 | 3 |
|-------------------------------------|---|--|---------------------|
| | Amortized Cost Basis Before other-than- Temporary- Impairment | Other-than- Temporary- Impairment Recognized in loss | Fair Value 1 - 2 |
| OTTI recognized 4 th Qtr | | | |
| j. Intent to sell | -- | -- | -- |
| l. Total 4 th Qtr | -- | -- | -- |
| m. Annual Aggregate Total | -- | -- | -- |

- (3) The Plan did not recognize OTTI for loan-backed securities see table below:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|-------|--|--|---|--|-------------------------------|--|
| Cusip | Book Adjusted Carrying Value Before Current Period OTTI | Present Value of Projected Cash Flow | Recognized other-than Temporary Impairment | Amortized Cost after Other- Than-Temporary Impairment | Fair Value time of OTTI | Date of Financial where Reported N/A |
| N/A | -- | -- | -- | -- | -- | -- |
| Total | -- | -- | -- | -- | -- | -- |

- (4) Loan-backed securities with unrealized losses as of December 31, 2019:

Loan-Backed Securities

- a. The aggregate amount of unrealized losses:

1. Less than 12 Months \$42,757

2. 12 Months or Longer \$49,761

- b. The aggregate related fair value of securities

with unrealized losses:

1. Less than 12 Months \$10,519,747

2. 12 Months or Longer \$6,234,251

- (5) The evaluation of impairments is a quantitative and qualitative process, which is subject to risks and uncertainties and is intended to determine whether declines in the fair value of investments should be recognized in the current period. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition or near term recovery prospects, the effects of changes in interest rates or credit spreads and the recovery period. As of December 31, 2019, the Plan does not consider loan-backed securities in an unrealized loss position to be other-than-temporarily impaired as reported in the table above.

E. Repurchase Agreements

- 1) For repurchase agreements, the Plan ensures that the fair market value of the collateralized security is equal to or exceeds the amount under agreement to repurchase.
- 2) The Plan has investments pledged as collateral. The securities are US Treasury Bonds and Corporate Bonds with a carrying value of \$91,290,262.
- 3) The Plan has not accepted any collateral.
- 4) The Plan does not have any securities lending transactions.
- 5) The Plan does not have any collateral reinvestment.
- 6) The Plan has not accepted any collateral.
- 7) The Plan does not have any securities lending transactions.

F. Repurchase agreements accounted for as secured borrowing is non-applicable.

G. Reverse repurchase agreements accounted for as secured borrowing is non-applicable.

H. Repurchase agreements accounted for as a sale is non-applicable.

I. Reverse repurchase agreements accounted for as sale is non-applicable.

J. The Plan does not hold real estate for investment purposes.

K. The Plan does not have any low-income housing credits.

L. 1) Restricted Assets

Gross

NOTES TO FINANCIAL STATEMENTS

| Nonadmitted) Restricted from Restricted Asset Category | Total Gross (Admitted & Nonadmitted) Restricted from Current Year | Total Gross (Admitted & Increase/ (Decrease) Prior Year | Year Nonadmitted (1 minus 2) | Total Current Year Admitted Restricted Restricted | Total Current Restricted to Total Assets (1 minus 4) | (Admitted & Nonadmitted) Admitted (a) | Admitted Restricted to Total Assets (b) |
|---|---|---|------------------------------------|--|---|--|--|
| a. Subject to contractual obligation for which liability is not shown | \$26,107,000 | \$117,412,173 | \$(91,305,173) | \$ -- | \$26,107,000 | 3.14% | 3.48% |
| b. Collateral held under security lending agreements | -- | -- | -- | -- | -- | -- | -- |
| c. Subject to repurchase agreements | 59,330 | 169,193 | (109,863) | -- | 59,330 | 0.01% | 0.01% |
| 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 | -- | -- | -- | -- | -- | -- | -- |
| i. FHLB capital stock | 356,900 | -- | 356,900 | -- | 356,900 | 0.04% | 0.05% |
| j. On deposit with states | -- | -- | -- | -- | -- | -- | -- |
| k. On deposit with regulatory bodies | -- | -- | -- | -- | -- | -- | -- |
| l. Pledged as collateral FHLB | 64,767,032 | -- | 64,767,032 | -- | 64,767,032 | 7.78% | 8.62% |
| m. Pledged as collateral not captured in other categories | -- | -- | -- | -- | -- | -- | -- |
| n. Other restricted assets | -- | -- | -- | -- | -- | -- | -- |
| o. Total Restricted Assets | <u>\$91,290,262</u> | <u>\$117,581,366</u> | <u>\$(26,291,104)</u> | <u>\$ --</u> | <u>\$91,290,262</u> | <u>10.97%</u> | <u>12.16%</u> |
| (a) | Column 1 divided by Asset Page, Column 1, Line 28 | | | | | | |
| (b) | Column 5 divided by Asset Page, Column 3, Line 28 | | | | | | |

2) Pledged Assets not captured in other categories is not applicable to the Plan.

3) Other Restricted Assets is not applicable to the Plan.

4) The Plan does not have any Collateral received in Assets

M. The Plan does not have any Working Capital Finance Investments.

N. The Plan does not offset Assets and Liabilities of Investments.

O. The Plan does not own only 5GI* Securities.

P. The Plan does not have any short sales.

Q. Prepayment Penalty and Acceleration fees

| | |
|---|----------------|
| (1) Number of CUSIPs | <u>3</u> |
| (2) Aggregate Amount of Investment Income | <u>\$5,765</u> |

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan does not have an investment interest in joint ventures, partnerships and limited liability companies that individually exceeds 10% of its admitted assets.

7. Investment Income

The Plan has not excluded from assigned funds (surplus) any investment income due and accrued.

8. Derivative Instruments

The Plan does not own any derivative instruments.

9. Income Taxes

SSAP 101 became effective from January 1, 2012.

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

| (1) | 12/31/2019 | | | 12/31/2018 | | | Change | | |
|---------------------------------------|-----------------|----------------|-----------------|-----------------|---------|-----------------|-------------|----------------|----------------|
| | (000) | | | | | | | | |
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| (a) Gross deferred tax assets | \$ 88,655 | \$ 0 | \$ 88,655 | \$ 125,111 | \$ 315 | \$ 125,426 | \$ (36,456) | \$ (315) | \$ (36,771) |
| (b) Statutory valuation allow | <u>(49,644)</u> | 0 | <u>(49,644)</u> | <u>(52,910)</u> | 0 | <u>(52,910)</u> | 3,266 | 0 | 3,266 |
| (c) Adjusted gross deferred tax | \$ 39,011 | \$ 0 | \$ 39,011 | \$ 72,201 | \$ 315 | \$ 72,516 | \$ (33,190) | \$ (315) | \$ (33,505) |
| (d) Deferred tax nonadmitted | <u>(36,258)</u> | 0 | <u>(36,258)</u> | <u>(72,516)</u> | 0 | <u>(72,516)</u> | 36,258 | 0 | 36,258 |
| (e) subtotal (net deferred tax asset) | \$ 2,753 | \$ 0 | \$ 2,753 | \$ (315) | \$ 315 | \$ 0 | \$ 3,068 | \$ (315) | \$ 2,753 |
| (f) deferred tax liabilities | 0 | <u>(2,753)</u> | <u>(2,753)</u> | 0 | 0 | 0 | 0 | <u>(2,753)</u> | <u>(2,753)</u> |
| (g) Gross deferred tax asset/(liabil) | \$ 2,753 | \$ (2,753) | \$ 0 | \$ (315) | \$ 315 | \$ 0 | \$ 3,068 | \$ (3,068) | \$ 0 |

(2) Admission calculation components:

| | 12/31/2019 | 12/31/2018 | Change |
|--|------------|------------|--------|
| | (000) | | |

NOTES TO FINANCIAL STATEMENTS

| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
|---|----------|------------|-------|----------|---------|-------|----------|------------|-------|
| (a) Admitted pursuant to 11.a. loss carrybacks) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| (b) Admitted pursuant to 11.b. Realization per 11.b.i | \$ 2,753 | \$ (2,753) | \$ 0 | \$ (315) | \$ 315 | \$ 0 | \$ 3,068 | \$ (3,068) | \$ 0 |
| Limitation per 11.b.ii. | \$ N/A | \$ N/A | \$ 0 | \$ N/A | \$ N/A | \$ 0 | \$ N/A | \$ N/A | \$ 0 |
| (c) SSAP No. 10R, Parag 10.eii.a | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| (d) SSAP No. 10R, Parag 10.eii.b | \$ 2,753 | \$ (2,753) | \$ 0 | \$ (315) | \$ 315 | \$ 0 | \$ 3,068 | \$ (3,068) | \$ 0 |

| | 2019 | 2018 |
|--|--------------|--------------|
| (3) Used in 11.b. | | |
| (a) Ratio percentage used to determine recovery Period and threshold limitation amount | 638.1% | 520.0% |
| (b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above | \$54,544,259 | \$44,732,801 |

(4) Impact of tax planning strategies (TPS) on adjusted gross DTAs and net admitted DTAs

| | 12/31/2019 | | | 12/31/2018 | | | Change | | |
|---|------------|---------|-------|------------|---------|-------|----------|---------|-------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| (a) Adjusted gross DTAs - percentage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (b) Admitted gross DTAs -percentage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (c) Does the Plan's tax planning strategies include the use of reinsurance? Yes ___ No <u>X</u> | | | | | | | | | |

B. Temporary differences for which a DTL has not been established:
N/A

C. Significant components of income taxes incurred.

(1) Current income taxes incurred consist of the following major components:

| | 12/31/2019 | 12/31/2018 | Change |
|--|------------------------|-------------------|------------------------|
| (1) Current Income Tax | | | |
| (a) Federal | (36,258,103) | 312,759 | (36,570,862) |
| (b) Foreign | 0 | 0 | 0 |
| (c) Subtotal | (36,258,103) | 312,759 | (36,570,862) |
| (d) Federal Income Tax on net capital gains | 0 | 0 | 0 |
| (e) Utilization of capital loss carry-forwards | 0 | 0 | 0 |
| (f) Other | 0 | 0 | 0 |
| (g) Federal and foreign income taxes incurred | <u>\$ (36,258,103)</u> | <u>\$ 312,759</u> | <u>\$ (36,570,862)</u> |

(2) Deferred Tax Assets

| a. Ordinary | 12/31/2019 | 12/31/2018 | Change |
|---|------------------------|------------------------|----------------------|
| (1) Discount of unpaid losses | \$ 566,820 | \$ 502,450 | \$ 64,370 |
| (2) Unearned premium reserve | 0 | 0 | 0 |
| (3) Policyholder reserves | 0 | 0 | 0 |
| (4) Investments | 0 | 0 | 0 |
| (5) Intangibles | 5,185,747 | 5,197,139 | (11,392) |
| (6) Policyholder dividends accrual | 0 | 0 | 0 |
| (7) Fixed assets | 1,345,727 | 1,198,714 | 147,013 |
| (8) Compensation and benefits accrual | 4,533,812 | 4,724,319 | (190,507) |
| (9) Pension accrual | 1,357,762 | 964,751 | 393,011 |
| (10) Receivables - nonadmitted | 425,388 | 223,600 | 201,788 |
| (11) Net operating loss carry-forward | 30,381,329 | 36,561,261 | (6,179,932) |
| (12) Tax credit carry-forward | 36,258,104 | 72,516,207 | (36,258,103) |
| (13) Other | <u>8,600,762</u> | <u>3,222,401</u> | <u>5,378,361</u> |
| (99) Subtotal – Gross ordinary DTAs | \$ 88,655,451 | \$ 125,110,842 | \$ (36,455,391) |
| b. Statutory valuation allowance Adjustment | \$ (49,643,851) | \$ (52,909,855) | \$ 3,266,004 |
| c. Nonadmitted | <u>\$ (36,258,104)</u> | <u>\$ (72,516,207)</u> | <u>\$ 36,258,103</u> |
| d. Admitted Ordinary Deferred Tax Assets | <u>\$ 2,753,496</u> | <u>\$ (315,220)</u> | <u>\$ 3,068,716</u> |
| e. Capital | | | |
| (1) Investments | \$ 0 | \$ 315,220 | \$ (315,220) |
| (2) Net capital loss carry-forward | 0 | 0 | 0 |
| (3) Real estate | 0 | 0 | 0 |
| (4) Other | 0 | 0 | 0 |
| (99) Subtotal - Capital DTAs | \$ 0 | \$ 315,220 | \$ (315,220) |
| f. Statutory Valuation allowance Adjustment | 0 | 0 | 0 |
| g. Nonadmitted | 0 | 0 | 0 |
| h. Admitted Capital Deferred Tax Assets | <u>\$ 0</u> | <u>\$ 315,220</u> | <u>\$ (315,220)</u> |
| i. Admitted Deferred Tax asset | <u>\$ 2,753,496</u> | <u>\$ 0</u> | <u>\$ 2,753,495</u> |

(3) Deferred Taxes Liabilities

| a. Ordinary | 12/31/2019 | 12/31/2018 | Change |
|---------------------------------------|------------|------------|--------|
| (1) Investments | 0 | 0 | 0 |
| (2) Fixed Assets | 0 | 0 | 0 |
| (3) Deferred and Uncollected premiums | 0 | 0 | 0 |
| (4) Policyholder Reserves | 0 | 0 | 0 |

NOTES TO FINANCIAL STATEMENTS

| | | | |
|---|---------------------|--------------|---------------------|
| (5) Other | <u>0</u> | <u>0</u> | <u>0</u> |
| (99) Subtotal - Ordinary DTLs | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| b. Capital | | | |
| (1) Investments | 2,753,496 | 0 | 2,753,496 |
| (2) Real estate | 0 | 0 | 0 |
| (3) Other | <u>0</u> | <u>0</u> | <u>0</u> |
| (99) Subtotal – Capital DTLs | <u>\$ 2,753,496</u> | <u>\$ 0</u> | <u>\$ 2,753,496</u> |
| c. Deferred tax liabilities | <u>\$ 2,753,496</u> | <u>\$ 0</u> | <u>\$ 2,753,496</u> |
| (4) Net deferred tax assets/liabilities | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

D. Nature of significant reconciling items for income taxes incurred and change in DTAs and DTLs

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 taxes including realized capital gains/losses. The significant items causing this difference are as follows:

| | <u>Amount</u> | <u>Tax Effect</u> | <u>Effective Tax Rate</u> |
|---|--------------------|-------------------|-------------------------------|
| Income before Taxes (including all realized capital gains/losses) | \$ 32,575,612 | \$ 6,840,878 | 21.00% |
| Health Insurer fee | 0 | 0 | 0.00% |
| Special 3 month reserve deduction | (23,370,208) | (4,907,744) | -15.07% |
| Change in Unrealized gains/losses | 4,358,791 | 915,346 | 2.81% |
| Revisions to estimates | 2,612,475 | 548,620 | 1.68% |
| Statutory Valuation Allowance Adjustment | (15,684,100) | (3,293,661) | -10.11% |
| Permanent differences | 3,738,377 | 785,059 | 2.41% |
| Change in non-admitted assets | (267,361) | (56,146) | -0.17% |
| Other | <u>(3,963,586)</u> | <u>(832,352)</u> | <u>-2.55%</u> |
| Total | <u>\$ 0</u> | <u>\$ 0</u> | <u>0.00%</u> |
| Federal Income Taxes Incurred | | \$ (36,258,103) | -111.30% |
| Change in net deferred income taxes | | <u>36,258,103</u> | <u>111.30%</u> |
| Total statutory income taxes | | <u>\$ 0</u> | <u>0.00%</u> |

E. Carryforwards, recoverable taxes, and IRC 6603 deposits

Plan has net operating loss carryforwards of \$144,672,993 expiring through calendar years 2030 to 2036.

Plan has an AMT credit carryforwards of \$36,258,104 which can be utilized to offset regular tax with any remaining amount eligible for a refund of 50% beginning in 2018 through 2020. Any remaining amount will be fully refundable beginning in the 2021 tax year.

Income taxes, ordinary capital, available for recoupment in the event of future losses include:

The Plan has no income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses.

Deposits admitted under IRC 6603

N/A

F. Income Tax loss contingencies

The Plan has not recorded any contingencies related to taxes.

G. The Plan's federal income tax return is consolidated with the following entities:

The Plan does not join in the filing of a consolidated federal income tax return.

H. Repatriation Transition Tax (RTT)

Not applicable

I. Alternative Minimum Tax Credit

(1) Gross AMT Credit Recognized as:

| | |
|--|--------------|
| a. Current year recoverable | \$36,258,103 |
| b. Deferred tax asset (DTA) | \$36,258,104 |
| (2) Beginning Balance of AMT Credit Carryforward | \$72,516,207 |
| (3) Amount Recovered | \$36,258,103 |
| (4) Adjustments | \$ -- |
| (5) Ending Balance AMT Credit Carryforward | \$36,258,104 |
| (6) Reduction for Sequestration | \$ -- |
| (7) Nonadmitted by Reporting Entity | \$36,258,104 |
| (8) Reporting Entity Ending Balance | \$ -- |

10. Information Concerning Parent, Subsidiaries and Affiliates

NOTES TO FINANCIAL STATEMENTS

- A. See Schedule Y Part 1 for nature of relationship.
- B. BCBSRI made an investment in OSH-RI, LLC on November 20, 2018 of \$3,493,000. BCBSRI current carrying value as of December 31, 2019 in OSH-RI, LLC is \$1,954,193.
- C. Non-Applicable
- D. Non-Applicable
- E. Non-Applicable
- F. Non-Applicable
- G. Non-Applicable
- H. Non-Applicable
- I. Non-Applicable
- J. Non-Applicable
- K. Non-Applicable
- L. Non-Applicable
- M. Non-Applicable
- N. Non-Applicable
- O. Non-Applicable

11. Debt

A.

Mortgage on Building

- (1) Date issued is January 14, 2008.
- (2) Bank loan for corporate office building.
- (3) The maximum loan amount is \$90,000,000.
- (4) Carrying value of loan is \$57,806,264.
- (5) The rate at which interest accrues is 30-day LIBOR plus an agreed upon spread (basis points).
- (6) The effective interest rate is equivalent to the 30-day LIBOR plus an agreed upon spread (basis points).
- (7) Office building structure.
- (8) Interest paid year to date is \$3,417,207.
- (9) Loan converted to fixed rate mortgage instrument in February 2010.
- (10) Non-Applicable
- (11) Non-Applicable
- (12) Non-Applicable

B. FHLB (Federal Home Loan Bank) Agreements

- (1) The Plan is a member of the Federal Home Loan Bank (FHLB) of Boston. Through its membership, the Plan has conducted business activity with FHLB. It is part of the Plan's strategy to utilize these funds as backup liquidity if necessary. The Plan has determined the actual maximum borrowing capacity as \$60,000,000. The Plan has calculated this amount with approval from the Plans Board of Directors.

(2) FHLB Capital Stock

a. Aggregate Totals

| 1. Current Year | <u>Total</u> |
|--|--------------|
| (a) Membership Stock – Class A | \$0 |
| (b) Membership Stock – Class B | \$296,900 |
| (c) Activity Stock | \$60,000 |
| (d) Excess Stock | \$0 |
| (e) Aggregate Total (a+b+c+d) | \$356,900 |
| (f) Actual or Estimated Borrowing Capacity as Determined by the Insurer | \$60,000,000 |

| 2. Prior Year-end | <u>Total</u> |
|--|--------------|
| (a) Membership Stock – Class A | \$0 |
| (b) Membership Stock – Class B | \$0 |
| (c) Activity Stock | \$0 |
| (d) Excess Stock | \$0 |
| (e) Aggregate Total (a+b+c+d) | \$0 |
| (f) Actual or Estimated Borrowing Capacity as Determined by the Insurer | \$0 |

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)

11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

NOTES TO FINANCIAL STATEMENTS

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

| Member Stock | <u>1</u> | <u>2</u> | Eligible for Redemption | | | |
|--------------|--------------------------------------|-----------------------------------|-----------------------------------|--|---------------------------------------|--------------------------|
| | Current Year Total (2+3+4+5+6) | Not Eligible for Redemption | <u>3</u> Less Than 6 Months | <u>4</u> 6 Months to Less Than 1 Year | <u>5</u> 1 to Less Than 3 Years | <u>6</u> 3 to 5 Years |
| 1. Class A | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Class B | 296,900 | 296,900 | 0 | 0 | 0 | 0 |

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)

11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(2) Total (Column 1)

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

| | <u>1</u> | <u>2</u> | <u>3</u> |
|--|--------------|----------------|------------------------------|
| | Fair Value | Carrying Value | Aggregate Total Borrowing |
| 1. Current Year Total Collateral Pledged | \$66,868,595 | \$64,767,032 | \$2,000,000 |
| 2. Prior Year-end Total Collateral Pledged | \$0 | \$0 | \$0 |

11B(3)a1 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b1 (Columns 1, 2 and 3, respectively)

11B(3)a2 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b2 (Columns 1, 2 and 3, respectively)

b. Maximum amount Pledged During Reporting period

| | <u>1</u> | <u>2</u> | <u>3</u> |
|--|--------------|----------------|---|
| | Fair Value | Carrying Value | Amount Borrowed at Time of Maximum Collateral |
| 1. Current Year Total Maximum Collateral Pledged | \$66,868,595 | \$64,767,032 | \$2,000,000 |
| 2. Prior Year-end Total Collateral Maximum Pledged | \$0 | \$0 | \$0 |

(4) Borrowing from FHLB

a. Amount as of the Reporting Date

| | Total | Funding Agreements Reserves Established |
|-----------------------------|-------|--|
| 1. Current year | | |
| (a) Debt | \$0 | xxx |
| (b) Funding Agreements | \$0 | \$0 |
| (c) Other | \$0 | xxx |
| (d) Aggregate Total (a+b+c) | \$0 | \$0 |
| 2. Prior Year-end | | |
| (a) Debt | \$0 | xxx |
| (b) Funding Agreements | \$0 | \$0 |
| (c) Other | \$0 | xxx |
| (d) Aggregate Total (a+b+c) | \$0 | \$0 |

b. Maximum Amount during Reporting period (Current Year)

| | Total |
|-------------------------------------|-------------|
| 1. Debt | \$2,000,000 |
| 2. Funding Agreements | \$0 |
| 3. Other | \$0 |
| 4. Aggregate Total (Lines 1+2+3) | \$2,000,000 |

11B(4)b4 should be equal to or greater than 11B(4)a1(d)

c. FHLB – Prepayment Obligations

Does the company have prepayment obligations under the following arrangements (YES/NO)?

| | |
|-----------------------|----|
| 1. Debt | NO |
| 2. Funding Agreements | NO |
| 3. Other | NO |

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

A) Defined Benefit Plan

The Plan terminated its defined benefit plan in 2015.

Supplemental Executive Retirement Plans (SERP)

NOTES TO FINANCIAL STATEMENTS

The Supplemental Executive Retirement Plans (“SERP”) are non-qualified defined benefit pension plans for certain executives as designated by the Board of Directors. There are annuities and installment payments made to retired participants.

Effective January 1, 2014 the SERP was frozen for active executives as designated by the Board of Directors. The designated executives will no longer accrue additional benefits based on pay and service subsequent to December 31, 2013.

Postretirement Benefit Plans

Eligible employees hired prior to January 1, 1992, who retire on or after attaining normal retirement age and who have rendered specific years of service under the provisions of the Blue Cross & Blue Shield of Rhode Island Retirement Plan are entitled to certain postretirement health care, medical coverage and life insurance benefits. The Plan may amend or change the postretirement benefits periodically. Effective January 1, 1993, except for those employees who have an exemption based on circumstances previously existing, these benefits are now subject to copayment provisions and other limitations. Effective April 1, 2013, a plan amendment for retiree insurance benefits was adopted whereby eligible active and former employees that had not attained retirement age of 55 or older and had not been collecting these benefits would not be entitled to these benefits upon retirement. The discontinued retiree benefits were life insurance and a group health insurance subsidy.

- (1) The following tables set forth the funding status and amounts recognized in the Plan’s Statutory Statements of Admitted Assets, Liabilities and Reserves at December 31, 2019 and 2018 for the Defined Benefit Plan, for the SERP and the Postretirement Benefit Plan:

| (In Thousands) | | | | |
|--|-------------------|--------------|--------------------|----------------|
| | <u>Overfunded</u> | | <u>Underfunded</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| SERP: | | | | |
| Change in Projected Benefit Obligation: | | | | |
| (1) Benefit obligation at beginning of year | \$ -- | \$ -- | \$3,521 | \$4,322 |
| (2) Service cost | -- | -- | -- | -- |
| (3) Interest cost | -- | -- | 143 | 139 |
| (4) Contributions by plan participants | -- | -- | -- | -- |
| (5) Actuarial gain (loss) | -- | -- | 582 | (377) |
| (6) Foreign currency exchange rate | -- | -- | -- | -- |
| (7) Benefit and administrative expenses paid | -- | -- | (110) | (86) |
| (8) Plan amendments | -- | -- | -- | -- |
| (9) Curtailment, settlements, etc. | -- | -- | -- | (477) |
| (10) Benefit obligation at end of year | <u>\$ --</u> | <u>\$ --</u> | <u>\$4,136</u> | <u>\$3,521</u> |

| (In Thousands) | | | | |
|--|-------------------|--------------|--------------------|-----------------|
| | <u>Overfunded</u> | | <u>Underfunded</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Postretirement Benefits: | | | | |
| Change in Projected Benefit Obligation: | | | | |
| (1) Benefit obligation at beginning of year | \$ -- | \$ -- | \$13,841 | \$16,315 |
| (2) Service cost | -- | -- | -- | -- |
| (3) Interest cost | -- | -- | 522 | 499 |
| (4) Contributions by plan participants | -- | -- | -- | -- |
| (5) Actuarial gain (loss) | -- | -- | 1,157 | (1,968) |
| (6) Foreign currency exchange rate | -- | -- | -- | -- |
| (7) Benefit and administrative expenses paid | -- | -- | (1,106) | (1,005) |
| (8) Plan amendments | -- | -- | -- | -- |
| (9) Curtailment, settlements, etc. | -- | -- | -- | -- |
| (10) Benefit obligation at end of year | <u>\$ --</u> | <u>\$ --</u> | <u>\$14,414</u> | <u>\$13,841</u> |

| (In Thousands) | | | | |
|--|-------------|-------------|-----------------------|-------------|
| | <u>SERP</u> | | <u>Postretirement</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Change in Plan Assets: | | | | |
| a. Fair value of assets at beginning of year | \$ -- | \$ -- | \$ -- | \$ -- |
| b. Actual return on plan assets | -- | -- | -- | -- |
| c. Foreign currency exchange rate | -- | -- | -- | -- |

NOTES TO FINANCIAL STATEMENTS

| | | | | |
|--|--------------|--------------|--------------|--------------|
| d. Contribution by reporting entity | 110 | 563 | 1,106 | 1,005 |
| e. Contribution by plan participants | -- | -- | -- | -- |
| f. Benefits paid | (110) | (86) | (1,106) | (1,005) |
| g. Business combinations & settlements | -- | (477) | -- | -- |
| h. Fair value of assets at end of year | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

(3) Funded Status:

(In Thousands)

| | <u>SERP</u> | | <u>Postretirement</u> | |
|--------------------------------------|-------------|-------------|-----------------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| a. Components: | | | | |
| 1. Prepaid benefit costs | \$ -- | \$ -- | \$ -- | \$ -- |
| 2. Overfunded plan assets | -- | -- | -- | -- |
| 3. Accrued benefit costs | 3,012 | 2,974 | 11,206 | 11,811 |
| 4. Liability for benefits | 1,124 | 547 | 3,208 | 2,030 |
| b. Assets and liabilities recognized | | | | |
| 1. Assets (nonadmitted) | -- | -- | -- | -- |
| 2. Liabilities recognized | 4,136 | 3,521 | 14,414 | 13,841 |
| c. Unrecognized liabilities | -- | -- | -- | -- |

(4) Net periodic benefit cost for 2019 and 2018 included the following components:

(In Thousands)

| | <u>SERP</u> | | <u>Postretirement</u> | |
|---|---------------|---------------|-----------------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| a. Service cost | \$ -- | \$ -- | \$ -- | \$ -- |
| b. Interest cost | 144 | 138 | 522 | 499 |
| c. Expected return on plan assets | -- | -- | -- | -- |
| d. Transition asset or obligation | -- | -- | -- | -- |
| e. Gains and losses | 5 | 12 | 191 | 305 |
| f. Prior service cost or credit | -- | -- | (212) | (212) |
| g. G/L due to settlement or curtailment | -- | -- | -- | -- |
| h. Net periodic benefit cost | <u>\$ 149</u> | <u>\$ 150</u> | <u>\$ 501</u> | <u>\$ 592</u> |

(5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost

(In Thousands)

| | <u>SERP</u> | | <u>Postretirement</u> | |
|--|-------------|-------------|-----------------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| a. Items not yet recognized as a component of net periodic cost – prior year | \$ -- | \$ -- | \$ -- | \$ -- |
| b. Net transition asset or obligation recognized | -- | -- | -- | -- |
| c. Net prior service cost or credit arising during the period | -- | -- | -- | -- |
| d. Net prior service cost or credit recognized | -- | -- | -- | -- |
| e. Net gain and loss arising during the period | -- | -- | -- | -- |
| f. Net gain and loss recognized | -- | -- | -- | -- |
| g. Items not yet recognized as a component of net periodic cost - current year | -- | -- | -- | -- |

(6) Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost

| | | | | |
|---------------------------------------|-------|-------|-------|-------|
| a. Net transition asset or obligation | \$ -- | \$ -- | \$ -- | \$ -- |
| b. Net prior service cost or credit | -- | -- | -- | -- |
| c. Net recognized gains and losses | -- | -- | -- | -- |

(7) Actuarial assumptions used in the accounting at the measurement date were:

| | <u>SERP</u> | | <u>Postretirement</u> | |
|--|-------------|-------------|-----------------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Weighted-average assumptions used to determine net periodic benefit cost | | | | |
| a. Discount Rate | 4.15% | 3.53% | 3.95% | 3.30% |
| b. Expected return on plan assets | - | - | - | - |
| c. Rate of compensation increase | N/A | N/A | - | - |
| d. Interest crediting rates | N/A | N/A | N/A | N/A |

Weighted-average assumptions used to determine projected benefit obligations

| | | | | |
|----------------------------------|-------|-------|-------|-------|
| e. Discount Rate | 3.13% | 4.15% | 2.83% | 3.95% |
| f. Rate of compensation increase | N/A | N/A | - | - |

NOTES TO FINANCIAL STATEMENTS

g. Interest crediting rates N/A N/A N/A N/A

(8) The accumulated benefit obligation for the SERP was \$4,136,926 and \$3,520,518 as of year ended 2019 and 2018 respectively

(9) The assumed annual rate of increase in the per capita cost of medical benefits is 6% in 2019 and is assumed to decrease through years 2020 and remain level at 5.29% through 2025.

(10) The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| | <u>Year</u> | <u>SERP Pension Benefits</u> | <u>Postretirement Benefits*</u> |
|----|-------------|------------------------------|---------------------------------|
| a. | 2020 | \$ 118,000 | \$1,236,000 |
| b. | 2021 | 120,000 | 1,184,000 |
| c. | 2022 | 128,000 | 1,133,000 |
| d. | 2023 | 142,000 | 1,090,000 |
| e. | 2024 | 154,000 | 1,041,000 |
| f. | 2025 - 2029 | 902,000 | 4,394,000 |

*excludes receivables for Medicare Part D subsidy

(11) The Plan expects to contribute \$118,000 to its SERP and \$1,236,000 to its postretirement benefits in 2020.

(12) Securities type

| <u>Asset Category</u> | <u>Plan Assets</u> | |
|-----------------------|--------------------|--------------|
| | <u>2019</u> | <u>2018</u> |
| Equity Securities | 0.00% | 0.00% |
| Debt Securities | 0.00% | 0.00% |
| Other | <u>0.00%</u> | <u>0.00%</u> |
| Total | 0.00% | 0.00% |

The Plan does not have any investment assets in the pension plan's.

(13) Not applicable

(14) Not applicable

(15) Not applicable

(16) Not applicable

(17) Pension Plans with an accumulated benefit obligation in excess of plan asset
(In Thousands)

| | <u>SERP</u> | | <u>Postretirement</u> | |
|--------------------------------|-------------|-------------|-----------------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Projected benefit obligation | \$ 4,136 | \$ 3,521 | \$ 14,414 | \$ 13,841 |
| Accumulated benefit obligation | 4,136 | 3,521 | 14,414 | 13,841 |
| Fair value of plan assets | -- | -- | -- | -- |

Pension Plans with plan asset in excess of accumulated benefit obligation
(In Thousands)

| | <u>SERP</u> | | <u>Postretirement</u> | |
|--------------------------------|-------------|-------------|-----------------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Projected benefit obligation | N/A | N/A | N/A | N/A |
| Accumulated benefit obligation | N/A | N/A | N/A | N/A |
| Fair value of plan assets | N/A | N/A | N/A | N/A |

(18) Not applicable

B. Not applicable the Plan does not hold any plan assets.

C. The following table provides information as of December 31, 2019 and 2018 about the Plan's pension plan financial assets by asset category.

1. December 31, 2019

NOTES TO FINANCIAL STATEMENTS

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|--------------|--------------|--------------|--------------|
| Mutual Funds | | | | |
| Equity Mutual Funds | \$ -- | \$ -- | -- | \$ -- |
| Fixed Income Mutual Funds | -- | -- | -- | -- |
| General Investment Account | -- | -- | -- | -- |
| Total Assets | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

| | December 31, 2018 | | | |
|----------------------------|-------------------|--------------|--------------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual Funds | | | | |
| Equity Mutual Funds | \$ -- | \$ -- | -- | \$ -- |
| Fixed Income Mutual Funds | -- | -- | -- | -- |
| General Investment Account | -- | -- | -- | -- |
| Total Assets | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

2. Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

D. The Plan does not hold any plan assets.

E. Employee Savings Plan

Participant contributions to the plan are derived from voluntary salary reduction agreements with the employer. The participant may, subject to the Internal Revenue Service (IRS) compensation deferral limits, contribute from 1% to 60% of his or her plan compensation, as defined, as a pre-tax basic contribution. The participant may then contribute a supplemental pre-tax contribution which, when combined with the participant's basic contribution, shall not exceed 60% of the participant's plan compensation, as defined. In addition, after-tax contributions up to 8% of the participant's plan compensation, as defined, may be made as long as total contributions do not exceed IRS guidelines. The employer contributes an amount equal to 100% of the participant's basic salary deferral contribution subject to a maximum of 6% of compensation.

Upon enrollment in the plan, a participant may direct participant and employer contributions in 1% increments with a minimum contribution of 1% in any of the investment options. Participants may change their contribution percentage and investment selections in accordance with stated plan requirements. Participants that contribute on a pre-tax basis up to 6% an equal amount will be matched by the Plan. Total employer contributions to the 401(k) savings plan in 2019 and 2018 were approximately \$3,902,000 and \$5,848,000, respectively.

F. Multiemployer Plans is not applicable.

G. Holding company Plans is not applicable

H. Postemployment Benefits

The Plan provides for certain postemployment benefits including disability benefits for eligible employees. The Plan has not recorded a liability for these benefits at December 31, 2019 and 2018, respectively.

I. Impact of Medicare Modernization Act on Postretirement Benefits is no longer applicable as of 2010.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- 1) The Plan does not have any capital stock.
- 2) The Plan does not have any preferred stock.
- 3) The Plan does not have any dividend restrictions.
- 4) The Plan does not have any ordinary dividends.
- 5) The Plan does not have any paid dividends.
- 6) The Plan does not have any restrictions on unassigned funds.

NOTES TO FINANCIAL STATEMENTS

- 7) The Plan does not have any advances to surplus unpaid.
- 8) The Plan does not have any conversion of preferred stock, employee stock options and stock purchase warrants.
- 9) The Plan has reported \$35,300,000 and \$0 as separate surplus fund Page 3, Line 25 relating to the PPACA Health Insurer fee that will be recognized in CY 2020 and CY 2019, respectively.
- 10) The portion of unassigned funds (surplus) represented was reduced by each of the following item:
 - a) Nonadmitted assets - \$81,763,389
- 11) The Plan does not have any surplus notes.
- 12) The Plan did not have any quasi-reorganization in 2019.
- 13) The Plan did not have any quasi-reorganization in 2019.

14. Contingencies

A) Contingent Commitments

The Plan is a defendant in a number of legal proceedings arising in the normal course of business. The Plan also remains a co-defendant in a multi-district litigation in federal court relating to allegations that the Plan has acted in conspiracy with other Blue Cross and Blue Shield plans in violation of antitrust laws. While the Plan's ultimate liability in the disposition of this matter is presently difficult to estimate, it is management's belief that the outcome is not likely to have a material adverse effect on the Plan's financial position or results of operations, statutory reserves and risk based capital. It is possible that a court decision or settlement could have an unanticipated material adverse effect on the Plan's results of operations, and risk based capital.

- B) The Plan does not have any assessments.
- C) The Plan does not have any gain contingencies.
- D) The Plan did not have any claims related extra contractual obligation and bad faith losses stemming from lawsuits.
- E) The Plan did not have any Joint and Several liability arrangements.
- F) All other contingencies see "A" above.

15. Leases

- A) 1) The Plan leases office space and ground lease under operating leases. Rent expense for operating leases in 2019 and 2018 was approximately \$1,433,752 and \$2,628,883, respectively.

2) The Plan is committed, under long-term noncancelable operating leases and installment purchase agreements to minimum payments as follows:

| | <u>Leases</u> |
|-------------------------------|------------------|
| | <u>Operating</u> |
| 2020 | \$ 1,511,747 |
| 2021 | 1,356,320 |
| 2022 | 1,176,239 |
| 2023 | 1,154,896 |
| 2024 | 767,669 |
| Less interest | - |
| Total minimum future payments | \$ 5,966,871 |

Certain rental commitments e.g. ground lease is a 97 year agreement through the year 2108 with two successive 75 year renewal options. Some of these renewals are subject to adjustments in future periods.

In December of 2015, the Plan expanded the scope of services with their long-term partner, NTT Data, Inc. NTT will continue to provide claims processing, enrollment and application development support and maintenance services. In 2016, NTT began providing provider and member call center support (for the commercial lines of business), business analysis, project management and credentialing services. Transition of these services to NTT occurred at contracted milestone dates between January of 2016 and March of 2017.

NOTES TO FINANCIAL STATEMENTS

As stipulated in the contract, the services shall be provided at Plan facilities, however, certain functions may be provided outside of Rhode Island as well as offshore under the direction of NTT staff. Services include operational services for technology and claims operations and business project services.

The agreement is in effect through March 31, 2023, unless terminated earlier or extended in accordance with contract terms. The agreement included decreasing annual minimum commitments of \$5,400,000 for calendar year 2017 and 2016, inclusive of transition and additional services, continuous improvement, innovation and cost management activities to drive average annual expense reductions of \$18,900,000 for years 2018-2023. The expected future payments of the contract, net of expense reductions, total approximately \$198,000,000.

In January of 2016 the Plan furthered the partnership with NTT and agreed to make a three year investment into Data and Analytics capabilities. In 2018 the Plan extended this partnership through 2021. The Data & Analytics investment will total \$17,000,000 over six years.

The contract provides for termination of the agreement between the parties based on events that may occur during the course of the contract. There are critical service levels that NTT must meet on an ongoing basis. The Plan is obligated to reimburse NTT for services performed in accordance with the contract. The Plan paid approximately \$49,551,000 and \$44,152,000 to NTT for calendar years 2019 and 2018 respectively. If the Plan terminates the agreement for convenience, the financial penalties are based on a sliding scale relating to the applicable month in which such termination was effective at December 2019 the penalty if terminated would have totaled \$5,400,000. Termination fees are not applicable beginning in January 2021.

3) The Plan is not involved in material sales – leaseback transactions.

B)(1) Lessor Leases

a) The Plan has a lease agreement for the use of its Corporate Office building 11th floor. The rental square footage leased is 8,680 square feet. The lease is 88 month duration commencing July 8, 2018 and terminating October 31, 2025. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan has a lease agreement for the use of its Corporate Office building 12th floor. The rental square footage leased is 10,800 square feet. The lease is 120 month duration commencing April 1, 2015 and terminating March 31, 2025. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan has a lease agreement for the use of its Corporate Office building 11th floor. The rental square footage leased is 12,333 square feet. The lease is 127 month duration commencing June 1, 2016 and terminating December 31, 2026. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan has a lease agreement for the use of its Corporate Office building 12th floor. The rental square footage leased is 10,356 square feet. The lease is 36 month duration commencing January 1, 2018 and terminating December 31, 2020. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan entered into a lease agreement for the use of its Corporate Office building 9th floor. The rental square footage leased is 18,859 square feet. The lease is 120 month duration commencing September 1, 2019 and terminating August 31, 2029. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

The Plan entered into a lease agreement for the use of its Corporate Office building 9th floor. The rental square footage leased is 4,950 square feet. The lease is 90 month duration commencing September 1, 2019 and terminating February 28, 2027. The arrangement is a triple net lease. The lessee is responsible for electricity usage for the specific rented space.

NOTES TO FINANCIAL STATEMENTS

b) non-applicable

c) Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, 2019 are as follows:

| Years Ended December 31 | Operating Leases |
|----------------------------|---------------------|
| 2020 | \$ 2,203,651 |
| 2021 | 1,892,273 |
| 2022 | 1,924,140 |
| 2023 | 1,973,411 |
| 2024 | <u>2,004,258</u> |
| Total | <u>\$ 9,997,733</u> |

d) The Plan does not have contingent rentals.

(2) The Plan does not have leveraged leases

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

- 1) The Plan does not have any swaps or option instruments.
- 2) The Plan does not have any interest rate swaps to reduce market risk.
- 3) The Plan does not have any credit related losses.
- 4) A pool of securities with a combined par value of \$26,107,000 are pledged to satisfy Blue Cross Blue Shield Association membership standards for out-of-area provider claim settlements.

The Plan also has various Corporate/U.S. Treasury Bonds with a combined par value of \$64,769,504 that is pledged with FHLB as collateral for the line of credit.

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

The Plan did not have a sale, transfer and servicing of financial assets and extinguishments of liabilities.

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

- A) The Plan is not an ASO Administrator for uninsured A&H Plans and the uninsured portion of partially insured plans.
- B) The Plan is an ASC Administrator for uninsured A&H Plans and the uninsured portion of partially insured plans.

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2019:

| | <u>ASC</u> <u>Uninsured</u> <u>Plans</u> | <u>Uninsured</u> <u>Portion of</u> <u>Partially</u> <u>Insured Plans</u> | <u>Total</u> <u>ASC</u> |
|--|--|---|----------------------------|
| a. Gross reimbursement for medical cost incurred | \$705,690,558 | -- | \$705,690,558 |
| b. Gross administrative fees accrued | <u>67,154,408</u> | -- | <u>67,154,408</u> |
| c. Total revenue | 772,844,966 | -- | 772,844,966 |
| d. Claims incurred | 705,690,558 | -- | 705,690,558 |
| e. Variable cost | <u>17,727,604</u> | -- | <u>17,727,604</u> |
| f. Contribution to fixed overhead | 49,426,804 | -- | 49,426,804 |

NOTES TO FINANCIAL STATEMENTS

| | | | |
|---|-------------|-----|-------------|
| g. Total fixed overhead | 50,455,486 | - - | 50,455,486 |
| h. Total net gain or (loss) from operations | (1,028,682) | - - | (1,028,682) |

- C) The Plan has a Medicare or similarly structured cost based reimbursement contract during 2019 and 2018.

The Medicare Part D program is a partially insured plan. The Plan recorded a receivable in amounts receivable relating to uninsured plans for in the statutory basis statements of admitted assets, liabilities and capital and surplus of \$7,676,000 as of December 31, 2019 for cost reimbursement under the Medicare Part D program for the catastrophic reinsurance, low-income member cost-sharing subsidies and coverage gap discount programs.

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

The Plan does not have direct premium written/produced by managing general agents/third party administrators.

20. Fair Value Measurements

A1) The following table provides information as of December 31, 2019 about the Plan's financial assets and liabilities measured at fair value on a recurring basis.

| | Level 1 | Level 2 | Level 3 | Net Asset Value (NAV) | Total |
|------------------------------|----------------------|----------------------|----------------------|--------------------------|----------------------|
| Assets | | | | | |
| Bonds | \$ -- | \$398,922,375 | \$ -- | \$ -- | \$398,922,375 |
| Preferred Stock-unaffiliated | -- | -- | -- | -- | -- |
| Common Stock -affiliated | -- | -- | 1,954,193 | -- | 1,954,193 |
| Common Stock -unaffiliated | <u>\$101,313,749</u> | <u>356,900</u> | <u>14,492,543</u> | -- | <u>116,163,192</u> |
| Total Assets | <u>\$101,313,749</u> | <u>\$399,279,275</u> | <u>\$ 16,446,736</u> | \$ -- | <u>\$517,039,760</u> |

The fair value of the Plan's equity securities categorized as Level 1 is based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Plan.

The fair value of the Plan's equity securities classified as Level 3 consist of private placement stocks for three companies for which there are limited or no observable valuation inputs. The fair value of these Level 3 equities is based upon analytics derived by the respective companies for which a fair value per share is published in the Securities Valuation Office manual.

A2) The following table presents the changes in our equity securities classified as Level 3 for the year-ended December 31, 2019.

| | Beginning Balance 1/1/2019 | Total gains and (losses) included in Net Income | Total gains and losses included in Surplus | Purchases | Sales | Ending Balance at 12/31/2019 |
|---------------------------|----------------------------------|--|---|-----------|-------------|------------------------------------|
| Assets | | | | | | |
| Common Stock-affiliated | \$ 3,493,000 | 0 | (1,538,807) | 0 | 0 | \$ 1,954,193 |
| Common Stock-unaffiliated | <u>15,827,044</u> | <u>(560,989)</u> | <u>(773,501)</u> | <u>0</u> | <u>(11)</u> | <u>14,492,543</u> |
| Total Assets | <u>\$19,320,044</u> | <u>(560,989)</u> | <u>(2,312,308)</u> | <u>0</u> | <u>(11)</u> | <u>\$16,446,736</u> |

There were unrealized losses of \$2,312,308 attributable to the change in net unrealized losses relating to assets still held.

A3) There were no transfers between levels as of December 31, 2019.

A4 & A5) Included in various investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a

NOTES TO FINANCIAL STATEMENTS

liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Plan estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

The Plan's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC 820, *Fair Value Measurements and Disclosures*. The hierarchy 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). The levels of the fair value hierarchy are as follows:

- Level 1 - Values 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 Plan's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

B) Not applicable.

| C) | Aggregate Fair Value | Admitted Assets | Level 1 | Level 2 | Level 3 | Net Asset Value (NAV) | Not Practicable (Carrying Value) |
|------------------------------|-------------------------|----------------------|----------------------|----------------------|---------------------|--------------------------|-------------------------------------|
| Assets | | | | | | | |
| Bonds | \$398,922,375 | \$385,332,697 | \$ -- | \$398,922,375 | \$ -- | \$ -- | \$ -- |
| Preferred Stock-unaffiliated | -- | -- | -- | -- | -- | -- | -- |
| Common Stock-affiliated | 1,954,193 | 1,954,193 | -- | -- | 1,954,193 | -- | -- |
| Common Stock-unaffiliated | <u>116,163,192</u> | <u>116,163,192</u> | <u>101,313,749</u> | <u>356,900</u> | <u>14,492,543</u> | <u>\$ --</u> | <u>--</u> |
| Total Assets | <u>\$517,039,760</u> | <u>\$503,450,082</u> | <u>\$101,313,749</u> | <u>\$399,279,275</u> | <u>\$16,446,736</u> | <u>\$ --</u> | <u>\$ --</u> |

D) Not required for not practicable (carrying value assets)

E) Not applicable

21. Other Items

- A) The Plan does not have any extraordinary items.
- B) The Plan does not have any troubled debt restructuring.
- C) The Plan participates in the Federal Employee Health Benefits Program (FEHBP) with other Blue Cross Blue Shield Plans. This program includes a fully-insured experience-rated contract, commonly known as the Federal Employee Program (FEP), between the Office of Personnel Management (OPM) and BCBSA, which acts as an agent for the participating Blue Cross Blue Shield plans. In addition each participating plan, including the Plan, executes a contract with BCBSA which obligates each participating plan to underwrite FEP benefits in its service area. Premium rates are developed by BCBSA and negotiated with OPM annually. These rates determine the funds that will be available to the participating Blue Cross Blue Shield to provide insurance to Federal employees that enroll with the Blue Cross Blue Shield FEP. The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is accounted for as a rate stabilization reserve (commonly referred to as the special reserve), as required by the contract between OPM and BCBSA. Each year, OPM also allocates a portion of the premiums to a contingency reserve which may be utilized by the participating plans in the event that annual premiums paid to the insurance carrier are insufficient or the rate stabilization reserve falls below certain levels prescribed by OPM. Premiums paid to the carrier

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and available to each participating Blue Cross Blue Shield plan, including the special reserve and contingency reserve, are held at the U.S. Treasury, including amounts unused from prior periods. Any premiums that remain in the rate stabilization reserve upon termination of the BCBSA contract after the claims run-out and reimbursement of the allowable administrative expenses would be returned to OPM for the benefit of the FEHBP. The FEP contract renews automatically each year unless written notice of termination is given by either party.

In accordance with the FEP contract, premium funds that exceed daily operating needs are held on behalf of the Plan in letter of credit accounts at the U.S. Treasury to provide funding for claims, administrative expenses, and other charges to the contract. The Plan, along with other Blue Cross Blue Shield plans who participate in the FEHBP contract, has an unrestricted right to draw funds held in the U.S. Treasury.

The Plan has recorded its allocable share of a special reserve fund held in the U.S. Treasury as an asset, with an equivalent amount recorded as a rate stabilization reserve. This amount is \$20,809,168 as of December 31, 2019, and is included in other current assets and other current liabilities in the accompanying consolidated balance sheets.

FEP represented approximately 62.7% of accounts receivable as of December 31, 2019. FEP represented approximately 6.9% of net revenue for the year ended December 31, 2019.

Also the Center for Medicare & Medicaid Services (CMS) adjusts payments to Medicare Advantage plans and Medicare Part D plans according to the predicted health status of each beneficiary as supported by data from health care providers. The Plan collects claim and encounter data from providers who the Plan generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted and member demographic information.

CMS and the Office of Inspector General for Health and Human Services periodically perform RADV audits of selected Medicare health plans to validate the coding practices of and supporting documentation maintained by health care providers. Such audits have in the past resulted in, and in the future could result in, retrospective adjustments to payments made to the Plan, fines, corrective action plans or other adverse action by CMS.

- D) The Plan did not have any business interruption insurance recoveries in 2019.
- E) 1) Carrying value of transferable and non-transferable State Tax Credits gross of any related tax liabilities and total unused transferable and non-transferable state tax credits by state and in total
- | <u>Description of State transferable
and non-transferable tax credits</u> | <u>State</u> | <u>Carrying Value</u> | <u>Unused Amount</u> |
|---|--------------|-----------------------|----------------------|
| Historic Investment Tax Credit | RI | \$ -- | \$ -- |
- 2) The Plan estimated the utilization of the remaining non-transferable state tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining non-transferable state tax credits.
- 3) The Plan did not have any impairment losses for state transferable tax credits in 2019.
- 4) State Tax Credits Admitted and Nonadmitted
- | | Total Admitted | Total Nonadmitted |
|---------------------|----------------|-------------------|
| a. Transferable | -- | -- |
| b. Non-transferable | -- | -- |
- F) Subprime Mortgage Related Risk Exposure
- (1) The following is the Plan's narrative description of a subprime investment. A mortgage loan which has one or more of the following attributes: weak credit score high debt-to-income-ratio, high loan-to-value ratio or undocumented income.
- (2) Non-applicable
- (3) Non-applicable
- (4) Non-applicable
- G) Retained Assets is not applicable.
- H) The Plan did not receive proceeds from insurance-linked securities.
- I) The Plan has not realized on life insurance policy.

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22. Events Subsequent

Nonrecognized Subsequent Event:

On January 1, 2020 the Plan will be subject to an annual fee under section 9010 of the federal Affordable Care Act (ACA). This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2019, the Plan has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2020, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2020 to be \$35,300,000. This amount is reflected in special surplus. This assessment is expected to impact risk based capital by (61.6%). Reporting the ACA assessment as of December 31, 2019 would not have triggered an RBC action level.

| | Dec 31, 2019 | Dec 31, 2018 |
|---|--------------|---------------|
| A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care act (YES/NO) | Yes | |
| B. ACA fee assessment payable for the upcoming year | \$35,300,000 | \$ - - |
| C. ACA fee assessment paid | -- | 32,459,750 |
| D. Premium written subject to ACA 9010 assessment | -- | 1,618,365,297 |
| E. Total Adjusted Capital before surplus adjustment | 371,583,769 | |
| F. Total Adjusted Capital after surplus adjustment | 336,283,769 | |
| G. Authorized Control Level | 58,232,394 | |
| H. Would reporting the ACA assessment as of December 31, 2019 have triggered an RBC action level (Yes/No)? | No | |

23. Reinsurance

A. Ceded Insurance Report

Section 1 – General Interrogatories

- (1) The Plan does not own or control any of the reinsurers listed on Schedule S.
- (2) There are no policies issued by the Plan that are reinsured with a company chartered in a country other than the United States that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business.

Section 2 – Ceded Reinsurance Report – Part A

- (1) The Plan does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit.
- (2) The Plan does not have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies.

Section 3 – Ceded Reinsurance Report – Part B

- (1) The estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, is not applicable to the Plan since it does not cede its reinsurance.
- (2) The Plan has not executed or amended any existing agreements, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement.

- B) The Plan did not experience a write-off for uncollectible reinsurance.
 C) The Plan did not experience a commutation of ceded reinsurance.

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D) Certified Reinsurer Rating downgraded is not applicable.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A) The Plan estimates accrued retrospective premium adjustments for its group health insurance business based on the Plan's underwriting policies, experience rating practices and claims reserve calculation.
- B) The Plan records accrued retrospective premium as an adjustment to earned premium.
- C) The amount of net premiums written by the Plan at December 31, 2019 that are subject to retrospective rating features was \$5,999,000, that represented 0.35% of the total net premiums written. No other net premiums written by the Plan are subject to retrospective rating features.
- D) Medical loss ratio rebates required pursuant to the Public Health Service Act.

| | Individual | Small Group Employer | Large Group Employer | Other Categories with Rebates | Total |
|---|------------|----------------------------|----------------------------|--|-----------|
| Prior Reporting Year | | | | | |
| (1) Medical loss ratio rebates incurred | -- | -- | -- | 698,000 | 698,000 |
| (2) Medical loss ratio rebates paid | -- | -- | -- | 937,456 | 937,456 |
| (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 | -- |
| Current Reporting Year-to-Date | | | | | |
| (7) Medical loss ratio rebates incurred | -- | -- | -- | 2,118,475 | 2,118,475 |
| (8) Medical loss ratio rebates paid | -- | -- | -- | -- | -- |
| (9) Medical loss ratio rebates unpaid | -- | -- | -- | 2,118,475 | 2,118,475 |
| (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 | 2,118,475 |

E) Risk Sharing Provisions of the Affordable Care Act (ACA)

Effective January 1, 2014, the ACA imposed fees and premium stabilization provisions on health insurance issuers offering commercial health insurance. The three premium stabilization programs are commonly referred to as the 3R's – risk adjustment, risk corridor and reinsurance.

Risk Adjustment- This permanent program is designed to mitigate the potential impact of adverse selection and provide stability for health insurance issuers and applies to all non-grandfathered plans in the individual and small group markets both on and off the insurance exchanges. Premium adjustments pursuant to the risk adjustment program are accounted for as premium subject to redetermination and user fees are accounted for as assessments.

Risk Corridor – This temporary program was designed to provide aggregate protection for variability for issuers in the individual and small group markets during the 2014 to 2016 time period and applies to qualified health plans (QHPs) in the individual and small group markets both on and off the insurance exchanges. Premium adjustments pursuant to the risk corridor program are accounted for as premium adjustments for retrospectively rated contracts.

Reinsurance – This temporary program from 2014 – 2016 was designed to protect issuers in the individual market both on and off exchange from anticipated increases in high cost claimants due to the elimination of the pre-existing condition limitation. The traditional reinsurance program applies to all issuers of major medical commercial products and third party administrators. Contributions attributable to enrollees in individual plans, including program administrative costs are accounted for as ceded premium and payments received are accounted for as ceded benefit recoveries. The amount of the individual contributions assigned for the U. S Treasury is accounted for as an assessment. Contributions initiated for enrollees in fully insured plans other than individual plans, including administrative costs and payments to the U. S. Treasury, are recorded as assessments.

The plan has accident and health insurance premiums for CY 2019 subject to the risk sharing provisions of ACA.

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

YES

NOTES TO FINANCIAL STATEMENTS

The Plan's risk corridor program calculation for plan year 2016 resulted in a risk corridor receivable for the Individual market of \$6,723,929. The Plan did not accrue this calculated receivable due to uncertainty regarding the funding of the risk corridor program for the 2016 benefit year. The Department of Health and Human Services notified issuers that all 2015 benefit year risk corridor collections would be used to pay a portion of balances on 2014 benefit year risk corridor payments. As any 2016 benefit year risk corridor collections would be used first to pay any remaining 2014 benefit year risk corridor payments and then any 2015 benefit year risk corridor payments before being available to satisfy 2016 benefit year risk corridor payments, the Plan chose not to accrue the \$6,723,929 risk corridor receivable for the 2016 benefit year as the payment is unlikely to be received under the program as currently funded.

(2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

a. Permanent ACA Risk Adjustment Program

Assets

1) Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments) \$10,591,545

Liabilities

2) Risk adjustment user fees payable for ACA Risk Adjustment \$98,838
3) Premium adjustments payable due to ACA Risk Adjustment (including High-risk pool premium) \$0

Operations (Revenue & Expense)

4) Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment \$16,045,839
5) Reported in expenses as ACA risk adjustment user fees (incurred/paid) \$100,250

b. Transitional ACA Reinsurance Program

Assets

1) Amounts recoverable for claims paid due to ACA Reinsurance \$0
2) Amounts recoverable for claims unpaid due to ACA Reinsurance \$0
3) Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance \$0

Liabilities

4) Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium \$0
5) Ceded reinsurance premiums payable due to ACA Reinsurance \$0
6) Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance \$0

Operations (Revenue & Expense)

7) Ceded reinsurance premiums due to ACA Reinsurance \$0
8) Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments \$28,944
9) ACA Reinsurance contributions – not reported as ceded premium \$0

c. Temporary ACA Risk Corridors Program

Assets

1) Accrued retrospective premium due to ACA Risk Corridors \$0

Liabilities

2) Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors \$0

Operations (Revenue & Expense)

3) Effect of ACA Risk Corridors on net premium income (paid/received) \$0
4) Effect of ACA Risk Corridors on change in reserves for rate credits \$0

(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. Table in (\$000)

| | Accrued During the Prior Year on Business Written Before December 31 of the Prior Year | | Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year | | Differences | | Adjustments | | Unsettled Balances as of the Reporting Date | | |
|---|--|----------------|--|----------------|--|---|--|---|---|--|-------|
| | 1 Receivable | 2 (Payable) | 3 Receivable | 4 (Payable) | 5 Prior Year Accrued Less Payments (Col 1 - 3) Receivable | 6 Prior Year Accrued Less Payments (Col 2 - 4) (Payable) | 7 To Prior Year Balances Receivable | 8 To Prior Year Balances (Payable) | 9 Cumulative Balance from Prior Years (Col 1-3+7) Receivable | 10 Cumulative Balance from Prior Years (Col 2-+8) (Payable) | |
| a. Permanent ACA Risk Adjustment Program | | | | | | | | | | | |
| 1. Premium adjustments receivable (including high-risk pool payments) | \$ 7,982 | \$ -- | \$13,436 | \$ -- | \$(5,454) | \$ -- | \$5,454 | \$ -- | A | \$ -- | \$ -- |
| 2. Premium adjustments (payable) (including high-risk pool premiums) | -- | (108) | -- | (110) | -- | 2 | -- | -- | B | -- | 2 |
| 3. Subtotal ACA Permanent Risk Adjustment Program | 7,982 | (108) | 13,436 | (110) | (5,454) | 2 | 5,454 | -- | | -- | 2 |
| b. Transitional ACA Reinsurance Program | | | | | | | | | | | |
| 1. Amounts recoverable for claims paid | 22 | -- | 51 | -- | (29) | -- | 29 | -- | C | -- | -- |
| 2. Amounts recoverable for claims unpaid (contra liability) | -- | -- | -- | -- | -- | -- | -- | -- | D | -- | -- |
| 3. Amounts receivable relating to uninsured plans | -- | -- | -- | -- | -- | -- | -- | -- | E | -- | -- |

NOTES TO FINANCIAL STATEMENTS

| | | | | | | | | | | | | |
|--|-------|-------|--------|-------|---------|----|-------|----|----|---|----|----|
| 4. Liabilities for contributions payable due to ACA Reinsurance-not reported as ceded premiums | -- | -- | -- | -- | -- | -- | -- | -- | -- | F | -- | -- |
| 5. Ceded reinsurance premiums payable | -- | -- | -- | -- | -- | -- | -- | -- | -- | G | -- | -- |
| 6. Liability for amounts held under uninsured plans | -- | -- | -- | -- | -- | -- | -- | -- | -- | H | -- | -- |
| 7. Subtotal ACA Transitional Reinsurance Program | 22 | -- | 51 | -- | (29) | -- | 29 | -- | -- | | -- | -- |
| c. Temporary ACA Risk Corridors Program | | | | | | | | | | | | |
| 1. Accrued retrospective premium | -- | -- | -- | -- | -- | -- | -- | -- | -- | I | -- | -- |
| 2. Reserve for rate credits of policy experience rating refunds | -- | -- | -- | -- | -- | -- | -- | -- | -- | J | -- | -- |
| 3. Subtotal ACA Risk Corridors Program | -- | -- | -- | -- | -- | -- | -- | -- | -- | | -- | -- |
| d. Total for ACA Risk Sharing Provisions | 8,004 | (108) | 13,487 | (110) | (5,483) | 2 | 5,483 | -- | -- | | -- | 2 |

Explanations of Adjustments

- A ACA Risk Adjustment updated based on HHS Notification
- B Non Applicable
- C ACA Reinsurance updated based on HHS Notification
- D Non Applicable
- E Non Applicable
- F Non Applicable
- G Non Applicable
- H Non Applicable
- I Non Applicable
- J Non Applicable

(4) Roll-forward of Risk Corridors Receivable as of Reporting Date

| | Accrued During the Prior Year on Business Written Before December 31 of the Prior Year | | Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year | | Differences | | Adjustments | | Ref | Unsettled Balances as of the Reporting Date | |
|---|--|----------------|--|----------------|--|---|--|---|-----|---|--|
| | 1 Receivable | 2 (Payable) | 3 Receivable | 4 (Payable) | 5 Prior Year Accrued Less Payments (Col 1 - 3) Receivable | 6 Prior Year Accrued Less Payments (Col 2 - 4) (Payable) | 7 To Prior Year Balances Receivable | 8 To Prior Year Balances (Payable) | | 9 Prior Years (Col 1-3+7) Receivable | 10 Prior Years (Col 2-+8) (Payable) |
| | | | | | | | | | | | |
| a. 2014 | | | | | | | | | | | |
| 1. Accrued retrospective premium | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | A | \$ -- | \$ -- |
| 2. Reserve for rate credits or policy experience rating refunds | -- | -- | -- | -- | -- | -- | -- | -- | B | -- | -- |
| b. 2015 | | | | | | | | | | | |
| 1. Accrued retrospective premium | -- | -- | -- | -- | -- | -- | -- | -- | C | -- | -- |
| 2. Reserve for rate credits or policy experience rating refunds | -- | -- | -- | -- | -- | -- | -- | -- | D | -- | -- |
| c. 2016 | | | | | | | | | | | |
| 1. Accrued retrospective premium | -- | -- | -- | -- | -- | -- | -- | -- | E | -- | -- |
| 2. Reserve for rate credits or policy experience rating refunds | -- | -- | -- | -- | -- | -- | -- | -- | F | -- | -- |
| d. Total for Risk Corridors | -- | -- | -- | -- | -- | -- | -- | -- | | -- | -- |

Explanations of Adjustments

- A Non Applicable
- B Non Applicable
- C Non Applicable
- D Non Applicable
- E Non Applicable
- F Non Applicable

(5) ACA Risk Corridors Receivable as of Reporting Date

| | 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------------------|---|---|---|--------------------------|---------------------|-------------------------|
| Risk Corridors Program Year | Estimated Amount to be filed or Final Amount Filed with CMS | Non-Accrued Amounts for Impairment or Other Reasons | Asset Balance (Gross Amounts Received from CMS) | of Non-admission (1-2-3) | Non-admitted Amount | NetAdmitted Asset (4-5) |
| a. 2014 | -- | -- | -- | -- | -- | -- |
| b. 2015 | -- | -- | -- | -- | -- | -- |
| c. 2016 | 6,724 | 6,724 | -- | -- | -- | -- |
| d. Total (a+b+c) | 6,724 | 6,724 | -- | -- | -- | -- |

The Plan has Medicare Part D program business that is subject to a retrospective rating feature related to Part D premiums. The Plan has estimated aggregate health policy reserves related to certain Part D premiums based on CMS promulgated guidance of \$850,000. The amount of Part D direct premiums written approximated \$604,829,734 representing 35.6% of total direct premiums written for accident and health contracts net as of December 31, 2019.

25. Change in Incurred Claims and Claim Adjustment Expenses

Reserves as of December 31, 2018 were \$141,947,000. As of December 31, 2019, \$80,253,000 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$276,000 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on Comprehensive and Medicare lines of insurance. Therefore, there has been a \$29,047,000 favorable prior-year development since December 31, 2018 to December 31, 2019. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional

NOTES TO FINANCIAL STATEMENTS

information becomes known regarding individual claims. The Plan did not experience prior year claim development on retrospectively rated policies.

26. Intercompany Pooling Arrangements

The Plan is not part of any intercompany pooling arrangement.

27. Structured Settlements

Not Applicable for Health Insurance entities.

28. Health Care Receivables

A) Pharmaceutical Rebate Receivables

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates as Invoiced/Confirmed | Actual Rebates Collected Within 90 Days of Invoicing/Confirmation | Actual Rebates Collected Within 91 to 180 Days of Invoicing/Confirmation | Actual Rebates Collected More Than 180 Days After Invoicing/Confirmation |
|----------|--|--|---|--|--|
| 12/31/19 | \$18,897,646 | \$ -- | \$ -- | \$ -- | \$ -- |
| 09/30/19 | 18,515,645 | 18,934,147 | 16,929,568 | -- | -- |
| 06/30/19 | 17,711,278 | 18,868,483 | 16,762,439 | 2,045,446 | -- |
| 03/31/19 | 15,740,224 | 17,987,029 | 16,052,023 | 1,915,408 | -- |
| 12/31/18 | \$14,643,111 | \$16,407,503 | \$14,518,863 | \$1,767,740 | \$ 120,900 |
| 09/30/18 | 14,164,472 | 15,053,179 | 13,212,791 | 1,719,298 | 121,090 |
| 06/30/18 | 15,671,040 | 16,893,591 | 14,825,463 | 1,835,409 | 232,719 |
| 03/31/18 | 15,192,446 | 16,059,323 | 14,096,361 | 1,757,413 | 205,549 |
| 12/31/17 | \$15,233,340 | \$15,999,998 | \$14,302,829 | \$1,637,243 | \$ 59,926 |
| 09/30/17 | 14,477,554 | 15,399,871 | 13,611,237 | 1,720,248 | 68,386 |
| 06/30/17 | 12,328,267 | 14,730,492 | 13,136,656 | 1,429,078 | 164,758 |
| 03/31/17 | 13,689,913 | 11,949,746 | 11,088,836 | 712,741 | 148,169 |

B) Risk Share Receivables

| Calendar Year | Evaluation Per Year-End | Risk Sharing Receivable as Estimated in the Prior Year | Risk Sharing Receivable as Estimated in the Current Year | Risk Sharing Receivable Billed | Risk Sharing Receivable Not Yet Billed | Actual Risk Sharing Amounts Received in Year Billed | Actual Risk Sharing Amounts Received First Year | Actual Risk Sharing Amounts Received Second Year | Actual Risk Sharing Amounts Received All Others |
|---------------|-------------------------|--|--|--------------------------------|--|---|---|--|---|
| 2019 | 2019 | N/A | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| | 2020 | N/A | \$ - | N/A | N/A | N/A | N/A | N/A | N/A |
| 2018 | 2018 | N/A | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| | 2019 | N/A | \$ - | N/A | N/A | N/A | N/A | N/A | N/A |
| 2017 | 2017 | N/A | \$ - | \$ - | \$ - | \$ - | \$ - | | |
| | 2018 | N/A | \$ - | N/A | N/A | N/A | N/A | N/A | N/A |

29. Participating Policies

Participating policies do not apply to the Plan.

30. Premium Deficiency Reserves

The Plan has a statutory premium deficiency reserve (PDR) of \$6,600,000 and \$0 for the periods ended December 31, 2019 and December 31, 2018, respectively. The PDR related to the Medicare Advantage lines of business.

1. Liability carried for premium deficiency reserves \$6,600,000
2. Date of the most recent evaluation of this liability 12/31/2019
3. Was anticipated investment income utilized in the calculation Yes No

31. Anticipated Salvage and Subrogation

NOTES TO FINANCIAL STATEMENTS

The amount of undiscounted estimated salvage and subrogation recoverable, taken into account in determining the undiscounted unpaid losses as reported in the Underwriting and Investment Exhibit and Page 3 – Liabilities, Reserves and Special Funds, Line I for December 31, 2019 and 2018, was \$10,037,000 and \$12,080,000, respectively.

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 No
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 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? _____
- 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: _____ 02/28/2019
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2019
- 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. _____ 12/31/2018
- 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). _____ 09/03/2019
- 3.4 By what department or departments?
 RHODE ISLAND DEPARTMENT OF BUSINESS REGULATION - INSURANCE DIVISION

- 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? Yes No
- If yes, complete and file the merger history data file with the NAIC.

GENERAL INTERROGATORIES

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,
 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 bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

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 |
|---------------------|-----------------------------|----------|----------|-----------|----------|
| | | | | | |
| | | | | | |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Deloitte & Touche LLP, 185 Asylum Street, City Place I, 33rd Floor, Hartford, CT 06103

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:

GENERAL INTERROGATORIES

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 [X] N/A []

10.6 If the response to 10.5 is no or n/a, please explain.

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?
 CHRISTOPHER KUNKEL IS THE CONSULTING ACTUARY. HE IS ASSOCIATED WITH MILLIMAN. THEIR ADDRESS IS 1301 FIFTH AVE., SUITE 3800, SEATTLE WASHINGTON 98101-2605.

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

| | |
|---|----|
| 12.11 Name of real estate holding company | |
| 12.12 Number of parcels involved | |
| 12.13 Total book/adjusted carrying value | \$ |

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 [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

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?
 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. Yes [X] No []

14.11 If the response to 14.1 is no, please explain:

GENERAL INTERROGATORIES

14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

.....

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

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 [X]

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 [X] 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 [X] 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 [X] 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 [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

| | |
|---|----------|
| 20.11 To directors or other officers | \$ _____ |
| 20.12 To stockholders not officers | \$ _____ |
| 20.13 Trustees, supreme or grand (Fraternal only) | \$ _____ |

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 | \$ _____ |
| 20.22 To stockholders not officers | \$ _____ |
| 20.23 Trustees, supreme or grand (Fraternal only) | \$ _____ |

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 [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

| | |
|----------------------------|----------|
| 21.21 Rented from others | \$ _____ |
| 21.22 Borrowed from others | \$ _____ |
| 21.23 Leased from others | \$ _____ |
| 21.24 Other | \$ _____ |

GENERAL INTERROGATORIES

- 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 [X]
- 22.2 If answer is yes:
- | | | |
|--|--|----------|
| | 22.21 Amount paid as losses or risk adjustment | \$ _____ |
| | 22.22 Amount paid as expenses | \$ _____ |
| | 22.23 Other amounts paid | \$ _____ |
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ _____

INVESTMENT

- 24.01 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 24.03) Yes [] No [X]
- 24.02 If no, give full and complete information, relating thereto:

- 24.03 For security 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)

- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [] No [] N/A [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ _____
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs. \$ _____
- 24.07 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]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [] No [] N/A [X]
- 24.09 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]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- | | | |
|--|--|----------|
| 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | | \$ _____ |
| 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 | | \$ _____ |
| 24.103 Total payable for securities lending reported on the liability page | | \$ _____ |
- 25.1 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 24.03). Yes [X] No []

GENERAL INTERROGATORIES

25.2 If yes, state the amount thereof at December 31 of the current year:

| | | |
|--|--|----------------------|
| | 25.21 Subject to repurchase agreements | \$ <u>59,330</u> |
| | 25.22 Subject to reverse repurchase agreements | \$ _____ |
| | 25.23 Subject to dollar repurchase agreements | \$ _____ |
| | 25.24 Subject to reverse dollar repurchase agreements | \$ _____ |
| | 25.25 Placed under option agreements | \$ _____ |
| | 25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock | \$ _____ |
| | 25.27 FHLB Capital Stock | \$ <u>356,900</u> |
| | 25.28 On deposit with states | \$ _____ |
| | 25.29 On deposit with other regulatory bodies | \$ _____ |
| | 25.30 Pledged as collateral - excluding collateral pledged to an FHLB | \$ <u>26,107,000</u> |
| | 25.31 Pledged as collateral to FHLB - including assets backing funding agreements | \$ <u>64,767,032</u> |
| | 25.32 Other | \$ _____ |

25.3 For category (25.26) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |
| | | |

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

26.2 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 26.3 through 26.5 : FOR LIFE/FRATERNAL REPORTING ENTITIES ONLY:

26.3 Does the reporting entity utilize derivatives to hedge variable annuity guarantees subject to fluctuations as a result of interest rate sensitivity? Yes [] No [X]

26.4 If the response to 26.3 is YES, does the reporting entity utilize:

| | | |
|--|--|----------------|
| | 26.41 Special accounting provision of SSAP No. 108 | Yes [] No [X] |
| | 26.42 Permitted accounting practice | Yes [] No [X] |
| | 26.43 Other accounting guidance | Yes [] No [X] |

26.5 By responding YES to 26.41 regarding utilizing the special accounting provisions of SSAP No. 108, the reporting entity attests 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 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.

27.1 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]

27.2 If yes, state the amount thereof at December 31 of the current year. \$ _____

28. 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 Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

GENERAL INTERROGATORIES

28.01 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 | 50 S. LASALLE ST. M-27 CHICAGO, IL 60603 |
| | |

28.02 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) |
|--------------|------------------|------------------------------|
| | | |
| | | |

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]

28.04 If yes, give full and complete information relating thereto:

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

28.05 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 Firm or Individual | 2 Affiliation |
|--|------------------|
| BLACKROCK FINANCIAL INSTITUTIONS GROUP | U |
| | |

28.0597 For those firms/individuals listed in the table for Question 28.05, 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 [] No [X]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's invested assets? Yes [] No [X]

28.06 For those firms or individuals listed in the table 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

| 1 Name Firm or Individual | 2 Central Registration Depository Number | 3 Legal Entity Identifier (LEI) | 4 Registered With | 5 Investment Management Agreement (IMA) Filed |
|-----------------------------------|---|------------------------------------|-----------------------------|--|
| BLACKROCK FINANCIAL MANAGEMENT, I | 107105 | 549300LVXYIVJKE13M84 | SECURITIES AND EXCHANGE COM | NO |
| | | | | |

29.1 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 [X] No []

29.2 If yes, complete the following schedule:

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|--------------|--------------------------|-----------------------------------|
| 024524-12-6 | AM BEACON:BW LC VAL INST | 2,152 |
| 19247N-40-9 | COHEN&STEERS GL RLTY I | 5,923,729 |
| 19248B-40-4 | COHEN&STEERS GL INFR I | 5,948,222 |

GENERAL INTERROGATORIES

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------|--------------------------|-----------------------------------|
| 233203-84-3 | DFA US SMALL CAP I | 4,048,882 |
| 41665H-78-9 | HARTFD:SCHR EM E SDR | 6,732,081 |
| 464287-20-0 | ISHARES:CORE S&P 500 | 46,426,638 |
| 552966-80-6 | MFS INSTL:INTL EQUITY | 18,754,886 |
| 57629E-15-9 | MASSMUTUAL P:CR B R5 | 531,793 |
| 57629E-30-8 | MASSMUTUAL P:INTL R5 | 21,547 |
| 57629S-68-7 | MASSMUTUAL S:S&P500 R5 | 189,924 |
| 57629S-73-7 | MASSMUTUAL S:BL CH R5 | 44,068 |
| 649280-83-1 | AMERICAN FUNDS NWLD R5 | 10,481 |
| 665130-10-0 | NORTHERN FDS:MID CAP IDX | 24,047 |
| 665162-72-3 | NORTHERN FDS:SM CAP IDX | 9,854 |
| 704329-24-2 | PAYDEN:EM MKT BD SI | 11,994,488 |
| 74149P-20-0 | T ROWE PRICE RET:2020 | 19,086 |
| 74149P-30-9 | T ROWE PRICE RET:2030 | 210,986 |
| 74149P-40-8 | T ROWE PRICE RET:2040 | 93,605 |
| 74149P-76-2 | T ROWE PRICE RET:2045 | 28,971 |
| 74149P-77-0 | T ROWE PRICE RET:2035 | 51,684 |
| 74149P-78-8 | T ROWE PRICE RET:2025 | 163,887 |
| 779546-10-0 | T ROWE PRICE DIV GR | 10,528 |
| 779562-10-7 | T ROWE PRICE NEW HZNS | 64,465 |
| 921908-87-7 | VANGUARD RE IDX ADM | 7,746 |
| 29.2999 TOTAL | | 101,313,750 |

29.3 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 |
|--|--|---|------------------------|
| AM BEACON:BW LC VAL INST | Pfizer, Inc. | 34 | 12/31/2019 |
| AM BEACON:BW LC VAL INST | Walt Disney Co. | 34 | 12/31/2019 |
| AM BEACON:BW LC VAL INST | Bank of America Corp. | 34 | 12/31/2019 |
| AM BEACON:BW LC VAL INST | Citigroup, Inc. | 32 | 12/31/2019 |
| AM BEACON:BW LC VAL INST | Regions Financial Corp. | 32 | 12/31/2019 |
| COHEN&STEERS GL RLTY I | Prologis Inc | 271,307 | 12/31/2019 |
| COHEN&STEERS GL RLTY I | Welltower Inc | 228,064 | 12/31/2019 |
| COHEN&STEERS GL RLTY I | UDR Inc | 21,443,897 | 12/31/2019 |
| COHEN&STEERS GL RLTY I | Extra Space Storage Inc | 16,112,542 | 12/31/2019 |
| COHEN&STEERS GL RLTY I | Kilroy Realty Corp | 15,105,508 | 12/31/2019 |
| COHEN&STEERS GL INFR I | NextEra Enegy Inc | 422,919 | 12/31/2019 |
| COHEN&STEERS GL INFR I | American Tower Corp | 251,015 | 12/31/2019 |
| COHEN&STEERS GL INFR I | FirstEnergy Corp | 233,170 | 12/31/2019 |
| COHEN&STEERS GL INFR I | Alliant Energy Corp | 229,601 | 12/31/2019 |
| COHEN&STEERS GL INFR I | Ameican Water Works Co Inc | 201,645 | 12/31/2019 |
| DFA US SMALL CAP I | E-mini S&P 500 Futures Mar20 | 27,128 | 12/31/2019 |
| DFA US SMALL CAP I | Horizon Therapeutics PLC | 17,005 | 12/31/2019 |
| DFA US SMALL CAP I | TCF Financial Corp | 14,171 | 12/31/2019 |
| DFA US SMALL CAP I | Amedisys Inc | 13,361 | 12/31/2019 |
| DFA US SMALL CAP I | Deckers Outdoor Corp | 12,956 | 12/31/2019 |
| HARTFD:SCHR EM E SDR | Taiwan Semiconductor Manufac | 433,546 | 12/31/2019 |
| HARTFD:SCHR EM E SDR | Samsung Electronics Co LTD | 418,062 | 12/31/2019 |
| HARTFD:SCHR EM E SDR | Tencent Holdings Ltd | 401,905 | 12/31/2019 |
| HARTFD:SCHR EM E SDR | Alibaba Group Holding Ltd ADR | 393,154 | 12/31/2019 |
| HARTFD:SCHR EM E SDR | Ping An Insurance (Group) Co. | 191,191 | 12/31/2019 |
| ISHARES:CORE S&P 500 | Microsoft Corp | 2,400,257 | 12/31/2019 |
| ISHARES:CORE S&P 500 | Apple Inc | 2,237,764 | 12/31/2019 |
| ISHARES:CORE S&P 500 | Amazon.com Inc | 1,481,010 | 12/31/2019 |
| ISHARES:CORE S&P 500 | Facebook Class A Inc | 854,250 | 12/31/2019 |
| ISHARES:CORE S&P 500 | Alphabet Class C Inc | 752,112 | 12/31/2019 |
| MFS INSTL:INTL EQUITY | Nestle | 727,690 | 12/31/2019 |
| MFS INSTL:INTL EQUITY | Roche Holding Participation | 594,530 | 12/31/2019 |
| MFS INSTL:INTL EQUITY | Schneider Electric | 540,141 | 12/31/2019 |
| MFS INSTL:INTL EQUITY | AIA Group | 523,261 | 12/31/2019 |
| MFS INSTL:INTL EQUITY | Air Liquide | 510,133 | 12/31/2019 |
| MASSMUTUAL P:CR B R5 | 2 Year Treasury Note Future M | 51,584 | 12/31/2019 |

GENERAL INTERROGATORIES

| 1 | 2 | 3 | 4 |
|---|---|--|-------------------|
| Name of Mutual Fund (from above table) | Name of Significant Holding of the Mutual Fund | Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | Date of Valuation |
| MASSMUTUAL P:CR B R5 | Us Ultra Bond Cbt Mar20 Xcvt 2 | 24,782 | 12/31/2019 |
| MASSMUTUAL P:CR B R5 | Government National Mortgage | 24,622 | 12/31/2019 |
| MASSMUTUAL P:CR B R5 | 5 Year Treasury Note Future M | 14,731 | 12/31/2019 |
| MASSMUTUAL P:CR B R5 | Government National Mortgage | 13,827 | 12/31/2019 |
| MASSMUTUAL P:INTL R5 | SAP SE | 612 | 12/31/2019 |
| MASSMUTUAL P:INTL R5 | Hitachi Ltd | 610 | 12/31/2019 |
| MASSMUTUAL P:INTL R5 | Hermies International SA | 582 | 12/31/2019 |
| MASSMUTUAL P:INTL R5 | ASML Holding NV | 558 | 12/31/2019 |
| MASSMUTUAL P:INTL R5 | STMicroelectronics NV | 547 | 12/31/2019 |
| MASSMUTUAL S:S&P500 R5 | Chubb Ltd | 7,901 | 12/31/2019 |
| MASSMUTUAL S:S&P500 R5 | Johnson & Johnson | 7,882 | 12/31/2019 |
| MASSMUTUAL S:S&P500 R5 | UnitedHealth Group Inc | 7,711 | 12/31/2019 |
| MASSMUTUAL S:S&P500 R5 | Microsoft Corp | 7,388 | 12/31/2019 |
| MASSMUTUAL S:S&P500 R5 | Coca-Cola Co | 7,065 | 12/31/2019 |
| MASSMUTUAL S:BL CH R5 | Amazon.com Inc | 3,336 | 12/31/2019 |
| MASSMUTUAL S:BL CH R5 | Facebook Inc A | 2,666 | 12/31/2019 |
| MASSMUTUAL S:BL CH R5 | Visa Inc Class A | 2,256 | 12/31/2019 |
| MASSMUTUAL S:BL CH R5 | Alibaba Group Holding Ltd ADR | 2,217 | 12/31/2019 |
| MASSMUTUAL S:BL CH R5 | Microsoft Corp | 2,018 | 12/31/2019 |
| AMERICAN FUNDS NWLD R5 | Reliance Industries Ltd | 221 | 12/31/2019 |
| AMERICAN FUNDS NWLD R5 | Microsoft Corp | 212 | 12/31/2019 |
| AMERICAN FUNDS NWLD R5 | Taiwan Semiconductor Manufac | 194 | 12/31/2019 |
| AMERICAN FUNDS NWLD R5 | Kotak Mahindra Bank Ltd | 188 | 12/31/2019 |
| AMERICAN FUNDS NWLD R5 | Mastercard Inc A | 151 | 12/31/2019 |
| NORTHERN FDS:MID CAP IDX | Teledyne Technologies Inc | 166 | 12/31/2019 |
| NORTHERN FDS:MID CAP IDX | Domino's Pizza Inc | 159 | 12/31/2019 |
| NORTHERN FDS:MID CAP IDX | Tyler Technologies Inc | 154 | 12/31/2019 |
| NORTHERN FDS:MID CAP IDX | Aleghany Corp | 151 | 12/31/2019 |
| NORTHERN FDS:MID CAP IDX | Teradyne Inc | 151 | 12/31/2019 |
| NORTHERN FDS:SM CAP IDX | FTI Consulting | 128 | 12/31/2019 |
| NORTHERN FDS:SM CAP IDX | Insight Enterprises Inc | 120 | 12/31/2019 |
| NORTHERN FDS:SM CAP IDX | Radian Group Inc | 8,869 | 12/31/2019 |
| NORTHERN FDS:SM CAP IDX | Group 1 Automotive Inc | 8,376 | 12/31/2019 |
| NORTHERN FDS:SM CAP IDX | Cathay General Bancorp | 7,883 | 12/31/2019 |
| PAYDEN:EM MKT BD SI | 1MDB Global Investments Ltd. | 262,679 | 12/31/2019 |
| PAYDEN:EM MKT BD SI | Uruguay (Republic of) 4.97% | 197,909 | 12/31/2019 |
| PAYDEN:EM MKT BD SI | Ghana, Republic of 10.75% | 151,131 | 12/31/2019 |
| PAYDEN:EM MKT BD SI | Armenia (Republic of) 7.15% | 134,338 | 12/31/2019 |
| PAYDEN:EM MKT BD SI | Republic of Ecuador 7.88% | 133,139 | 12/31/2019 |
| T ROWE PRICE RET:2020 | T. Rowe Price Equity Index 500 | 3,491 | 12/31/2019 |
| T ROWE PRICE RET:2020 | T. Rowe Price New Income | 2,834 | 12/31/2019 |
| T ROWE PRICE RET:2020 | T. Rowe Price Ltd Dur Infl Focu | 1,617 | 12/31/2019 |
| T ROWE PRICE RET:2020 | T. Rowe Price Growth Stock | 1,052 | 12/31/2019 |
| T ROWE PRICE RET:2020 | T. Rowe Price Overseas Stock | 989 | 12/31/2019 |
| T ROWE PRICE RET:2030 | T. Rowe Price Growth Stock | 26,880 | 12/31/2019 |
| T ROWE PRICE RET:2030 | T. Rowe Price Equity Index 500 | 26,415 | 12/31/2019 |
| T ROWE PRICE RET:2030 | T. Rowe Price Value | 25,192 | 12/31/2019 |
| T ROWE PRICE RET:2030 | T. Rowe Price New Income | 21,732 | 12/31/2019 |
| T ROWE PRICE RET:2030 | T. Rowe Price Overseas Stock | 14,115 | 12/31/2019 |
| T ROWE PRICE RET:2040 | T. Rowe Price Growth Stock | 16,980 | 12/31/2019 |
| T ROWE PRICE RET:2040 | T. Rowe Price Value | 15,838 | 12/31/2019 |
| T ROWE PRICE RET:2040 | T. Rowe Price Equity Index 500 | 7,339 | 12/31/2019 |
| T ROWE PRICE RET:2040 | T. Rowe Price Overseas Stock | 7,282 | 12/31/2019 |
| T ROWE PRICE RET:2040 | T. Rowe Price International Sto | 6,833 | 12/31/2019 |
| T ROWE PRICE RET:2045 | T. Rowe Price Growth Stock | 5,742 | 12/31/2019 |
| T ROWE PRICE RET:2045 | T. Rowe Price Value | 5,374 | 12/31/2019 |
| T ROWE PRICE RET:2045 | T. Rowe Price Overseas Stock | 2,347 | 12/31/2019 |
| T ROWE PRICE RET:2045 | T. Rowe Price International Sto | 2,251 | 12/31/2019 |
| T ROWE PRICE RET:2045 | T. Rowe Price International Val | 2,141 | 12/31/2019 |
| T ROWE PRICE RET:2035 | T. Rowe Price Growth Stock | 8,042 | 12/31/2019 |
| T ROWE PRICE RET:2035 | T. Rowe Price Value | 7,541 | 12/31/2019 |
| T ROWE PRICE RET:2035 | T. Rowe Price Equity Index 500 | 5,251 | 12/31/2019 |
| T ROWE PRICE RET:2035 | T. Rowe Price New Income | 4,398 | 12/31/2019 |
| T ROWE PRICE RET:2035 | T. Rowe Price Overseas Stock | 3,752 | 12/31/2019 |

GENERAL INTERROGATORIES

| 1 | 2 | 3 | 4 |
|---|---|--|-------------------|
| Name of Mutual Fund (from above table) | Name of Significant Holding of the Mutual Fund | Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | Date of Valuation |
| T ROWE PRICE RET:2025 | T. Rowe Price Equity Index 500 | 25,288 | 12/31/2019 |
| T ROWE PRICE RET:2025 | T. Rowe Price New Income | 20,814 | 12/31/2019 |
| T ROWE PRICE RET:2025 | T. Rowe Price Growth Stock | 15,192 | 12/31/2019 |
| T ROWE PRICE RET:2025 | T. Rowe Price Value | 14,291 | 12/31/2019 |
| T ROWE PRICE RET:2025 | T. Rowe Price Overseas Stock | 9,800 | 12/31/2019 |
| T ROWE PRICE DIV GR | Microsoft Corp | 440 | 12/31/2019 |
| T ROWE PRICE DIV GR | JPMorgan Chase & Co | 337 | 12/31/2019 |
| T ROWE PRICE DIV GR | Apple Inc | 306 | 12/31/2019 |
| T ROWE PRICE DIV GR | Visa Inc Class A | 295 | 12/31/2019 |
| T ROWE PRICE DIV GR | Danaher Corp | 224 | 12/31/2019 |
| T ROWE PRICE NEW HZNS | Booz Allen Hamilton Holding Co | 1,747 | 12/31/2019 |
| T ROWE PRICE NEW HZNS | CoStar Group Inc | 1,721 | 12/31/2019 |
| T ROWE PRICE NEW HZNS | StoneCo Ltd | 1,702 | 12/31/2019 |
| T ROWE PRICE NEW HZNS | Bright Hoizons Family Solutions | 1,599 | 12/31/2019 |
| T ROWE PRICE NEW HZNS | DexCom Inc | 1,573 | 12/31/2019 |
| VANGUARD RE IDX ADM | Vanguard Real Estate II Index | 854 | 12/31/2019 |
| VANGUARD RE IDX ADM | American Tower Corp | 548 | 12/31/2019 |
| VANGUARD RE IDX ADM | Crown Castle International Corp | 318 | 12/31/2019 |
| VANGUARD RE IDX ADM | Prologis Inc | 303 | 12/31/2019 |
| VANGUARD RE IDX ADM | Equinix Inc | 266 | 12/31/2019 |

30. 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 | 2 | 3 |
|-----------------------|-------------------------------|-------------|--|
| | Statement (Admitted) Value | Fair Value | Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
| 30.1 Bonds | 385,332,697 | 398,922,392 | 13,589,695 |
| 30.2 Preferred stocks | | | |
| 30.3 Totals | 385,332,697 | 398,922,392 | 13,589,695 |

30.4 Describe the sources or methods utilized in determining the fair values:
 PROVIDED BY RATING SOURCES UTILIZED BY THE CUSTODIAN, NORTHERN TRUST. PRICING SOURCES
 INCLUDE IDC, ICE AND HIS MARKET.

31.1 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 []

31.2 If the answer to 31.1 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 []

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

32.2 If no, list exceptions:

33 By self-designating 5GI securities, the reporting entity is certifying the following elements of each self-designated 5GI 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.

GENERAL INTERROGATORIES

c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
 Has the reporting entity self-designated 5GI securities? Yes [] No [X]

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

- 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 [X]

35. 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]

OTHER

36.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 2,285,826

36.2 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 |
|--|------------------|
| BLUE CROSS AND BLUE SHIELD ASSOCIATION | \$ 1,329,915 |
| | \$ |
| | \$ |

37.1 Amount of payments for legal expenses, if any? \$ 1,481,864

37.2 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 Name | 2 Amount Paid |
|----------------------|------------------|
| HOGAN LOVELLS US LLP | \$ 539,422 |
| | \$ |
| | \$ |

38.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 839,729

38.2 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 Name | 2 Amount Paid |
|--------------------------------------|------------------|
| INS REGULATORY INSURANCE SERVICE INC | \$ 223,027 |
| | \$ |
| | \$ |

GENERAL INTERROGATORIES 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. \$ 59,739,803
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____
- 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. \$ _____
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 52,854,313
- 1.6 Individual policies:
- Most current three years:
- | | |
|------------------------------|---------------------|
| 1.61 Total premium earned | \$ <u>2,767,976</u> |
| 1.62 Total incurred claims | \$ <u>2,484,452</u> |
| 1.63 Number of covered lives | <u>1,182</u> |
- All years prior to most current three years:
- | | |
|------------------------------|----------------------|
| 1.64 Total premium earned | \$ <u>39,554,285</u> |
| 1.65 Total incurred claims | \$ <u>35,502,708</u> |
| 1.66 Number of covered lives | <u>16,903</u> |
- 1.7 Group policies:
- Most current three years:
- | | |
|------------------------------|---------------------|
| 1.71 Total premium earned | \$ <u>1,140,922</u> |
| 1.72 Total incurred claims | \$ <u>973,860</u> |
| 1.73 Number of covered lives | <u>502</u> |
- All years prior to most current three years:
- | | |
|------------------------------|----------------------|
| 1.74 Total premium earned | \$ <u>16,276,621</u> |
| 1.75 Total incurred claims | \$ <u>13,893,296</u> |
| 1.76 Number of covered lives | <u>7,129</u> |

2. Health Test:

| | 1 Current Year | 2 Prior Year |
|-------------------------------|-------------------------|-------------------------|
| 2.1 Premium Numerator | \$ <u>1,696,205,986</u> | \$ <u>1,712,956,037</u> |
| 2.2 Premium Denominator | \$ <u>1,696,205,986</u> | \$ <u>1,712,956,037</u> |
| 2.3 Premium Ratio (2.1 / 2.2) | <u>1.000</u> | <u>1.000</u> |
| 2.4 Reserve Numerator | \$ <u>229,416,205</u> | \$ <u>174,842,133</u> |
| 2.5 Reserve Denominator | \$ <u>226,489,226</u> | \$ <u>175,081,589</u> |
| 2.6 Reserve Ratio (2.4 / 2.5) | <u>1.013</u> | <u>0.999</u> |

- 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
- 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
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
THE COMPANY EVALUATES THE NEED FOR REINSURANCE BY REVIEWING AT RISK LINES OF BUSINESS AND POLICY HOLDER CONTRACTS IN FORCE. FOR CALENDAR YEAR 2019, THERE WAS NOT A NEED TO ENTER INTO A STOP-LOSS REINSURANCE AGREEMENT.
.....
.....
- 5.3 Maximum retained risk (see instructions)
- | | |
|---------------------------------|----------|
| 5.31 Comprehensive Medical | \$ _____ |
| 5.32 Medical Only | \$ _____ |
| 5.33 Medicare Supplement | \$ _____ |
| 5.34 Dental and vision | \$ _____ |
| 5.35 Other Limited Benefit Plan | \$ _____ |
| 5.36 Other | \$ _____ |

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:
STATE INSURANCE LAW MANDATES THE PLAN HAVE TOTAL RESERVES SUFFICIENT TO PAY CLAIMS AND ADMINISTRATIVE EXPENSES FOR NOT LESS THAN ONE MONTH. ALSO, THE PLAN HAS HOLD HARMLESS PROVISIONS IN ITS CONTRACTS WITH PARTICIPATING HOSPITALS AND PROVIDERS.
.....
.....

GENERAL INTERROGATORIES PART 2 - HEALTH INTERROGATORIES

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 | 4,346 |
| 8.2 Number of providers at end of reporting year | 4,078 |

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 | |
| 9.22 Business with rate guarantees over 36 months | |

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 | \$ _____ |
| 10.22 Amount actually paid for year bonuses | \$ _____ |
| 10.23 Maximum amount payable withholds | \$ _____ |
| 10.24 Amount actually paid for year withholds | \$ _____ |

11.1 Is the reporting entity organized as:

| | |
|---|---|
| 11.12 A Medical Group/Staff Model, | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above)? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |

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:

RHODE ISLAND

.....

.....

.....

11.4 If yes, show the amount required. \$ 139,107,691

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:

TOTAL UNDERWRITING DEDUCTIONS PAGE 4 LINE 23 \$1,669,292,287 DIVIDED BY TWELVE (12) MONTHS TO DERIVE THE MINIMUM NET WORTH OF \$139,107,690.58

.....

.....

.....

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

| | 1 Name of Service Area | |
|--|---------------------------|--|
| | RHODE ISLAND | |
| | | |
| | | |

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. \$ _____

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. \$ _____

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes No N/A

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 | \$ _____ |
| 15.2 Total Incurred Claims | \$ _____ |
| 15.3 Number of Covered Lives | _____ |

| *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) |

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

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

FIVE – YEAR HISTORICAL DATA

| | 1 | 2 | 3 | 4 | 5 |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Balance Sheet (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 28) | 750,982,227 | 638,242,440 | 627,155,028 | 618,389,546 | 623,709,146 |
| 2. Total liabilities (Page 3, Line 24) | 379,398,458 | 339,583,816 | 334,158,151 | 351,918,965 | 329,974,247 |
| 3. Statutory minimum capital and surplus requirement | 139,107,691 | 139,333,861 | 142,597,822 | 144,657,555 | 136,639,793 |
| 4. Total capital and surplus (Page 3, Line 33) | 371,583,769 | 298,658,624 | 292,996,877 | 266,470,581 | 293,734,899 |
| Income Statement (Page 4) | | | | | |
| 5. Total revenues (Line 8) | 1,698,166,372 | 1,708,865,057 | 1,719,351,097 | 1,714,135,582 | 1,661,318,809 |
| 6. Total medical and hospital expenses (Line 18) | 1,435,930,820 | 1,417,367,219 | 1,477,136,192 | 1,479,912,238 | 1,388,430,910 |
| 7. Claims adjustment expenses (Line 20) | 56,563,135 | 60,188,631 | 63,259,817 | 63,576,377 | 75,948,457 |
| 8. Total administrative expenses (Line 21) | 170,198,332 | 196,550,484 | 168,677,852 | 192,402,050 | 175,298,154 |
| 9. Net underwriting gain (loss) (Line 24) | 28,874,085 | 36,858,723 | 8,177,236 | (21,755,083) | 21,641,288 |
| 10. Net investment gain (loss) (Line 27) | 21,129,753 | (1,111,740) | 17,090,061 | 3,843,968 | 10,560,628 |
| 11. Total other income (Lines 28 plus 29) | (17,428,226) | (26,337,001) | (2,271,683) | (16,579,341) | (157,234,781) |
| 12. Net income or (loss) (Line 32) | 68,833,715 | 9,411,398 | 22,616,368 | (34,532,762) | (125,947,322) |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11) | 115,715,425 | 20,013,488 | 72,648,812 | 23,046,774 | 22,311,824 |
| Risk-Based Capital Analysis | | | | | |
| 14. Total adjusted capital | 371,583,769 | 298,658,624 | 292,996,877 | 266,470,581 | 293,734,899 |
| 15. Authorized control level risk-based capital | 58,232,394 | 57,430,307 | 58,588,774 | 58,058,830 | 54,429,330 |
| Enrollment (Exhibit 1) | | | | | |
| 16. Total members at end of period (Column 5, Line 7) | 383,534 | 390,593 | 402,276 | 340,153 | 334,034 |
| 17. Total members months (Column 6, Line 7) | 4,615,952 | 4,711,740 | 4,816,302 | 4,090,732 | 4,036,343 |
| Operating Percentage (Page 4) | | | | | |
| (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 (Line 18 plus Line 19) | 84.6 | 82.9 | 85.9 | 86.3 | 83.6 |
| 20. Cost containment expenses | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| 21. Other claims adjustment expenses | 1.9 | 2.0 | 2.2 | 2.2 | 3.1 |
| 22. Total underwriting deductions (Line 23) | 98.3 | 97.8 | 99.5 | 101.3 | 98.7 |
| 23. Total underwriting gain (loss) (Line 24) | 1.7 | 2.2 | 0.5 | (1.3) | 1.3 |
| Unpaid Claims Analysis | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 24. Total claims incurred for prior years (Line 13, Col. 5) | 101,558,671 | 106,442,653 | 112,580,824 | 116,456,304 | 111,453,500 |
| 25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)] | 130,533,385 | 145,191,887 | 133,387,323 | 118,794,023 | 127,953,807 |
| Investments In Parent, Subsidiaries and Affiliates | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) | | | | | |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) | | | | | |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 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 | 1,954,193 | 19,320,044 | 16,517,308 | 9,328,363 | 3,746,557 |
| 32. Total of above Lines 26 to 31 | 1,954,193 | 19,320,044 | 16,517,308 | 9,328,363 | 3,746,557 |
| 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]

If no, please explain:

.....

.....

.....

.....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

| States, Etc. | 1 | Direct Business Only | | | | | | | |
|---|-------------------|----------------------------|----------------------|--------------------|---|--|----------------------------|---------------------------|------------------------|
| | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | Active Status (a) | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefits Plan Premiums | Life & Annuity Premiums & Other Considerations | Property/Casualty Premiums | Total Columns 2 Through 7 | Deposit-Type Contracts |
| 1. Alabama | AL | N | | | | | | | |
| 2. Alaska | AK | N | | | | | | | |
| 3. Arizona | AZ | N | | | | | | | |
| 4. Arkansas | AR | N | | | | | | | |
| 5. California | CA | N | | | | | | | |
| 6. Colorado | CO | N | | | | | | | |
| 7. Connecticut | CT | N | | | | | | | |
| 8. Delaware | DE | N | | | | | | | |
| 9. District of Columbia | DC | N | | | | | | | |
| 10. Florida | FL | N | | | | | | | |
| 11. Georgia | GA | N | | | | | | | |
| 12. Hawaii | HI | N | | | | | | | |
| 13. Idaho | ID | N | | | | | | | |
| 14. Illinois | IL | N | | | | | | | |
| 15. Indiana | IN | N | | | | | | | |
| 16. Iowa | IA | N | | | | | | | |
| 17. Kansas | KS | N | | | | | | | |
| 18. Kentucky | KY | N | | | | | | | |
| 19. Louisiana | LA | N | | | | | | | |
| 20. Maine | ME | N | | | | | | | |
| 21. Maryland | MD | N | | | | | | | |
| 22. Massachusetts | MA | N | | | | | | | |
| 23. Michigan | MI | N | | | | | | | |
| 24. Minnesota | MN | N | | | | | | | |
| 25. Mississippi | MS | N | | | | | | | |
| 26. Missouri | MO | N | | | | | | | |
| 27. Montana | MT | N | | | | | | | |
| 28. Nebraska | NE | N | | | | | | | |
| 29. Nevada | NV | N | | | | | | | |
| 30. New Hampshire | NH | N | | | | | | | |
| 31. New Jersey | NJ | N | | | | | | | |
| 32. New Mexico | NM | N | | | | | | | |
| 33. New York | NY | N | | | | | | | |
| 34. North Carolina | NC | N | | | | | | | |
| 35. North Dakota | ND | N | | | | | | | |
| 36. Ohio | OH | N | | | | | | | |
| 37. Oklahoma | OK | N | | | | | | | |
| 38. Oregon | OR | N | | | | | | | |
| 39. Pennsylvania | PA | N | | | | | | | |
| 40. Rhode Island | RI | L | 977,266,161 | 604,398,382 | 117,667,468 | | | 1,699,332,011 | |
| 41. South Carolina | SC | N | | | | | | | |
| 42. South Dakota | SD | N | | | | | | | |
| 43. Tennessee | TN | N | | | | | | | |
| 44. Texas | TX | N | | | | | | | |
| 45. Utah | UT | N | | | | | | | |
| 46. Vermont | VT | N | | | | | | | |
| 47. Virginia | VA | N | | | | | | | |
| 48. Washington | WA | N | | | | | | | |
| 49. West Virginia | WV | N | | | | | | | |
| 50. Wisconsin | WI | N | | | | | | | |
| 51. Wyoming | WY | N | | | | | | | |
| 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 | 977,266,161 | 604,398,382 | 117,667,468 | | | 1,699,332,011 | |
| 60. Reporting entity contributions for Employee Benefit Plans | | X X X | 515,231 | 431,352 | | | | 946,583 | |
| 61. Totals (Direct Business) | | X X X | 977,781,392 | 604,829,734 | 117,667,468 | | | 1,700,278,594 | |

| DETAILS OF WRITE-INS | | | | | | | | | |
|----------------------|---|-------|--|--|--|--|--|--|--|
| 58001. | | X X X | | | | | | | |
| 58002. | | X X X | | | | | | | |
| 58003. | | X X X | | | | | | | |
| 58998. | Summary of remaining write-ins for Line 58 from overflow page | | | | | | | | |
| 58999. | Totals (Lines 58001 through 58003 plus 58998) (Line 58 above) | X X X | | | | | | | |

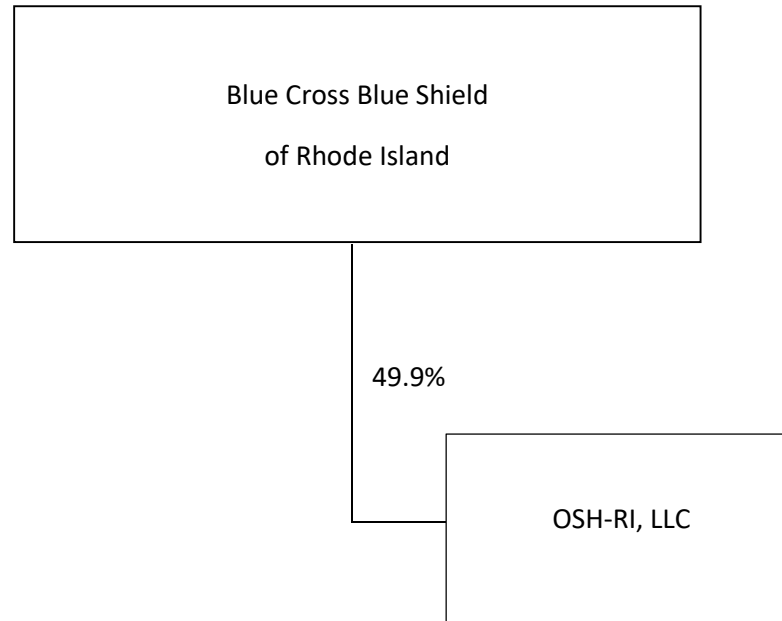
NONE

- (a) Active Status Counts
- L - Licensed or Chartered - Licensed i 1
 - E - Eligible - Reporting entities eligible _____
 - R - Registered - Non-domiciled RRGs _____
 - Q - Qualified - Qualified or accredited r _____
 - N - None of the above - Not allowed t 56

(b) **Explanation of basis of allocation of premiums by states, etc.**
 ALL PREMIUMS ARE ALLOCATED TO RHODE ISLAND

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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation**ASSETS**

| | Current Year | | | Prior Year |
|---|--------------|-----------------------|---|------------------------|
| | 1 | 2 | 3 | 4 |
| REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 2504. LEASEHOLD IMPROVEMENTS | 5,017,155 | 5,017,155 | | |
| 2505. COLLATERAL FUND HOME & HOST | 189,283 | | 189,283 | 214,604 |
| 2506. HISTORICAL TAX CREDITS | | | | 6,370,000 |
| 2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598) | 5,206,438 | 5,017,155 | 189,283 | 6,584,604 |

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|--|--------------|----------------|------------|------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| WRITE-INS AGGREGATED AT LINE 23 FOR OTHER LIABILITIES | | | | |
| 2304. FEP & MISCELLANEOUS CLAIMS PAYABLES | 844,376 | | 844,376 | 123,109 |
| 2397. Totals (Lines 2304 through 2396) (Page 3, Line 23) | 844,376 | | 844,376 | 123,109 |

OVERFLOW PAGE FOR WRITE-INS

Page 4 - Continuation**STATEMENT OF REVENUE AND EXPENSES**

| WRITE-INS AGGREGATED AT LINE 29 FOR STATEMENT OF REVENUE AND EXPENSES | Current Year | | Prior Year |
|---|----------------|--------------|--------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 2904. PREMIUM ASSISTANCE PROGRAM | | (600) | (2,428) |
| 2905. INTEREST EXPENSE IRS | | (102,628) | (91,030) |
| 2906. INTEREST EXPENSE LINE OF CREDIT | | (199,324) | (193,943) |
| 2907. BANK SERVICE CHARGES | | (269,519) | (286,390) |
| 2908. HEALTH INFORMATION EXCHANGE | | (1,238,088) | (1,248,756) |
| 2909. WELLNESS WORKS EXPENSE | | (2,272,330) | (2,391,899) |
| 2910. OTHER INCOME (NET OF PENALTIES) | | (16,866,957) | (24,791,047) |
| 2997. Totals (Lines 2901 through 2996) (Page 4, Line 2998) | | (20,949,446) | (29,005,493) |

OVERFLOW PAGE FOR WRITE-INS

Page 13 - Continuation

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D – AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

| | 1 | 2 Comprehensive (Hospital & Medical) | 3 Medicare Supplement | 4 Dental Only | 5 Vision Only | 6 Federal Employees Health Benefits Plan | 7 Title XVIII Medicare | 8 Title XIX Medicaid | 9 Other |
|---|---|---|-----------------------------|---------------------|---------------------|--|---------------------------------|-------------------------------|------------|
| 1197. Totals (Lines 1101 through 1196) (Page 13, Line 1198) | | | | | | | | | |

OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 – ANALYSIS OF EXPENSES

| | Claim Adjustment Expenses | | 3 | 4 | 5 |
|--|---------------------------|---------------------------------|---------------------------------|---------------------|-------------|
| | 1 | 2 | | | |
| WRITE-INS AGGREGATED AT LINE 25 FOR UNDERWRITING AND INVESTMENT EXHIBIT | Cost Containment Expenses | Other Claim Adjustment Expenses | General Administrative Expenses | Investment Expenses | Total |
| 2504. AGENCY & PORTFOLIO MANAGEMENT FEES | | | | 1,347,515 | 1,347,515 |
| 2505. CLAIMS HANDLING EXPENSE | | (67,500) | | | (67,500) |
| 2506. BLUECARD ADMIN FEE INCOME | (2,063,971) | (2,667,543) | | | (4,731,514) |
| 2597. Totals (Lines 2501 through 2596) (Page 14, Line 2598) | (2,063,971) | (2,735,043) | | 1,347,515 | (3,451,499) |

OVERFLOW PAGE FOR WRITE-INS

Page 17 - Continuation

EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| | 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 | |
| WRITE-INS AGGREGATED AT LINE 06 FOR EXHIBIT 1 | | | | | | |
| 0604. VISION ONLY | 13,708 | 13,824 | 14,330 | 14,227 | 14,580 | 169,580 |
| 0605. MEDICARE PRESCRIPTION DRUG PLAN | 11,663 | 11,676 | 11,785 | 11,950 | 12,007 | 141,851 |
| 0697. Totals (Lines 0601 through 0697) (Page 17, Line 06) | 25,371 | 25,500 | 26,115 | 26,177 | 26,587 | 311,431 |

ALPHABETICAL INDEX TO HEALTH ANNUAL STATEMENT

| | | | |
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| Cash Flow | 6 | Schedule DA – Part 1 | E17 |
| Exhibit 1 – Enrollment By Product Type for Health Business Only | 17 | Schedule DA – Verification Between Years | SI10 |
| Exhibit 2 – Accident and Health Premiums Due and Unpaid | 18 | Schedule DB – Part A – Section 1 | E18 |
| Exhibit 3 – Health Care Receivables | 19 | Schedule DB – Part A – Section 2 | E19 |
| Exhibit 3A - Analysis of Health Care Receivables Collected and Accrued | 20 | Schedule DB – Part A – Verification Between Years | SI11 |
| Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus | 21 | Schedule DB – Part B – Section 1 | E20 |
| Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates | 22 | Schedule DB – Part B – Section 2 | E21 |
| Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates | 23 | Schedule DB – Part B – Verification Between Years | SI11 |
| Exhibit 7 – Part 1 – Summary of Transactions With Providers | 24 | Schedule DB – Part C – Section 1 | SI12 |
| Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries | 24 | Schedule DB – Part C – Section 2 | SI13 |
| Exhibit 8 – Furniture, Equipment and Supplies Owned | 25 | Schedule DB - Part D - Section 1 | E22 |
| Exhibit of Capital Gains (Losses) | 15 | Schedule DB - Part D - Section 2 | E23 |
| Exhibit of Net Investment Income | 15 | Schedule DB - Part E | E24 |
| Exhibit of Nonadmitted Assets | 16 | Schedule DB - Verification | SI14 |
| Exhibit of Premiums, Enrollment and Utilization (State Page) | 30 | Schedule DL - Part 1 | E25 |
| Five-Year Historical Data | 29 | Schedule DL - Part 2 | E26 |
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| Jurat Page | 1 | Schedule E – Part 2 – Cash Equivalents | E28 |
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| Notes To Financial Statements | 26 | Schedule E – Part 3 – Special Deposits | E29 |
| Overflow Page For Write-ins | 44 | Schedule S – Part 1 – Section 2 | 31 |
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| Schedule A – Part 2 | E02 | Schedule S – Part 3 – Section 2 | 33 |
| Schedule A – Part 3 | E03 | Schedule S – Part 4 | 34 |
| Schedule A – Verification Between Years | SI02 | Schedule S – Part 5 | 35 |
| Schedule B – Part 1 | E04 | Schedule S – Part 6 | 36 |
| Schedule B – Part 2 | E05 | Schedule S – Part 7 | 37 |
| Schedule B – Part 3 | E06 | Schedule T – Part 2 – Interstate Compact | 39 |
| Schedule B – Verification Between Years | SI02 | Schedule T – Premiums and Other Considerations | 38 |
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| Schedule D – Part 1 | E10 | Summary Investment Schedule | SI01 |
| Schedule D – Part 1A – Section 1 | SI05 | Supplemental Exhibits and Schedules Interrogatories | 43 |
| Schedule D – Part 1A – Section 2 | SI08 | Underwriting and Investment Exhibit – Part 1 | 8 |
| Schedule D – Part 2 – Section 1 | E11 | Underwriting and Investment Exhibit – Part 2 | 9 |
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| Schedule D – Part 4 | E14 | Underwriting and Investment Exhibit – Part 2C | 12 |
| Schedule D – Part 5 | E15 | Underwriting and Investment Exhibit – Part 2D | 13 |
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| Schedule D – Part 6 – Section 2 | E16 | | |