



# ANNUAL STATEMENT

For the Year Ended December 31, 2015  
of the Condition and Affairs of the

## Blue Care Network of Michigan

NAIC Group Code.....572, 572 (Current Period) (Prior Period) NAIC Company Code..... 95610 Employer's ID Number..... 38-2359234

Organized under the Laws of Michigan State of Domicile or Port of Entry Michigan Country of Domicile US

Licensed as Business Type.....Health Maintenance Organization Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized..... May 6, 1981 Commenced Business..... May 13, 1981

Statutory Home Office 20500 Civic Center Drive..... Southfield ..... MI ..... US .... 48076  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 20500 Civic Center Drive..... Southfield ..... MI ..... US .... 48076 248-799-6400  
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 20500 Civic Center Drive MC C455..... Southfield ..... MI ..... US .... 48076  
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 20500 Civic Center Drive..... Southfield ..... MI ..... US .... 48076 248-799-6898  
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.BCBSM.com

Statutory Statement Contact Jill Angela Fiddes 248-799-6898  
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### OFFICERS

Name	Title	Name	Title
1. Kevin James Klobucar	President & Chief Executive Officer	2. Lisa Marie Hardy	Secretary
3. Susan Anne Kluge	Chief Financial Officer & Treasurer	4. Marc Darryl Keshishian MD	Chief Medical Officer

### OTHER

### DIRECTORS OR TRUSTEES

Julie Anne Angott	Mark Robert Bartlett	William Harrison Black	David Bing
James Robert Dietz	Shauna Ryder Diggs MD	Sarah Winston Doyle	Janet Louise Harden
Valeria Ann Holmon	Gerald Kariem	Robert Paul Kelch MD	Kevin James Klobucar
Melvin Lyle Larsen	Paula Jean Manderfield	Gregory Alan Sudderth	Diana Lynn Watson
Mary Ann Weaver			

State of..... Michigan  
County of..... Oakland

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) Kevin James Klobucar	_____ (Signature) Lisa Marie Hardy	_____ (Signature) Susan Anne Kluge
1. (Printed Name) President & Chief Executive Officer	2. (Printed Name) Secretary	3. (Printed Name) Chief Financial Officer & Treasurer
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2016

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

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	896,501,840		896,501,840	702,258,171
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	848,645		848,645	4,627,688
2.2 Common stocks.....	164,321,859		164,321,859	89,540,006
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....(1,521,947), Schedule E-Part 1), cash equivalents (\$.....8,854,937, Schedule E-Part 2) and short-term investments (\$.....598,657,597, Schedule DA).....	605,990,587		605,990,587	701,985,485
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	161,019,373
9. Receivables for securities.....			0	5,698,466
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,667,662,931	0	1,667,662,931	1,665,129,189
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	10,906,234		10,906,234	11,568,682
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	44,841,686	3,180,280	41,661,406	38,676,391
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums (\$.....691,877) and contracts subject to redetermination (\$.....0).....	5,328,780	4,636,903	691,877	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	45,186,818		45,186,818	37,095,125
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....	14,115,085		14,115,085	7,514,402
18.1 Current federal and foreign income tax recoverable and interest thereon.....	212,297		212,297	231,167
18.2 Net deferred tax asset.....	66,095		66,095	45,167
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	9,458,192	9,458,192	0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	15,003,249	15,003,249	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	33,190,698		33,190,698	17,954,694
24. Health care (\$.....33,851,442) and other amounts receivable.....	33,941,972	90,530	33,851,442	20,461,256
25. Aggregate write-ins for other than invested assets.....	1,311,033	1,058,880	252,153	653,553
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,881,225,070	33,428,034	1,847,797,036	1,799,329,626
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	1,881,225,070	33,428,034	1,847,797,036	1,799,329,626

**DETAILS OF WRITE-INS**

1101. ....			0	
1102. ....			0	
1103. ....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid expenses.....	1,058,880	1,058,880	0	
2502. Other accounts receivable.....	252,153		252,153	653,553
2503. ....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	1,311,033	1,058,880	252,153	653,553

## Blue Care Network of Michigan LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....14,773,457 reinsurance ceded).....	334,056,623	12,136,388	346,193,011	293,298,291
2. Accrued medical incentive pool and bonus amounts.....	71,266,951		71,266,951	82,164,935
3. Unpaid claims adjustment expenses.....	10,849,087		10,849,087	9,259,591
4. Aggregate health policy reserves, including the liability of \$.....11,274,455 for medical loss ratio rebate per the Public Health Service Act.....	71,973,595		71,973,595	73,289,965
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	72,612,882		72,612,882	50,723,258
9. General expenses due or accrued.....	51,236,881		51,236,881	61,302,203
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....	4,283,961		4,283,961	20,930,106
12. Amounts withheld or retained for the account of others.....	733,348		733,348	863,356
13. Remittances and items not allocated.....	140		140	311
14. Borrowed money (including \$.....0 current) and interest thereon \$....49,819 (including \$....49,819 current).....	75,049,819		75,049,819	75,030,222
15. Amounts due to parent, subsidiaries and affiliates.....	100,765,119		100,765,119	105,107,421
16. Derivatives.....			0	
17. Payable for securities.....	64,413		64,413	1,470,065
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	15,382,123		15,382,123	11,349,347
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	879,229	0	879,229	1,050,990
24. Total liabilities (Lines 1 to 23).....	809,154,171	12,136,388	821,290,559	785,840,061
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	29,814,357	29,802,196
26. Common capital stock.....	XXX	XXX	10,000	10,000
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	15,643,045	15,643,045
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	981,039,075	968,034,324
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	1,026,506,477	1,013,489,565
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	1,847,797,036	1,799,329,626

### DETAILS OF WRITE-INS

2301. Escheats.....	879,229		879,229	1,050,990
2302. ....			0	
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	879,229	0	879,229	1,050,990
2501. Reserve for ACA Fee due in 2016.....	XXX	XXX	29,814,357	29,802,196
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	29,814,357	29,802,196
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	8,025,758	7,489,166
2. Net premium income (including \$.....0 non-health premium income).....	XXX	3,242,143,786	3,042,693,385
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(4,857,870)	(71,215,929)
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX	945,688	1,428,182
6. Aggregate write-ins for other health care related revenues.....	XXX	14,229,633	19,169,873
7. Aggregate write-ins for other non-health revenues.....	XXX	0	0
8. Total revenues (Lines 2 to 7).....	XXX	3,252,461,237	2,992,075,511
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....	28,412,060	1,941,361,314	1,767,571,138
10. Other professional services.....	1,169,254	98,910,018	84,863,850
11. Outside referrals.....	78,504,446	78,504,446	79,054,637
12. Emergency room and out-of-area.....	4,028,075	180,688,338	173,294,557
13. Prescription drugs.....		449,736,628	377,422,427
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		60,564,895	72,267,735
16. Subtotal (Lines 9 to 15).....	112,113,835	2,809,765,639	2,554,474,344
<b>Less:</b>			
17. Net reinsurance recoveries.....		71,386,006	48,336,286
18. Total hospital and medical (Lines 16 minus 17).....	112,113,835	2,738,379,632	2,506,138,058
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....82,864,163 cost containment expenses.....		157,147,960	143,107,859
21. General administrative expenses.....		358,782,411	354,128,060
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			
23. Total underwriting deductions (Lines 18 through 22).....	112,113,835	3,254,310,003	3,003,373,977
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	(1,848,766)	(11,298,466)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		26,711,572	21,131,727
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		(4,323,344)	8,296,625
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	22,388,228	29,428,352
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....(1,650,363))].		(1,650,363)	(267,722)
29. Aggregate write-ins for other income or expenses.....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	18,889,099	17,862,164
31. Federal and foreign income taxes incurred.....	XXX	843,870	545,386
32. Net income (loss) (Lines 30 minus 31).....	XXX	18,045,229	17,316,778

**DETAILS OF WRITE-INS**

0601. Michigan Health Insurance Claims Assessment Collected.....	XXX	14,161,522	19,133,972
0602. Other Revenue.....	XXX	68,111	35,901
0603. ....	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX	14,229,633	19,169,873
0701. ....	XXX		
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. ....			
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0	0

**Blue Care Network of Michigan  
STATEMENT OF REVENUE AND EXPENSES (Continued)**

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	1,013,489,565	999,759,065
34. Net income or (loss) from Line 32.....	18,045,229	17,316,778
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....	2,246,893	1,553,589
37. Change in net unrealized foreign exchange capital gain or (loss).....	(946,521)	(802,597)
38. Change in net deferred income tax.....	20,928	(103,440)
39. Change in nonadmitted assets.....	(6,349,617)	(4,233,830)
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.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	13,016,912	13,730,500
49. Capital and surplus end of reporting period (Line 33 plus 48).....	1,026,506,477	1,013,489,565

**DETAILS OF WRITE-INS**

4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

## Blue Care Network of Michigan CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	3,232,709,183	3,067,538,303
2. Net investment income.....	30,828,776	31,576,309
3. Miscellaneous income.....	15,175,321	20,598,055
4. Total (Lines 1 through 3).....	3,278,713,280	3,119,712,667
5. Benefit and loss related payments.....	2,717,187,967	2,486,437,037
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	528,796,228	448,390,175
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	825,000	754,862
10. Total (Lines 5 through 9).....	3,246,809,195	2,935,582,074
11. Net cash from operations (Line 4 minus Line 10).....	31,904,085	184,130,593
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	707,760,300	644,661,384
12.2 Stocks.....	22,553,961	28,117,156
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	166,549,524	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	188,400	485,042
12.7 Miscellaneous proceeds.....	5,698,466	1,441,576
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	902,750,651	674,705,158
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	911,630,360	661,659,500
13.2 Stocks.....	95,307,386	84,987,431
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....	799,678	30,000,000
13.6 Miscellaneous applications.....	1,405,652	5,577,764
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,009,143,076	782,224,695
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(106,392,425)	(107,519,537)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(21,506,558)	6,353,673
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(21,506,558)	6,353,673
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(95,994,898)	82,964,728
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	701,985,485	619,020,757
19.2 End of year (Line 18 plus Line 19.1).....	605,990,587	701,985,485
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 The company reported the following non-cash investing activities for the dissolution of affiliated Trusts.....	131,703,703	



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	2,436,826,571		33,699,618	2,403,126,953
2. Medicare supplement.....	31,227,354			31,227,354
3. Dental only.....				0
4. Vision only.....				0
5. Federal employees health benefits plan.....	96,022,480		827,517	95,194,963
6. Title XVIII - Medicare.....	714,156,448		1,561,932	712,594,516
7. Title XIX - Medicaid.....				0
8. Other health.....				0
9. Health subtotal (Lines 1 through 8).....	3,278,232,853	0	36,089,067	3,242,143,786
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	3,278,232,853	0	36,089,067	3,242,143,786

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and 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.....	2,709,654,921	1,965,937,448	21,442,345			82,926,215	639,348,913			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	63,929,833	64,221,250					(291,417)			
1.4 Net.....	2,645,725,088	1,901,716,198	21,442,345	0	0	82,926,215	639,640,330	0	0	0
2. Paid medical incentive pools and bonuses.....	71,462,880	57,998,549				2,434,435	11,029,896			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	360,966,468	268,772,471	2,689,814			7,303,799	82,200,384			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	14,773,457	14,773,457								
3.4 Net.....	346,193,011	253,999,014	2,689,814	0	0	7,303,799	82,200,384	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	71,266,951	56,753,351				2,098,160	12,415,440			
6. Net healthcare receivables (a).....	12,713,378	10,243,670					2,469,708			
7. Amounts recoverable from reinsurers December 31, current year.....	45,186,818	45,186,818								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	308,707,268	235,946,687	2,230,189			5,932,797	64,597,595			
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	15,408,977	15,408,977								
8.4 Net.....	293,298,291	220,537,710	2,230,189	0	0	5,932,797	64,597,595	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	82,164,936	65,719,833				2,469,408	13,975,695			
11. Amounts recoverable from reinsurers December 31, prior year.....	37,095,125	37,095,125								
12. Incurred benefits:										
12.1 Direct.....	2,749,200,743	1,988,519,562	21,901,970	0	0	84,297,217	654,481,994	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	71,386,006	71,677,423	0	0	0	0	(291,417)	0	0	0
12.4 Net.....	2,677,814,737	1,916,842,139	21,901,970	0	0	84,297,217	654,773,411	0	0	0
13. Incurred medical incentive pools and bonuses.....	60,564,895	49,032,067	0	0	0	2,063,187	9,469,641	0	0	0

(a) Excludes \$.....0 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 (Medical and Hospital)	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.....	102,519,381	74,267,859	786,486			2,135,589	25,329,447			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	102,519,381	74,267,859	786,486	0	0	2,135,589	25,329,447	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	248,952,950	185,010,475	1,903,328			5,168,210	56,870,937			
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	14,773,457	14,773,457								
2.4 Net.....	234,179,493	170,237,018	1,903,328	0	0	5,168,210	56,870,937	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	9,494,137	9,494,137								
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	9,494,137	9,494,137	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	360,966,468	268,772,471	2,689,814	0	0	7,303,799	82,200,384	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	14,773,457	14,773,457	0	0	0	0	0	0	0	0
4.4 Net.....	346,193,011	253,999,014	2,689,814	0	0	7,303,799	82,200,384	0	0	0

## 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).....	227,860,860	1,665,763,646	1,713,419	252,285,595	229,574,279	220,537,712
2. Medicare supplement.....	2,271,970	19,170,376	16,099	2,673,715	2,288,069	2,230,189
3. Dental only.....					.0	
4. Vision only.....					.0	
5. Federal employees health benefits plan.....	8,764,465	74,161,749	47,913	7,255,886	8,812,378	5,932,796
6. Title XVIII - Medicare.....	66,153,195	573,487,135	930,116	81,270,268	67,083,311	64,597,595
7. Title XIX - Medicaid.....					.0	
8. Other health.....					.0	
9. Health subtotal (Lines 1 to 8).....	305,050,490	2,332,582,906	2,707,547	343,485,464	307,758,037	293,298,292
10. Healthcare receivables (a).....	70,284	33,871,688			70,284	21,228,594
11. Other non-health.....					.0	
12. Medical incentive pools and bonus amounts.....	68,115,716	3,347,163	2,257,989	69,008,962	70,373,705	82,164,935
13. Totals (Lines 9 - 10 + 11 + 12).....	373,095,922	2,302,058,381	4,965,536	412,494,426	378,061,458	354,234,633

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

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

**SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	.262,224	.260,378	.258,967	.258,975	.258,870
2. 2011.....	1,919,892	2,192,437	2,191,907	2,191,803	2,191,794
3. 2012.....	.XXX	1,934,148	2,219,854	2,218,991	2,219,585
4. 2013.....	.XXX	.XXX	1,871,801	2,159,864	2,162,249
5. 2014.....	.XXX	.XXX	.XXX	2,162,239	2,532,541
6. 2015.....	.XXX	.XXX	.XXX	.XXX	2,335,930

**SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL**

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	.262,224	.260,378	.258,967	.258,975	.258,870
2. 2011.....	2,232,887	2,204,447	2,191,907	2,191,803	2,191,794
3. 2012.....	.XXX	2,240,847	2,231,000	2,218,991	2,219,590
4. 2013.....	.XXX	.XXX	2,178,763	2,165,917	2,162,320
5. 2014.....	.XXX	.XXX	.XXX	2,531,650	2,537,431
6. 2015.....	.XXX	.XXX	.XXX	.XXX	2,748,424

12.GT

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	2,569,741	2,191,794	103,769	4.7	2,295,563	89.3			2,295,563	89.3
2. 2012.....	2,612,441	2,219,585	111,023	5.0	2,330,608	89.2	5		2,330,613	89.2
3. 2013.....	2,594,457	2,162,249	123,069	5.7	2,285,318	88.1	71		2,285,389	88.1
4. 2014.....	2,971,477	2,532,541	144,884	5.7	2,677,425	90.1	4,890	1,555	2,683,870	90.3
5. 2015.....	3,237,285	2,335,930	133,088	5.7	2,469,018	76.3	412,494	9,294	2,890,806	89.3

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

**SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	207,510	205,492	205,275	205,207	205,105
2. 2011.....	1,441,650	1,653,631	1,652,607	1,652,612	1,652,608
3. 2012.....	XXX	1,412,815	1,638,218	1,637,787	1,638,427
4. 2013.....	XXX	XXX	1,343,828	1,563,295	1,564,732
5. 2014.....	XXX	XXX	XXX	1,581,530	1,863,268
6. 2015.....	XXX	XXX	XXX	XXX	1,667,914

**SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL**

12.HM

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	207,510	205,492	205,275	205,207	205,105
2. 2011.....	1,684,399	1,663,446	1,652,607	1,652,612	1,652,608
3. 2012.....	XXX	1,645,577	1,647,560	1,637,787	1,638,429
4. 2013.....	XXX	XXX	1,578,926	1,568,165	1,564,792
5. 2014.....	XXX	XXX	XXX	1,862,917	1,866,718
6. 2015.....	XXX	XXX	XXX	XXX	1,975,155

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	1,958,514	1,652,608	88,626	5.4	1,741,234	88.9			1,741,234	88.9
2. 2012.....	1,970,033	1,638,427	93,112	5.7	1,731,539	87.9	2		1,731,541	87.9
3. 2013.....	1,910,309	1,564,732	102,986	6.6	1,667,718	87.3	60		1,667,778	87.3
4. 2014.....	2,225,700	1,863,268	121,844	6.5	1,985,112	89.2	3,450	1,150	1,989,712	89.4
5. 2015.....	2,398,223	1,667,914	109,716	6.6	1,777,630	74.1	307,240	6,759	2,091,629	87.2

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

**SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	1,931	1,925	1,923	1,920	1,920
2. 2011.....	12,678	14,949	14,978	14,967	14,967
3. 2012.....	XXX	13,397	15,412	15,405	15,406
4. 2013.....	XXX	XXX	14,597	16,403	16,406
5. 2014.....	XXX	XXX	XXX	16,156	18,425
6. 2015.....	XXX	XXX	XXX	XXX	19,170

**SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT**

12.MS

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	1,931	1,925	1,923	1,920	1,920
2. 2011.....	15,047	14,965	14,978	14,967	14,967
3. 2012.....	XXX	15,673	15,434	15,405	15,407
4. 2013.....	XXX	XXX	16,572	16,407	16,407
5. 2014.....	XXX	XXX	XXX	18,383	18,439
6. 2015.....	XXX	XXX	XXX	XXX	21,844

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	17,151	14,967	806	5.4	15,773	92.0			15,773	92.0
2. 2012.....	20,373	15,406	906	5.9	16,312	80.1	1		16,313	80.1
3. 2013.....	22,905	16,406	1,071	6.5	17,477	76.3	1		17,478	76.3
4. 2014.....	26,963	18,425	1,199	6.5	19,624	72.8	14	12	19,650	72.9
5. 2015.....	31,179	19,170	1,159	6.0	20,329	65.2	2,674	71	23,074	74.0

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

#### SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	8,809	8,579	8,473	8,472	8,472
2. 2011.....	73,907	83,700	83,804	83,806	83,808
3. 2012.....	XXX	67,728	75,535	75,469	75,468
4. 2013.....	XXX	XXX	65,894	72,976	73,626
5. 2014.....	XXX	XXX	XXX	65,707	76,141
6. 2015.....	XXX	XXX	XXX	XXX	74,276

#### SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	8,809	8,579	8,473	8,472	8,472
2. 2011.....	85,072	83,867	83,804	83,806	83,808
3. 2012.....	XXX	78,480	75,751	75,469	75,468
4. 2013.....	XXX	XXX	73,709	73,146	73,626
5. 2014.....	XXX	XXX	XXX	73,940	76,255
6. 2015.....	XXX	XXX	XXX	XXX	83,563

#### SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	94,528	83,808	4,357	5.2	88,165	93.3			88,165	93.3
2. 2012.....	87,887	75,468	4,231	5.6	79,699	90.7			79,699	90.7
3. 2013.....	83,104	73,626	4,595	6.2	78,221	94.1			78,221	94.1
4. 2014.....	84,354	76,141	4,672	6.1	80,813	95.8	114	44	80,971	96.0
5. 2015.....	95,195	74,276	4,420	6.0	78,696	82.7	9,288	271	88,255	92.7

12.FE

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

#### SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	43,974	44,382	43,296	43,376	43,373
2. 2011.....	391,657	440,157	440,518	440,418	440,411
3. 2012.....	XXX	440,208	490,689	490,330	490,284
4. 2013.....	XXX	XXX	447,482	507,190	507,485
5. 2014.....	XXX	XXX	XXX	498,846	574,707
6. 2015.....	XXX	XXX	XXX	XXX	574,570

#### SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

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 2011	2 2012	3 2013	4 2014	5 2015
1. Prior.....	43,974	44,382	43,296	43,376	43,373
2. 2011.....	448,369	442,169	440,518	440,418	440,411
3. 2012.....	XXX	501,117	492,255	490,330	490,286
4. 2013.....	XXX	XXX	509,556	508,199	507,495
5. 2014.....	XXX	XXX	XXX	576,410	576,019
6. 2015.....	XXX	XXX	XXX	XXX	667,862

#### SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2011.....	499,548	440,411	9,980	2.3	450,391	90.2			450,391	90.2
2. 2012.....	534,148	490,284	12,774	2.6	503,058	94.2	.2		503,060	94.2
3. 2013.....	578,139	507,485	14,417	2.8	521,902	90.3	10		521,912	90.3
4. 2014.....	634,460	574,707	17,168	3.0	591,875	93.3	1,312	349	593,536	93.5
5. 2015.....	712,688	574,570	17,792	3.1	592,362	83.1	93,292	2,193	687,847	96.5

12.XV

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims  
NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims  
NONE**

**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 and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	1,712,646	961,324	751,322						
2. Additional policy reserves (a).....	0								
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	11,434,410	11,434,410							
5. Aggregate write-ins for other policy reserves.....	58,826,539	58,826,539	0	0	0	0	0	0	0
6. Totals (gross).....	71,973,595	71,222,273	751,322	0	0	0	0	0	0
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	71,973,595	71,222,273	751,322	0	0	0	0	0	0
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0

13

**DETAILS OF WRITE-INS**

0501. ACA Risk Adjustment Liability.....	58,826,539	58,826,539							
0502. ....	0								
0503. ....	0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	58,826,539	58,826,539	0	0	0	0	0	0	0
1101. ....	0								
1102. ....	0								
1103. ....	0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....0 premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	1,771,251	2,121,483	3,003,847		6,896,581
2. Salaries, wages and other benefits.....	40,928,769	40,814,454	83,266,779	394,719	165,404,721
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			85,356,265		85,356,265
4. Legal fees and expenses.....					0
5. Certifications and accreditation fees.....	118,863				118,863
6. Auditing, actuarial and other consulting services.....	2,722,335	289,610	12,173,907	235,496	15,421,348
7. Traveling expenses.....	609,883	264,372	2,180,716	7,296	3,062,267
8. Marketing and advertising.....	62,500	7,842	6,579,122		6,649,464
9. Postage, express and telephone.....	266,729	1,935,957	4,580,207	1,550	6,784,443
10. Printing and office supplies.....	1,911,169	260,046	3,271,683	209	5,443,107
11. Occupancy, depreciation and amortization.....	47,677	136,061	2,889,291		3,073,029
12. Equipment.....	187,450	224,647	266,146		678,243
13. Cost or depreciation of EDP equipment and software.....	5,679,289	2,416,320	14,038,884	74,452	22,208,945
14. Outsourced services including EDP, claims, and other services.....	24,429,653	23,158,221	50,090,623	52,720	97,731,217
15. Boards, bureaus and association fees.....	443,129	103,553	2,467,262	851	3,014,795
16. Insurance, except on real estate.....	23,835	27,374	664,620		715,829
17. Collection and bank service charges.....				3,796,370	3,796,370
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			15,107,208		15,107,208
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			67,427,941		67,427,941
23.4 Payroll taxes.....	2,468,021	2,481,765	5,042,337		9,992,123
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	1,193,610	42,092	375,573	0	1,611,275
26. Total expenses incurred (Lines 1 to 25).....	82,864,163	74,283,797	358,782,411	4,563,663	(a) 520,494,034
27. Less expenses unpaid December 31, current year.....	1,016,531	9,832,556	51,236,881		62,085,968
28. Add expenses unpaid December 31, prior year.....	820,225	8,439,366	61,302,203		70,561,794
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	82,667,857	72,890,607	368,847,733	4,563,663	528,969,860

**DETAILS OF WRITE-INS**

2501. Other miscellaneous expenses.....	1,193,610	42,092	375,573		1,611,275
2502. ....					0
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	1,193,610	42,092	375,573	0	1,611,275

(a) Includes management fees of \$.....182,693,913 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)..... 4,245,061	..... 4,611,326
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a)..... 19,493,709	..... 19,951,157
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b)..... 235,781	..... 236,003
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	..... 3,215,611	..... 3,215,611
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e)..... 5,558,811	..... 4,008,405
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	..... 0	..... 0
10. Total gross investment income.....	..... 32,748,973	..... 32,022,502
11. Investment expenses.....	.....	(g)..... 4,563,663
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h)..... 747,267
14. Depreciation on real estate and other invested assets.....	.....	(i)..... 0
15. Aggregate write-ins for deductions from investment income.....	.....	..... 0
16. Total deductions (Lines 11 through 15).....	.....	..... 5,310,930
17. Net investment income (Line 10 minus Line 16).....	.....	..... 26,711,572

**DETAILS OF WRITE-INS**

0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	..... 0	..... 0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	..... 0	..... 0
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	..... 0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....	..... 0

- (a) Includes \$.....2,089,276 accrual of discount less \$.....5,524,435 amortization of premium and less \$.....2,591,501 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 \$.....214,210 accrual of discount less \$.....15,281,841 amortization of premium and less \$.....5,448,118 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.....	..... 1,035,887	..... (327)	..... 1,035,560	..... 8,400	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	..... 0	.....	.....
1.2 Other bonds (unaffiliated).....	..... 5,201,051	..... (11,489,721)	..... (6,288,670)	.....	..... (946,521)
1.3 Bonds of affiliates.....	.....	.....	..... 0	.....	.....
2.1 Preferred stocks (unaffiliated).....	..... 339,948	..... (558,743)	..... (218,795)	..... (57,642)	.....
2.11 Preferred stocks of affiliates.....	.....	.....	..... 0	.....	.....
2.2 Common stocks (unaffiliated).....	..... 1,203,372	..... (243,212)	..... 960,160	..... (7,141,031)	.....
2.21 Common stocks of affiliates.....	.....	.....	..... 0	..... 4,706,693	.....
3. Mortgage loans.....	.....	.....	..... 0	.....	.....
4. Real estate.....	.....	.....	..... 0	.....	.....
5. Contract loans.....	.....	.....	..... 0	.....	.....
6. Cash, cash equivalents and short-term investments.....	..... 190,375	..... (1,974)	..... 188,401	.....	.....
7. Derivative instruments.....	.....	.....	..... 0	.....	.....
8. Other invested assets.....	.....	.....	..... 0	..... 4,730,473	.....
9. Aggregate write-ins for capital gains (losses).....	..... 0	..... 0	..... 0	..... 0	..... 0
10. Total capital gains (losses).....	..... 7,970,633	..... (12,293,977)	..... (4,323,344)	..... 2,246,893	..... (946,521)

**DETAILS OF WRITE-INS**

0901. ....	.....	.....	..... 0	.....	.....
0902. ....	.....	.....	..... 0	.....	.....
0903. ....	.....	.....	..... 0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	..... 0	..... 0	..... 0	..... 0	..... 0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	..... 0	..... 0	..... 0	..... 0	..... 0

**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).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	3,180,280	2,990,233	(190,047)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....	4,636,903		(4,636,903)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.0
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....			.0
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....	9,458,192	12,651,382	3,193,190
21. Furniture and equipment, including health care delivery assets.....	15,003,249	9,677,328	(5,325,921)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....	90,530	767,338	676,808
25. Aggregate write-ins for other than invested assets.....	1,058,880	992,136	(66,744)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	33,428,034	27,078,417	(6,349,617)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	33,428,034	27,078,417	(6,349,617)

**DETAILS OF WRITE-INS**

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. Prepaid expenses.....	1,058,880	992,136	(66,744)
2502.....			.0
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	1,058,880	992,136	(66,744)

**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.....	652,857	699,482	678,327	672,454	670,254	8,025,758
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	652,857	699,482	678,327	672,454	670,254	8,025,758

**DETAILS OF WRITE-INS**

0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	0

**NOTES TO FINANCIAL STATEMENTS****1. Summary of Significant Accounting Policies****A. Accounting Practices**

The financial statements of Blue Care Network of Michigan (BCN) are presented on the basis of accounting practices required by the Michigan Department of Insurance and Financial Services (DIFS).

DIFS has adopted the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* and the related *NAIC Annual Statement Instructions* (NAIC SAP) for determining and reporting the financial condition and results of operations of an insurance company. DIFS requires the use of NAIC SAP to the extent that practices, procedures, and reporting standards are not modified by the Michigan Insurance Code or by the DIFS *Forms and Instructions for Required Filings in Michigan* as prescribed or permitted practices.

A reconciliation of BCN's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

	<b>State of Domicile</b>	<b>2015</b>	<b>2014</b>
<b>NET INCOME</b>			
(1) Blue Care Network of Michigan	Michigan	\$ 18,045,229	\$ 17,316,778
(2) State Prescribed Practices that increase / (decrease) NAIC SAP:			
None		-	-
(3) State Permitted Practices that increase / (decrease) NAIC SAP:			
None		-	-
(4) NAIC SAP (1-2-3=4)		<u>\$ 18,045,229</u>	<u>\$ 17,316,778</u>
<b>SURPLUS</b>			
(5) Blue Care Network of Michigan	Michigan	\$ 1,026,506,477	\$ 1,013,489,565
(6) State Prescribed Practices that increase / (decrease) NAIC SAP:			
None		-	-
(7) State Permitted Practices that increase / (decrease) NAIC SAP:			
None		-	-
(8) NAIC SAP (5-6-7=8)		<u>\$ 1,026,506,477</u>	<u>\$ 1,013,489,565</u>

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

The preparation of statutory-basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory-basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**C. Accounting Policy**

BCN follows the accounting policies below:

- (1) Short-term investments – stated at amortized cost.
- (2) Bonds not backed by other loans – that have a NAIC designation of one or two are stated at amortized cost using the scientific interest method. Bonds with a NAIC designation of three or higher are carried at the lower of amortized cost or fair market value.
- (3) Common Stocks – stated at fair value except common stock investments of uncombined subsidiaries in which BCN has an interest of 20 percent or more which are carried on the equity basis.

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**NOTES TO FINANCIAL STATEMENTS**

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- (4) Preferred Stocks – redeemable preferred stocks are stated at book value for NAIC classes one and two and lower of book value or market for NAIC classes three through six. Perpetual preferred stocks are stated at fair value for NAIC classes one and two and lower of book value or market for NAIC classes three through six. Changes in unrealized appreciation and depreciation in the value of preferred stocks are reflected as direct increases or decreases in surplus.
  - (5) Mortgage loans on real estate – NOT APPLICABLE
  - (6) Loan-backed securities – stated at amortized cost. Premiums and discounts on loan-backed securities and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.
  - (7) Investments in subsidiaries, controlled and affiliated entities – BCN records its investment in BCN Service Company (BCNSC), a wholly owned subsidiary, as common stock, using the audited GAAP equity method.
  - (8) Investments in joint ventures, partnerships and limited liability companies – NOT APPLICABLE
  - (9) Derivatives – NOT APPLICABLE
  - (10) Investment income in premium deficiency calculation – NOT APPLICABLE
  - (11) Claims Unpaid – The claims unpaid liability for incurred but unpaid and unreported claims is accrued in the period during which the services are provided and includes actuarial estimates of services performed that have not been reported to BCN by providers. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise. BCN has reinsured certain of its claims liabilities. Processing expense related to unpaid claims is accrued based on an estimate of cost to process such claims.
  - (12) Fixed Asset Capitalization – BCN had no change in its fixed assets capitalization policy from the prior period.
  - (13) Pharmaceutical rebate receivables – estimated based on historical rebate experience and membership.
2. Accounting Changes and Corrections of Errors – NOT APPLICABLE
  3. Business Combinations and Goodwill – NOT APPLICABLE
  4. Discontinued Operations – NOT APPLICABLE
  5. Investments
    - A. Mortgage Loans, including Mezzanine Real Estate Loans – NOT APPLICABLE
    - B. Debt Restructuring – NOT APPLICABLE
    - C. Reverse Mortgages – NOT APPLICABLE
    - D. Loan-Backed Securities
      - (1) Loan-backed securities designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) are reported at amortized cost; securities that are designated medium quality, low quality, lowest quality and in or near default (NAIC designations 3 to 6, respectively) shall be reported at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker-dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.

**NOTES TO FINANCIAL STATEMENTS**

(2) During 2015 BCN recognized the following OTTI on Loan Backed and Structured Securities.

	1	2	3
	<b>Amortized Cost Basis Before Other- than- Temporary Impairment</b>	<b>Other-than- Temporary Impairment Recognized in Loss</b>	<b>Fair Value 1-2</b>
<b>OTTI recognized 1st Quarter</b>			
a. Intent to sell	\$ -	\$ -	\$ -
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
c. Total 1st Quarter	\$ -	\$ -	\$ -
<b>OTTI recognized 2nd Quarter</b>			
d. Intent to sell	\$ -	\$ -	\$ -
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	244,047	1,513	242,534
f. Total 2nd Quarter	\$ 244,047	\$ 1,513	\$ 242,534
<b>OTTI recognized 3rd Quarter</b>			
g. Intent to sell	\$ -	\$ -	\$ -
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	263,585	2,706	260,879
i. Total 3rd Quarter	\$ 263,585	\$ 2,706	\$ 260,879
<b>OTTI recognized 4th Quarter</b>			
j. Intent to sell	\$ -	\$ -	\$ -
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	825,458	12,673	812,785
l. Total 4th Quarter	\$ 825,458	\$ 12,673	\$ 812,785
m. <b>Annual Aggregate Total</b>	\$ 1,333,090	\$ 16,892	\$ 1,316,198

(3) The table below reflects the individual securities that compose the 2015 impairment losses for loan-backed and structured securities. These securities were impaired on the basis that it is probable that the security will be sold before the recovery occurs.

1	2	3	4	5	6	7
CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized Other-Than- Temporary Impairment	Amortized Cost After Other-Than Temporary Impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
001406AB3	244,047	242,534	1,513	242,534	242,534	6/30/2015
36246LAG6	263,585	260,879	2,706	260,879	260,879	9/30/2015
001406AB3	233,661	228,343	5,318	228,343	228,343	12/31/2015
161571FW9	99,886	99,678	208	99,678	99,678	12/31/2015
36246LAG6	491,911	484,764	7,147	484,764	484,764	12/31/2015
<b>Total</b>	XXX	XXX	\$ 16,892	XXX	XXX	XXX

(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

**NOTES TO FINANCIAL STATEMENTS**

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a. The aggregate amount of unrealized losses:		
1. Less than 12 Months	\$	(1,238,356)
2. 12 Months or Longer	\$	-
b. The aggregate related fair value of securities with unrealized losses:		
1. Less than 12 Months	\$	144,222,768
2. 12 Months or Longer	\$	-

(5) Because BCN has determined the investments, noted in (4)b above, have not been subject to credit losses and BCN does not have the intent to sell the securities and has the ability to hold such securities, BCN does not consider these investments to be other-than-temporarily impaired.

E. Repurchase Agreements and/or Securities Lending Transactions

(1) Repurchase Agreements – NOT APPLICABLE

(2) BCN has no pledged assets under its security lending transaction agreement.

F. Real Estate – NOT APPLICABLE

G. Investments in Low-Income Housing Tax Credits (LIHTC) – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS****H. Restricted Assets****(1) Restricted Assets (Including Pledged)**

	1	2	3	4	5	6
	Total Gross Restricted from Current Year	Total Gross Restricted from Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Percentage Gross Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%
b. Collateral held under security lending agreements						
c. Subject to repurchase agreements						
d. Subject to reverse repurchase agreements						
e. Subject to dollar repurchase agreements						
f. Subject to dollar reverse repurchase agreements						
g. Placed under option contracts						
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock						
i. FHLB capital stock	4,205,500	5,328,700	(1,123,200)	4,205,500	0.22%	0.23%
j. On deposit with the state	1,000,000	1,000,000	-	1,000,000	0.05%	0.05%
k. On deposit with other regulatory bodies						
l. Pledged collateral to FHLB (including assets backing funding agreements)	95,231,568	82,881,807	12,349,761	95,231,568	5.06%	5.15%
m. Pledged as collateral not captured in other categories						
n. Other restricted assets	-	161,019,373	(161,019,373)	-	0.00%	0.00%
o. Total Restricted Assets	<u>\$ 100,437,068</u>	<u>\$ 250,229,880</u>	<u>\$ (149,792,812)</u>	<u>\$ 100,437,068</u>	<u>5.33%</u>	<u>5.43%</u>

(a) Subset of column 1

(b) Subset of column 3

2. Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate) – NOT APPLICABLE

3. Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate) – NOT APPLICABLE

I. Working Capital Finance Investments – NOT APPLICABLE

J. Offsetting and Netting of Assets and Liabilities – NOT APPLICABLE

K. Structured Notes – NOT APPLICABLE

6. Joint Ventures, Partnerships and Limited Liability Companies – NOT APPLICABLE

7. Investment Income

A. BCN non-admits investment income due and accrued if the amounts are over 90 days past due.

B. BCN admitted all accrued investment income as of December 31, 2015 and 2014.

8. Derivative Instruments – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS****9. Income Taxes****A. Deferred Tax Assets or Deferred Tax Liabilities**

The components of the net deferred tax asset/ (liability) at December 31, 2015 and 2014, are as follows:

1	12/31/2015			12/31/2014			Change		
	(1)	(2)	(3) (Col 1+2)	(4)	(5)	(6) (Col 4+5)	(7) (Col 1-4)	(8) (Col 2-5)	(9) (Col 7+8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a.	Gross deferred tax assets								
	\$ -	\$ 66,095	\$ 66,095	\$ -	\$ 45,167	\$ 45,167	\$ -	\$ 20,928	\$ 20,928
b.	Statutory valuation allowance adjustments								
	-	-	-	-	-	-	-	-	-
c.	Adjusted gross deferred tax assets (1(a) - 1(b))								
	-	66,095	66,095	-	45,167	45,167	-	20,928	20,928
d.	Deferred tax assets nonadmitted								
	-	-	-	-	-	-	-	-	-
e.	Subtotal net admitted deferred tax asset (1(c) - 1(d))								
	-	66,095	66,095	-	45,167	45,167	-	20,928	20,928
f.	Deferred tax liabilities								
	-	-	-	-	-	-	-	-	-
g.	Net admitted deferred tax asset / (Net deferred tax liability) (1(e) - 1(f))								
	\$ -	\$ 66,095	\$ 66,095	\$ -	\$ 45,167	\$ 45,167	\$ -	\$ 20,928	\$ 20,928

## NOTES TO FINANCIAL STATEMENTS

2	12/31/2015			12/31/2014			Change		
	(1)	(2)	(3) (Col 1+2)	(4)	(5)	(6) (Col 4+5)	(7) (Col 1-4)	(8) (Col 2-5)	(9) (Col 7+8)
<b>Admission Calculation Components SSAP No. 101</b>									
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a.	Federal income taxes paid in prior years recoverable through loss carry backs								
	\$ -	\$ 66,095	66,095	\$ -	\$ 45,167	\$45,167	\$ -	\$ 20,928	\$ 20,928
b.	Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (the lesser of 2(b)1 and 2(b)2 below)								
	-	-	-	-	-	-	-	-	-
1	Adjusted gross deferred tax assets expected to be realized following the balance sheet date								
	-	66,095	66,095	-	45,167	45,167	-	20,928	20,928
2	Adjusted gross deferred tax assets allowed per limitation threshold								
	xxx	xxx	66,095	xxx	xxx	45,167	xxx	xxx	20,928
c.	Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities								
	-	-	-	-	-	-	-	-	-
d.	Deferred tax assets admitted as the result of application of SSAP No 101.								
	Total 2(a) + 2(b) + 2(c)								
	\$ -	\$ 66,095	\$ 66,095	\$ -	\$ 45,167	\$45,167	\$ -	\$ 20,928	\$ 20,928

3		2015	2014
a.	Ratio percentage used to determine recovery period and threshold limitation amount	-	-
b.	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	-	-

4	2015		2014		Change	
	(1)	(2)	(3)	(4)	(5) (Col 1-3)	(6) (Col 2-4)
<b>Impact of tax-planning strategies</b>						
a.	Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.					
1	Adjusted gross DTAs amount from note 9A1(c)					
	\$ -	\$ 66,095	\$ -	\$ 45,167	\$ -	\$ 20,928
2	Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies					
	-	-	-	-	-	-
3	Net admitted adjusted gross DTAs amount from Note 9A1(e)					
	-	66,095	-	45,167	-	20,928
4	Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies					
	-	-	-	-	-	-
b.	Does BCN's tax planning strategies include the use of reinsurance? Yes ___ No ___X___					

**NOTES TO FINANCIAL STATEMENTS****B. Unrecognized Deferred Tax Liabilities – NOT APPLICABLE****C. Components of Income Tax Incurred**

BCN has been recognized by the Internal Revenue Service, under Internal Revenue Code Section 501(c)(4), as an organization exempt from tax under Section 501(a). BCN did not have any material uncertain tax positions as of December 31, 2015 or 2014. BCN recorded federal income tax incurred for unrelated business income for the years ended December 31, 2015 and 2014, respectively as follows:

	(1)	(2)	(3)
	12/31/2015	12/31/2014	(Col 1-2) Change
<b>1 Current income tax:</b>			
a. Federal	\$ 843,870	\$ 545,386	\$ 298,484
b. Foreign	-	-	-
c. Subtotal	843,870	545,386	298,484
d. Federal income tax on net capital gains	-	-	-
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	-	-	-
g. Federal and foreign income taxes incurred	\$ 843,870	\$ 545,386	\$ 298,484

	(1)	(2)	(3)
	12/31/2015	12/31/2014	(Col 1-2) Change
<b>2 Deferred Tax Assets:</b>			
a. Ordinary			
1 Discounting of unpaid losses	\$ -	\$ -	\$ -
2 Unearned premium reserve	-	-	-
3 Policyholder reserves	-	-	-
4 Investments	-	-	-
5 Deferred acquisition costs	-	-	-
6 Policyholder dividends accrual	-	-	-
7 Fixed assets	-	-	-
8 Compensation and benefits accrual	-	-	-
9 Pension accrual	-	-	-
10 Receivables – nonadmitted	-	-	-
11 Net operating loss carry-forward	-	-	-
12 Tax credit carry-forward	-	-	-
13 Other (including items <5% of total ordinary tax assets)	-	-	-
99 Subtotal	-	-	-
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	-	-	-
d. Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	-	-	-
e. Capital:			
1 Investments	-	-	-
2 Net capital loss carry-forward	66,095	45,167	20,928
3 Real estate	-	-	-
4 Other (including items <5% of total capital tax assets)	-	-	-
99 Subtotal	66,095	45,167	20,928
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ 66,095	\$ 45,167	\$ 20,928
i. Admitted deferred tax assets (2d + 2h)	\$ 66,095	\$ 45,167	\$ 20,928

## NOTES TO FINANCIAL STATEMENTS

	(1)	(2)	(3)
	12/31/2015	12/31/2014	(Col 1-2) Change
<b>3 Deferred Tax Liabilities:</b>			
a. Ordinary			
1 Investments	\$ -	\$ -	\$ -
2 Fixed assets	-	-	-
3 Deferred and uncollected premium	-	-	-
4 Policyholder reserves	-	-	-
5 Other (including items <5% of total ordinary tax liabilities)	-	-	-
99 Subtotal	-	-	-
b. Capital:			
1 Investments	-	-	-
2 Real estate	-	-	-
3 Other (including items <5% of total capital tax liabilities)	-	-	-
99 Subtotal	-	-	-
c. Deferred tax liabilities (3a99 + 3b99)	-	-	-
<b>4 Net deferred tax assets/liabilities (2i – 3c)</b>	<u>\$ 66,095</u>	<u>\$ 45,167</u>	<u>\$ 20,928</u>

D. Significant book to tax adjustments – NOT APPLICABLE

E. Loss carry forwards, credit carry forwards

BCN has unused net capital losses of \$161,206 at December 31, 2015, creating a deferred tax asset of \$66,095. Unused net capital losses of \$110,163 are available through 2018 and \$51,043 is available through 2020, to apply to short-term capital gains.

F. Consolidated tax filing – NOT APPLICABLE

G. Loss contingencies – NOT APPLICABLE

BCN believes that the income tax liability for uncertain tax positions will not significantly increase or decrease within the next twelve months.

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

- A. On a routine basis, BCN conducts business transactions with its parent, Blue Cross Blue Shield of Michigan Mutual Insurance Company (BCBSM), and affiliates: Blue Care of Michigan, Inc. (BCMI), a subsidiary of BCBSM; Blue Care Network Medical Malpractice Self-Insurance Trust (Malpractice Trust); Blue Care Network Stop-Loss and Casualty Self-insurance Trust (Stop-Loss Trust); Accident Fund Insurance Company of America (AFICA), a subsidiary of a BCBSM wholly owned affiliate, Accident Fund Holdings, Inc. (AFHI); LifeSecure Insurance Company (LifeSecure), a subsidiary of a BCBSM wholly owned affiliate, LifeSecure Holdings Corporation; BCBSM Foundation, a subsidiary of BCMI; BCN Service Company (BCNSC), a subsidiary of BCN; Blue Cross Complete of Michigan (BCC), a subsidiary of BCN; Blue Cross Complete of Michigan LLC (BCC LLC), owned by BCBSM through a joint venture; AmeriHealth Caritas Health Plan (ACHP), owned by BCBSM through a joint venture; Woodward Straits Insurance Company (WSIC), and Data Driven Delivery Systems, Inc. (DDDS), subsidiaries of BCBSM.
- B. Transactions with BCBSM include payments for health benefit coverage; processing and payment of certain claims; underpayments and/or overpayments due to and from hospitals; management, administrative and professional services; assigned employee salaries and related benefits; building rent; purchased services including agent fees; and reinsurance. Transactions with affiliates include funds collected on another's behalf; capitation payments; management, administrative and professional services; workers' compensation coverage; malpractice liability coverage; insolvency coverage; reinsurance coverage and reduced deductibles for property, general liability, automobile, and fidelity insurance coverage.

Administrative support fees incurred from BCBSM were allocated to the statutory administrative expense categories of cost containment, other claims adjustment, general administrative and investment expenses, based on BCBSM's statutory administrative expense categories. These statutory administrative expense categories were further allocated to detailed expense accounts based on the BCBSM's expense detail.

On June 1, 2015, Complete Health, LLC, a for-profit limited liability company jointly owned by BCBSM and its affiliate, ACHP, purchased BCC from BCN by means of a merger where BCC LLC is the surviving entity as reported on schedule D, Part 4. Also included in the transaction was a settlement of the surplus note between BCC and BCN from available capital and surplus just prior to the aforementioned acquisition, further disclosed in Note 10 D.

In 2014, BCN recorded its investment in certain affiliated trusts, Malpractice Trust and Stop-Loss Trust, as other invested assets. On October 1, 2015, the Trusts were terminated as a result of a dissolution. Accordingly, all net assets of the Trusts were transferred in accordance with the liquidation to various beneficiaries of the Trusts resulting in investments and cash equivalents being transferred to BCN in exchange for its invested balance on

**NOTES TO FINANCIAL STATEMENTS**

Schedule BA. This transaction was accounted for in accordance with SSAP 25 and did not impact the earnings or capital and surplus of BCN.

- C. For the years ended December 31, 2015 and 2014, \$2,122,099,482 and \$1,650,329,776, respectively, were billed from BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCBSM.

For the years ended December 31, 2015 and 2014, \$439,250,885 and \$420,242,683, respectively, were billed to BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCNSC.

- D. Except for reinsurance ceded and ceded reinsurance premiums payable, all related-party receivable and payable balances are classified as either claims unpaid or amounts due to or receivables from parent, subsidiaries, and affiliates.

As of December 31, 2015 and 2014, BCN had \$33,190,698 and \$17,954,694, respectively, in related party receivables. The majority of these balances were related to BCBSM.

As of December 31, 2015 and 2014, BCN had \$100,765,119 and \$105,107,421, respectively, in related party payables. The majority of these balances were related to BCBSM.

Effective in 2009, in exchange for assuming the unfunded postretirement obligation, BCN and BCBSM executed an intercompany transfer agreement, whereby BCN will repay the obligation assumed by BCBSM with annual installments over a 20-year term. BCN's payments to reduce this obligation and the balance due are included in the amounts reflected in the operating activities above.

Future minimum payments under the BCBSM postretirement transfer agreement as of December 31, 2015, are as follows:

2016	\$ 3,607,639
2017	3,607,639
2018	3,607,639
2019	3,607,639
2020	3,607,639
2021 and thereafter	<u>28,861,113</u>
Total	<u>\$ 46,899,308</u>

On June 25, 2014, BCN purchased a surplus note for \$30,000,000 from BCC. BCN accounted for the investment under guidance from SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities, SSAP No. 41, Surplus Notes, and SSAP No. 26, Bonds, Excluding Loan-Backed and Structured Securities. With approval from State regulators, the \$30,000,000 surplus note issued by BCC to BCN was paid in full, without interest, along with the 2015 sale transaction of BCC disclosed in Note 10 B.

- E. Affiliate Guarantees – NOT APPLICABLE
- F. BCN has agreements with BCBSM and affiliates under which the parties may provide services to or receive services from BCN. Except for the BCBSM postretirement transfer agreement, the agreements provide for monthly payments.
- G. All outstanding shares of BCN are owned by BCBSM. In addition, BCN; BCNSC; BCC LLC; BCBSM; BCMI; BCBSM Foundation; WSIC; AFHI and its subsidiaries; LifeSecure Holdings Corporation and its subsidiary; and Bloom Health Corporation, a subsidiary of BCBSM, have some common officers and board members.
- H. Ownership in upstream affiliate or parent – NOT APPLICABLE
- I. BCN performs the test of "significance of an investment to the reporting entity's financial position and results of operations," as required by SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities, a Replacement of SSAP No. 88*. BCN's carrying value of its investment in BCNSC did not individually exceed 10% of BCN's admitted assets as of December 31, 2015. BCN's carrying value of its investments in the Stop-Loss Trust, Malpractice Trust, BCNSC, and BCC did not individually exceed 10% of BCN's admitted assets as of December 31, 2014.
- J. Investment impaired – NOT APPLICABLE
- K. Investment in a foreign insurance subsidiary – NOT APPLICABLE
- L. Investment in downstream noninsurance holding company – NOT APPLICABLE
- M. BCN has an investment in BCNSC, a non-insurance subsidiary. The BCNSC balance sheet value for admitted assets is \$14,838,172 as of December 31, 2015. BCNSC has no non-admitted assets as they are valued using

**NOTES TO FINANCIAL STATEMENTS**

the audited GAAP equity method. The most recent valuation for BCNSC's SUB 2 Form filing was performed by the NAIC Securities Valuation Office on September 9, 2015. BCNSC was valued at \$14,292,045 as of December 31, 2014, and resubmission of the filing was not required.

N. Investment in insurance subsidiary, controlled and affiliated entities – NOT APPLICABLE

**11. Debt**

A. Debt and Holding Company Obligations – NOT APPLICABLE

B. FHLB (Federal Home Loan Bank) Agreements

(1) BCN became a member of the Federal Home Loan Bank of Indianapolis (FHLBI) on December 1, 2009, in order to obtain short-term, long-term and line-of-credit borrowing privileges. On May 30, 2012, BCN borrowed \$25,000,000 at a rate of 1.10% on the 60 month loan. On September 17, 2012, BCN borrowed \$50,000,000 at a rate of 0.73% on the 48 month loan. The \$50,000,000 loan was refinanced effective October 8, 2015, resulting in a new rate of 1.56% on the 60 month loan. BCN plans to utilize any funding obtained to cover operational needs or longer-term strategic plans. Borrowings are accounted for consistent with SSAP No. 15, *Debt and Holding Company Obligations* and SSAP No. 52, *Deposit Type Contracts*. The loans are collateralized by government securities and U.S. special revenue and special assessment securities at 105% of the outstanding loan balance.

(2) FHLB Capital Stock

a. Aggregate Totals

1. Current Year

		<b>Total</b>
(a)	Membership Stock - Class A	
(b)	Membership Stock - Class B	4,205,500
(c)	Activity Stock	
(d)	Excess Stock	
(e)	Aggregate Total (a+b+c+d)	4,205,500
(f)	Actual or estimated borrowing capacity as determined by the insurer	93,455,556

2. Prior Year-End

		<b>Total</b>
(a)	Membership Stock - Class A	
(b)	Membership Stock - Class B	5,328,700
(c)	Activity Stock	
(d)	Excess Stock	
(e)	Aggregate Total (a+b+c+d)	5,328,700
(f)	Actual or estimated borrowing capacity as determined by the insurer	118,415,556

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)

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

	1	2	Eligible for Redemption			
			3	4	5	6
Membership Stock	Current Year Total (2+3+4+5+6)	Not Eligible for Redemption	Less Than 6 Months	6 Months to Less Than 1 Year	1 to Less Than 3 Years	3 to 5 Years
1. Class A						
2. Class B	4,205,500	4,205,500				

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)a2(b) Total (Column 1)

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

**NOTES TO FINANCIAL STATEMENTS**

	1	2	3
	Fair Value	Carrying Value	Aggregate Total Borrowing
1. Current Year Total Collateral Pledged	98,808,080	95,231,568	75,000,000
2. Prior Year Total Collateral Pledged	87,149,392	82,881,807	75,000,000

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

	1	2	3
	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
1. Current Year Total Collateral Pledged	100,332,507	96,815,395	75,000,000
2. Prior Year Total Collateral Pledged	94,212,816	89,620,553	75,000,000

(4) Borrowing from FHLB

a. Amount as of the Reporting Date

1. Current Year

		1	2
		Total	Funding Agreements Established
(a)	Debt		XXX
(b)	Funding Agreements	75,000,000	
(c)	Other		XXX
(d)	Aggregate Total (a+b+c)	75,000,000	

2. Prior Year-End

		1	2
		Total	Funding Agreements Established
(a)	Debt		XXX
(b)	Funding Agreements	75,000,000	
(c)	Other		XXX
(d)	Aggregate Total (a+b+c)	75,000,000	

b. Maximum Amount During Reporting Period (Current Year)

		1
		Total
(a)	Debt	
(b)	Funding Agreements	75,000,000
(c)	Other	
(d)	Aggregate Total (Lines 1+2+3)	75,000,000

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?
1.	Debt	N/A
2.	Funding Agreements	NO
3.	Other	N/A

## NOTES TO FINANCIAL STATEMENTS

## 12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan – NOT APPLICABLE
- B. Plan Asset Investment Policies and Procedures – NOT APPLICABLE
- C. Plan Asset Fair Values – NOT APPLICABLE
- D. Basis of Rate-on-Return-on-Assets Assumption – NOT APPLICABLE
- E. Defined Contribution Plans – NOT APPLICABLE
- F. Multiemployer Plans – NOT APPLICABLE
- G. Consolidated/Holding Company Plans

Some BCBSM employees have been assigned to BCN; therefore, BCBSM has the responsibility for administering and funding the pension and other postretirement benefits for these assigned employees and all BCN retirees.

The assigned employees and all BCN retirees participate in qualified and non-qualified noncontributory defined benefit pension plans, and qualified defined contribution and deferred compensation plans sponsored by BCBSM, the parent company. In addition, all BCN retirees participate in certain other postretirement benefits offered for retired employees through a plan sponsored by BCBSM. BCN has no legal obligation for benefits under these plans. BCBSM allocates amounts to BCN based on the specific attributes of the assigned employees as determined by outside actuaries. BCN's share of net expense for qualified and non-qualified pension plans, other postretirement benefit plans and qualified defined contribution plans was:

	<u>2015</u>	<u>2014</u>
Qualified and non-qualified pension plans	\$10,758,654	\$9,462,505
Other postretirement benefit plans	9,097,643	6,250,263
Qualified defined contribution plan	2,568,269	2,371,703

The above expenses and amounts due to BCBSM related to the retirement expenses, as of December 31, 2015 and 2014, are disclosed in Note 10.

- H. Post-employment Benefits and Compensated Absences – NOT APPLICABLE
- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – NOT APPLICABLE

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

- (1) BCN has 500 shares of common stock authorized; and 100 shares issued and outstanding. All shares are one class and have a par value of \$100 per share.
- (2) Preferred stock – NOT APPLICABLE
- (3) Dividend Restrictions – BCN's Articles of Incorporation prohibit dividends.
- (4) Dividends Paid – NOT APPLICABLE
- (5) Stockholder's portion of ordinary dividends – NOT APPLICABLE
- (6) Restrictions placed on unassigned funds (surplus) – NOT APPLICABLE
- (7) The total amount of advances to surplus not repaid – NOT APPLICABLE
- (8) The amount of stock held by BCN for special purposes – NOT APPLICABLE
- (9) Changes in balances of special surplus funds from the prior year are due to the reserve for the 2015 ACA Fee payable in 2016.
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses was a net unrealized gain of \$6,518,841 at December 31, 2015.
- (11) Surplus Notes – NOT APPLICABLE
- (12) Impact of any restatement due to quasi-reorganization – NOT APPLICABLE
- (13) Effective date(s) of all quasi-reorganizations in the prior 10 years is/are – NOT APPLICABLE

## NOTES TO FINANCIAL STATEMENTS

## 14. Liabilities, Contingencies and Assessments

## A. Contingent Commitments – NOT APPLICABLE

## B. Assessments

The following items were recognized under SSAP No. 35R, *Guaranty Fund and Other Assessments*:

Effective January 1, 2012, through December 31, 2017, Michigan's Health Insurance Claims Assessment Act imposes an assessment on certain health care claims. BCN bears the inherent credit risk of uncollectability of the tax and therefore records the tax under the gross method, whereby claims taxes collected and paid are recorded as aggregate write-ins for other health care related revenues and general administrative expense, respectively. The liability is reflected in general expenses due and accrued as of December 31, 2015 and 2014, in the amount of \$5,381,663 and \$5,081,350, respectively.

Effective October 1, 2012, through September 30, 2019, the Affordable Care Act (ACA) requires a comparative effectiveness assessment to fund health outcome and clinical effectiveness research conducted by the Patient Centered Outcomes Research Institute, a non-profit organization created by the ACA. The liability is reflected in general expenses due and accrued as of December 31, 2015 and 2014, in the amount of \$1,290,294 and \$1,165,481, respectively.

## C. Gain Contingencies – NOT APPLICABLE

## D. Claims Related Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits – NOT APPLICABLE

## E. Joint and Several Liabilities – NOT APPLICABLE

## F. All Other Contingencies

BCN is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the annual statement.

In accordance with BCN's impairment policy, other-than-temporarily impairment (OTTI) is presumed to exist when the market value is below cost for investments managed by outside investment managers, because BCN has delegated the decision to hold the security until recovery and cannot assert the "intent and ability to hold to recovery."

The OTTI fair-value write-down for securities was \$11,216,348 and \$2,868,349 for debt securities and \$801,955 and \$34,035 for equity securities in 2015 and 2014, respectively.

Except for the recorded impairment mentioned above, all other investment securities that temporarily have a fair market value that is below amortized cost, are not considered to be impaired.

## 15. Leases

## A. Lessee Operating Lease

## (1) Leasing arrangements

## (a) Rental Expense

BCN entered into certain cancelable building leases with BCBSM. Rent expense under BCBSM leases in 2015 and 2014 was \$830,411 and \$786,597, respectively.

BCN also leases office buildings under operating leases with different unrelated parties. Rent expense under these leases was \$5,902,141 and \$5,023,184, in 2015 and 2014, respectively.

## (b) Contingent Rental Payment Basis – NOT APPLICABLE

(c) BCN's corporate office is leased through June 30, 2025. At the expiration of the lease, BCN has the option to extend the lease for three terms of five years. Additionally, a second facility is leased through June 30, 2022, with an option to extend the lease for two terms of three years.

## (d) Lease Restrictions – NOT APPLICABLE

## (e) Early Terminations – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS**

## (2) Non-cancelable leases

(a) At December 31, 2015, the minimum aggregate rental commitments were as follows:

Year Ending December 31	Operating Leases
2016	\$ 5,617,060
2017	6,119,032
2018	5,342,693
2019	5,401,731
2020	5,418,951
Thereafter	18,996,315
Total	<u>\$ 46,895,782</u>

(b) Non-cancelable subleases – NOT APPLICABLE

(3) Sale-leaseback transactions – NOT APPLICABLE

B. Lessor Leases – NOT APPLICABLE

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk – NOT APPLICABLE

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – NOT APPLICABLE

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

A. ASO Plans – NOT APPLICABLE

B. ASC Plans – NOT APPLICABLE

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

(1) Medicare Part D cost-based reimbursements for the years 2015 and 2014 consisted of \$291,763 and \$211,301, respectively, for coverage gap discount; \$701,690 and \$444,913, respectively, for low-income subsidy (cost sharing portion); \$1,522,843 and \$1,054,401, respectively, for reinsurance payments.

(2) As of December 31, 2015 and 2014, respectively, BCN had recorded receivables from the following payors whose account balances were greater than 10% of BCN's amounts receivable from uninsured accident and health plans or \$10,000:

	2015	2014
Centers for Medicare & Medicaid Services (CMS)	<u>\$14,115,085</u>	<u>\$7,514,402</u>

(3) In connection with the Medicare Part D cost-based reimbursement portion of the contract, BCN has recorded allowances and reserves for adjustment of recorded reimbursement advances in the amount of \$1,133,754 and \$1,517,593, as of December 31, 2015 and 2014, respectively.

(4) Adjustments to revenue resulting from an audit of receivables related to revenues recorded in the prior period – NOT APPLICABLE

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – NOT APPLICABLE

## 20. Fair Value Measurements

A. Fair Value Measurements at Reporting Date

Description for each class of asset	Level 1	Level 2	Level 3	Total
Common Stocks:				
Industrial and miscellaneous	\$138,891,399	\$ -	\$ -	\$138,891,399
Mutual funds	586,105	9,991,106	-	10,577,211
Money market mutual funds	<u>15,077</u>	<u>-</u>	<u>-</u>	<u>15,077</u>
Total Common Stocks	<u>\$139,492,581</u>	<u>\$ 9,991,106</u>	<u>\$ -</u>	<u>\$149,483,687</u>

Certain assets and liabilities of BCN are measured and reported: (a) at amortized cost, (b) at values using the adjusted audited GAAP equity method, or (c) at values that approximate fair value due to their liquid or short-term nature.

B. Other Fair Value Information – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS****C. Fair Value of Financial Instruments**

<b>Type of Financial Instrument</b>	<b>Aggregate Fair Value</b>	<b>Admitted Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Not Practicable (Carrying Value)</b>
<b>Bonds:</b>						
U.S. government	\$ 325,832,240	\$ 322,674,187	\$ -	\$ 325,832,240	\$ -	\$ -
All other governments	3,449,998	3,343,646	-	3,449,998	-	-
Special revenue and special assessment obligations (mortgage-backed)	242,435,571	242,692,927	-	242,435,571	-	-
Special revenue and special assessment obligations	4,330,377	4,328,862	-	4,330,377	-	-
Industrial and miscellaneous (mortgage-backed)	37,456,742	37,469,078	-	37,456,742	-	-
Industrial and miscellaneous (other loan-backed)	4,033,046	3,829,150	-	4,033,046	-	-
Industrial and miscellaneous	<u>284,328,884</u>	<u>282,163,990</u>	<u>-</u>	<u>284,328,884</u>	<u>-</u>	<u>-</u>
<b>Total Bonds</b>	<b><u>\$ 901,866,858</u></b>	<b><u>\$ 896,501,840</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 901,866,858</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Common Stocks:</b>						
Industrial and miscellaneous	\$ 138,891,399	\$ 138,891,399	\$ 138,891,399	\$ -	\$ -	\$ -
Mutual funds	10,577,211	10,577,211	586,105	9,991,106	-	-
Money market mutual funds	<u>15,077</u>	<u>15,077</u>	<u>15,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Common Stocks</b>	<b><u>\$ 149,483,687</u></b>	<b><u>\$ 149,483,687</u></b>	<b><u>\$ 139,492,581</u></b>	<b><u>\$ 9,991,106</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Preferred Stocks - Industrial and miscellaneous	<u>\$ 848,645</u>	<u>\$ 848,645</u>	<u>\$ -</u>	<u>\$ 848,645</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Equivalents - Industrial and miscellaneous	<u>\$ 8,849,071</u>	<u>\$ 8,854,937</u>	<u>\$ -</u>	<u>\$ 8,849,071</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Short-term investments:</b>						
U.S. government	\$ 4,006,094	\$ 3,998,501	\$ 1,000,000	\$ 3,006,094	\$ -	\$ -
Industrial and miscellaneous bonds	526,668,464	527,168,397	-	526,668,464	-	-
Money market mutual funds	<u>67,490,699</u>	<u>67,490,699</u>	<u>67,490,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Short-term Investments</b>	<b><u>\$ 598,165,257</u></b>	<b><u>\$ 598,657,597</u></b>	<b><u>\$ 68,490,699</u></b>	<b><u>\$ 529,674,558</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**D. Not Practicable to Estimate Fair Value – NOT APPLICABLE****21. Other Items****A. Unusual or Infrequent Items – NOT APPLICABLE****B. Troubled Debt Restructuring: Debtors – NOT APPLICABLE****C. Other Disclosures**

**Statutory Deposit** – As a condition of maintaining its certificate of authority with the State of Michigan, BCN maintains a deposit in a segregated account of \$1,000,000, which is the maximum required for a Health Maintenance Organization. These funds are intended to be used for the sole benefit of all BCN's members and only at the direction of the Director of DIFS. The funds are invested in an exempt money market mutual fund and reported in short-term investments. Interest on these funds accrues to BCN.

**Industry Concentration** – BCN conducts business primarily within the state of Michigan. A significant portion of BCN's customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from those customers were \$1,365,360 and \$2,367,972 as of December 31, 2015 and 2014,

**NOTES TO FINANCIAL STATEMENTS**

respectively. In addition, BCN held investments in these customers with a total value of \$25,055,863 and \$15,790,844 as of December 31, 2015 and 2014, respectively.

**Medicare Advantage Premium Adjustment Risk** – CMS has announced their intention to audit the data used to calculate the risk scores of Medicare Advantage carriers. Such an audit, if it were to occur, could result in adjustments to BCN's risk scores and retroactive premium adjustments subsequent to the annual settlement.

- D. Business Interruption Insurance Recoveries – NOT APPLICABLE
- E. State Transferable and Non-transferable Tax Credits – NOT APPLICABLE
- F. Subprime-Mortgage-Related Risk Exposure – NOT APPLICABLE
- G. Retained Assets – NOT APPLICABLE
- H. Insurance-linked Securities – NOT APPLICABLE

## 22. Events Subsequent

Management has evaluated all events subsequent to the annual statement date of December 31, 2015, through February 29, 2016, for the annual statement submitted on March 1, 2016.

### Type I – Recognized Subsequent Events:

Management has determined that there are no Type I subsequent events that require disclosure under SSAP No. 9, *Subsequent Events*.

### Type II – Nonrecognized Subsequent Events:

**Annual Fee Imposed on Health Insurance Providers** – To cover the cost of expanded coverage and benefit provisions, Section 9010 of the Federal Affordable Care Act (ACA), imposes an industry wide annual fee on health insurance carriers that provide underwritten coverage to U.S. health risks. The national amount of the fee is \$8 billion in 2014, \$11.3 billion in 2015 and 2016, and \$14.3 billion in 2018. For 2019 and beyond, the amount will be equal to the annual fee for the preceding year increased by the rate of premium growth for the preceding year.

The Consolidated Appropriations Act of 2016 suspends the assessment and collection of the health insurance fee for the 2017 calendar year. Thus, health insurance issuers are not required to pay these fees for 2017. This moratorium does not affect the filing requirement and payment of these fees for any year other than 2017 and will be reinstated in 2018.

On January, 2016, BCN will be subject to an annual fee under section 9010 of the Federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premium written during the preceding calendar year to the amount of health insurance for 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, 2015, BCN has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2016 and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2016, to be \$29,814,357. This amount is reflected in special surplus. This assessment is expected to reduce Risk Based Capital (RBC) by approximately 30 percentage points. Reporting the ACA assessment as of December 31, 2015, would not have triggered an RBC action level.

	Current Year	Prior Year
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	\$ 29,814,357	\$ 29,802,196
C. ACA fee assessment paid	\$ 29,080,792	\$ 19,067,714
D. Premium written subject to ACA 9010 assessment	\$ 3,247,005,499	\$ 3,056,623,567
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	\$ 1,026,506,477	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	\$ 996,692,120	
G. Authorized Control Level (Five-Year Historical Line 15)	\$ 103,157,075	
H. Would reporting the ACA assessment as of Dec. 31, 2015 have triggered an RBC action level (YES/NO)?	NO	

## 23. Reinsurance

- A. Ceded Reinsurance Report

## NOTES TO FINANCIAL STATEMENTS

In compliance with the NAIC annual statement instructions and SSAP No. 61, *Life, Deposit-Type and Accident and Health Reinsurance*, BCN accounts for its transactions with the Woodward Straits Insurance Company (WSIC) and BCBSM as ceded reinsurance. WSIC covers claims for individual inpatient facility services that exceed the \$150,000 attachment point per member. BCBSM covers inpatient and outpatient facility claims in excess of \$200,000 per member basis for all lines of business excluding commercial individual, up to a defined accumulated attachment point of \$7.00 per member per month for Medicare Advantage and \$11.72 per member per month for remaining policies. In addition, WSIC also provides insolvency coverage and self-insured retention or deductible obligations in excess of \$250,000.

### Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( ) No (X)

- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

If yes, give full details.

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

- (1) Does the company 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?

Yes ( ) No (X)

- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. NOT APPLICABLE
- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? NOT APPLICABLE

- (2) Does the reporting entity 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?

Yes ( ) No (X)

If yes, give full details. NOT APPLICABLE

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

- (1) What is 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 of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0
- (2) Have any new agreements been executed or existing agreements amended, 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?

Yes (X) No ( )

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$3,917,145

B. Uncollectible Reinsurance – NOT APPLICABLE

C. Commutation of Ceded Reinsurance – NOT APPLICABLE

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS****24. Retrospectively Rated Contracts & Contracts Subject to Redetermination**

- A. BCN estimates accrued redetermination premium adjustments and return premium adjustments for its group health insurance contracts subject to redetermination based on an examination of contract requirements in relation to the rates charged for similarly sized subscriber groups, and the status of past applicable audits.

BCN estimates accrued retrospective premium adjustments for its Medicare Advantage health insurance contracts based on an analysis of Part C member health risk score adjustments submitted to CMS and the Part D risk corridor reconciliation related to the funds received from CMS or the beneficiary.

To the extent that BCN is subject to potential medical loss ratio (MLR) rebates, any return premium adjustment would be based on the formulas required by law.

- B. Accrued redetermination premium adjustments and return premium adjustments, as well as retrospective premiums, are recorded as adjustments to earned premium revenue.
- C. The amount of net premiums, written by BCN, that were subject to redetermination or retrospective provisions (including premiums subject to MLR rebates) was \$3,210,416,432 and \$3,015,641,627 for 2015 and 2014, respectively; representing approximately 99.0% and 99.1% of the total net health premiums written for 2015 and 2014, respectively. No other premiums written by BCN were subject to redetermination or retrospective provisions.
- 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
<b>Prior Reporting Year</b>					
1 Medical loss ratio rebates incurred	\$ -	\$ 6,279,953	\$ -	\$ -	\$ 6,279,953
2 Medical loss ratio rebates paid	-	2,384	-	-	2,384
3 Medical loss ratio rebates unpaid	-	6,279,953	-	-	6,279,953
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	6,279,953
<b>Current Reporting Year-to-Date</b>					
7 Medical loss ratio rebates incurred	\$ -	\$ 13,222,732	\$ -	\$ -	\$ 13,222,732
8 Medical loss ratio rebates paid	-	8,228,230	-	-	8,228,230
9 Medical loss ratio rebates unpaid	-	11,274,455	-	-	11,274,455
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	11,274,455

The prior year medical loss ratio rebates paid is due to a check that was voided and reissued.

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

		<b>AMOUNT</b>
<b>a. Permanent ACA Risk Adjustment Program</b>		
Assets		
1.	Premium adjustments receivable due to ACA Risk Adjustment	\$ -
Liabilities		
2.	Risk adjustment user fees payable for ACA Risk Adjustment	\$ 198,363
3.	Premium adjustments payable due to ACA Risk Adjustment	\$ 58,826,539
Operations (Revenue & Expense)		
4.	Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ (46,443,873)
5.	Reported in expenses as ACA risk adjustment user fees (incurred/paid)	\$ 197,689
<b>b. Transitional ACA Reinsurance Program</b>		
Assets		
1.	Amounts recoverable for claims paid due to ACA Reinsurance	\$ 45,186,818
2.	Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	\$ 6,793,011
3.	Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$ -
Liabilities		
4.	Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$ 21,034,871
5.	Ceded reinsurance premiums payable due to ACA Reinsurance	\$ 4,283,961
6.	Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$ -
Operations (Revenue & Expense)		
7.	Ceded reinsurance premiums due to ACA Reinsurance	\$ (4,283,961)
8.	Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ 57,900,945
9.	ACA Reinsurance contributions - not reported as ceded premium	\$ 21,034,871
<b>c. Temporary ACA Risk Corridors Program</b>		
Assets		
1.	Accrued retrospective premium due to ACA Risk Corridors	\$ -
Liabilities		
2.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$ 159,955
Operations (Revenue & Expense)		
3.	Effect of ACA Risk Corridors on net premium income (paid/received)	\$ 6,499,169
4.	Effect of ACA Risk Corridors on change in reserves for rate credits	\$ (207,482)

**NOTES TO FINANCIAL STATEMENTS**

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

	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		
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances	Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)	
	1	2	3	4	5	6	7	8	Ref	9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
<b>a. Permanent ACA Risk Adjustment Program</b>											
Premium adjustments 1 receivable	\$ -		\$ -		\$ -		\$ -		A	\$ -	\$ -
Premium adjustments 2 (payable)	\$ -	\$ 65,000,778	\$ -	\$ 52,618,112	\$ -	\$ 12,382,666	\$ -	\$(12,382,666)	B	\$ -	\$ -
Subtotal ACA Permanent Risk Adjustment 3 Program	\$ -	\$ 65,000,778	\$ -	\$ 52,618,112	\$ -	\$ 12,382,666	\$ -	\$(12,382,666)		\$ -	\$ -
<b>b. Transitional ACA Reinsurance Program</b>											
Amounts recoverable for claims 1 paid	\$37,095,125	\$ -	\$ 43,016,240	\$ -	\$(5,921,115)	\$ -	\$ 5,921,115	\$ -	C	\$ -	\$ -
Amounts recoverable for claims unpaid (contra 2 liability)	\$ -	\$(11,491,831)	\$ -	\$(11,491,831)	\$ -	\$ -	\$ -	\$ -	D	\$ -	\$ -
Amounts receivable relating to uninsured 3 plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	E	\$ -	\$ -
Liabilities for contributions payable due to ACA Reinsurance not reported as ceded 4 premium	\$ -	\$ 29,082,555	\$ -	\$ 29,082,555	\$ -	\$ -	\$ -	\$ -	F	\$ -	\$ -
Ceded reinsurance premiums 5 payable	\$ -	\$ 4,660,133	\$ -	\$ 4,660,133	\$ -	\$ -	\$ -	\$ -	G	\$ -	\$ -
Liability for amounts held under uninsured 6 plans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	H	\$ -	\$ -
Subtotal ACA Transitional Reinsurance 7 Program	\$37,095,125	\$ 22,250,857	\$ 43,016,240	\$ 22,250,857	\$(5,921,115)	\$ -	\$ 5,921,115	\$ -		\$ -	\$ -
<b>c. Temporary ACA Risk Corridors Program</b>											
Accrued retrospective 1 premium	\$ -	\$ -	\$ 1,862,266	\$ -	\$(1,862,266)	\$ -	\$ 6,499,169	\$ -	I	\$4,636,903	\$ -
Reserve for rate credits or policy experience rating 2 refunds	\$ -	\$ -	\$ -	\$ 47,527	\$ -	\$(47,527)	\$ -	\$ 207,482	J	\$ -	\$ 159,955
Subtotal ACA Risk Corridors 3 Program	\$ -	\$ -	\$ 1,862,266	\$ 47,527	\$(1,862,266)	\$(47,527)	\$ 6,499,169	\$ 207,482		\$4,636,903	\$ 159,955
Total for ACA Risk Sharing 4 Provisions	\$37,095,125	\$ 87,251,635	\$ 44,878,506	\$ 74,916,496	\$(7,783,381)	\$12,335,139	\$12,420,284	\$(12,175,184)		\$4,636,903	\$ 159,955

**Explanation of Adjustments**

<b>A</b>
<b>B</b> Adjustment represents final amount from CMS.
<b>C</b> Adjustment represents final amount from CMS.
<b>D</b>
<b>E</b>
<b>F</b>
<b>G</b>
<b>H</b>
Adjustment represents estimated realizable risk corridor amount from CMS. BCN non-admitted the full value of this amount in accordance with current NAIC guidance.
<b>I</b>
<b>J</b> Adjustment represents estimated risk corridor amount from CMS.

**25. Change in Incurred Claims and Claim Adjustment Expenses**

Liabilities for unpaid claims and claims adjustment expenses as of December 31, 2014, were \$302,557,882. As of December 31, 2015, \$312,755,844 has been paid for incurred claims and claims adjustment expenses attributable to

## NOTES TO FINANCIAL STATEMENTS

insured events of prior years. Liabilities for unpaid claims and claims adjustment expenses remaining for prior years are now estimated to be \$4,261,783 as a result of a re-estimation of unpaid claims on comprehensive and Medicare lines of business. Therefore, there has been a \$14,459,745 unfavorable prior year development based on the analysis of recent loss development trends from December 31, 2014, to December 31, 2015.

26. Intercompany Pooling Arrangements – NOT APPLICABLE

27. Structured Settlements – NOT APPLICABLE

28. Health Care Receivables

**A. Pharmaceutical Rebate Receivables**

Health care receivables include pharmacy rebates BCN receives from a third-party vendor. BCN estimates pharmacy rebate receivables based on historical rebate experience and membership. Activity for the most recent three years is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2015	\$ 13,924,456	\$ -	\$ -	\$ -	\$ -
9/30/2015	15,162,315	15,220,264	196,975	-	-
6/30/2015	12,880,485	15,174,400	11,761,893	2,062,007	-
3/31/2015	12,725,060	14,059,525	9,034,570	3,754,641	59,658
12/31/2014	\$ 7,885,506	\$ 9,460,181	\$ 6,746,042	\$ 2,000,216	\$ 52,562
9/30/2014	7,479,076	8,695,260	5,236,533	2,894,829	(31,473)
6/30/2014	7,677,390	8,148,315	5,597,839	1,916,366	6,103
3/31/2014	6,901,552	7,205,025	378,119	6,175,212	128,568
12/31/2013	\$ 7,416,569	\$ 6,938,313	\$ 181,182	\$ 6,220,855	\$ 30,009
9/30/2013	6,212,864	6,434,539	1,556,662	4,639,861	50,350
6/30/2013	6,272,652	6,845,974	2,885,695	3,398,910	21,711
3/31/2013	6,361,240	6,832,732	2,653,191	3,733,288	122,315

**B. Risk Sharing Receivables**

BCN estimates risk sharing receivables based on historical claims experience modified for current trends and benefits as provided for in the risk sharing agreement. As of December 31, 2015, 2014, and 2013, BCN had risk sharing receivables of \$5,769,008, \$4,820,284, and \$4,750,000, respectively. Risk sharing receivables for the years ended December 31, 2015, 2014, and 2013 were not offset by any risk sharing payables and are recorded in healthcare and other amounts receivable. Details of the balances for the most recent three years are summarized as follows:

Calendar Year	Evaluation Period Year Ending	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 Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received Other
2015	2015	\$4,820,284	\$4,750,000	\$9,570,284	\$ -	\$9,500,000	\$ -	\$ -	\$ -
	2016	XXX	\$5,769,008	XXX	\$5,769,008	XXX	XXX	XXX	XXX
2014	2014	\$4,750,000	\$4,750,000	\$9,500,000	\$ -	\$9,500,000	\$ -	\$ -	\$ -
	2015	XXX	\$4,820,284	XXX	\$4,820,284	XXX	XXX	XXX	XXX
2013	2013	\$4,750,000	\$4,750,000	\$9,500,000	\$ -	\$9,500,000	\$ -	\$ -	\$ -
	2014	XXX	\$4,750,000	XXX	\$4,750,000	XXX	XXX	XXX	XXX

29. Participating Policies – NOT APPLICABLE

30. Premium Deficiency Reserves – NOT APPLICABLE

## NOTES TO FINANCIAL STATEMENTS

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31. Anticipated Salvage and Subrogation – NOT APPLICABLE



**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

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?  
Erika Monroe, FSA MAAA Vice President, Actuarial Pricing, Blue Care Network of Michigan 20500 Civic Center Dr MC C410 Southfield, Michigan 48076
- 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 \_\_\_\_\_ 0
- 12.13 Total book/adjusted carrying value \_\_\_\_\_ \$ 0
- 12.2 If yes, provide explanation
13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [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 subordinator 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 subordinator 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 \$ 0
- 20.12 To stockholders not officers \$ 0
- 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ 0
- 20.22 To stockholders not officers \$ 0
- 20.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [X] No [ ]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 14,648,702
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 27,707,826

**INVESTMENT**

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

24.01 Were all of 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

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

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. \$ 0

24.06 If answer to 24.04 is no, report amount of collateral for other programs \$ 0

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

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A

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

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: \$ 0

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0

24.103 Total payable for securities lending reported on the liability page: \$ 0

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 current in force? (Exclude securities subject to Interrogatory 21.1 and 24.03.) Yes  No

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

25.21 Subject to repurchase agreements \$ 0

25.22 Subject to reverse repurchase agreements \$ 0

25.23 Subject to dollar repurchase agreements \$ 0

25.24 Subject to reverse dollar repurchase agreements \$ 0

25.25 Placed under option agreements \$ 0

25.26 Letter stock or securities restricted as sale – excluding FHLB Capital Stock \$ 0

25.27 FHLB Capital Stock \$ 4,205,500

25.28 On deposit with states \$ 1,000,000

25.29 On deposit with other regulatory bodies \$ 0

25.30 Pledged as collateral – excluding collateral pledged to an FHLB \$ 0

25.31 Pledged as collateral to FHLB – including assets backing funding agreements \$ 95,231,568

25.32 Other \$ 0

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

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes  No  N/A   
If no, attach a description with this statement.

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

27.2 If yes, state the amount thereof at December of the current year: \$ 0

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  No

28.01 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
State Street Bank and Trust Company	801 Pennsylvania, Kansas City, MO 64105
Fidelity Investments Institutional Operations Co.	100 Magellan Way KW2B Covington, KY 41015
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing Blvd. Indianapolis, IN 46240

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 quarter? Yes  No

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 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
	Blue Cross Blue Shield of Michigan	600 E. Lafayette Blvd. Detroit, MI 48226
105377	Loomis Sayles	One Financial Center, Boston, MA 02111

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

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 [ ] No [ X ]

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 TOTAL		

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 Holdings	4 Date of Valuation

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 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	1,504,014,374	1,508,881,186	4,866,812
30.2	Preferred Stocks	848,645	848,645	0
30.3	Totals	1,504,863,019	1,509,729,831	4,866,812

30.4 Describe the sources or methods utilized in determining fair values:  
Custodians and Bloomberg are the sources for fair values.

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 reliance 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:

**OTHER**

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 912,960

33.2 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 Blue Shield Association	\$ 594,096

34.1 Amount of payments for legal expenses, if any? \$ 0

34.2 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
	\$

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

35.2 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
	\$

## GENERAL INTERROGATORIES

## PART 2 – HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?			Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
1.2	If yes, indicate premium earned on U.S. business only.	\$		31,179,232	
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$		0	
1.31	Reason for excluding:				
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$		0	
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$		21,901,971	
1.6	Individual policies:				
	Most current three years:				
1.61	Total premium earned	\$		12,871,870	
1.62	Total incurred claims	\$		8,625,291	
1.63	Number of covered lives	\$		6,264	
	All years prior to most current three years:				
1.64	Total premium earned	\$		18,307,362	
1.65	Total incurred claims	\$		13,276,680	
1.66	Number of covered lives	\$		6,709	
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned	\$		0	
1.72	Total incurred claims	\$		0	
1.73	Number of covered lives	\$		0	
	All years prior to most current three years:				
1.74	Total premium earned	\$		0	
1.75	Total incurred claims	\$		0	
1.76	Number of covered lives	\$		0	
2.	Health Test:				
			1	2	
			Current Year	Prior Year	
2.1	Premium Numerator	\$	3,242,143,786	\$	3,042,693,385
2.2	Premium Denominator	\$	3,242,143,786	\$	3,042,693,385
2.3	Premium Ratio (2.1/2.2)	\$	100.000	\$	100.000
2.4	Reserve Numerator	\$	489,433,557	\$	448,753,191
2.5	Reserve Denominator	\$	489,433,557	\$	448,753,191
2.6	Reserve Ratio (2.4/2.5)	\$	100.000	\$	100.000
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?				Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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 <input checked="" type="checkbox"/> No <input type="checkbox"/>
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?				Yes <input type="checkbox"/> No <input type="checkbox"/>
5.1	Does the reporting entity have stop-loss reinsurance?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
5.2	If no, explain:				
5.3	Maximum retained risk (see instructions)				
5.31	Comprehensive Medical	\$		150,000	
5.32	Medical Only	\$		0	
5.33	Medicare Supplement	\$		0	
5.34	Dental and Vision	\$		0	
5.35	Other Limited Benefit Plan	\$		0	
5.36	Other	\$		0	
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:				
	<u>Hold harmless provisions are included in contracts with providers. BCN has stop-loss coverage through an affiliate which includes an insolvency clause. In addition, BCN holds a state-mandated cash deposit and BCN members have conversion rights to BCBSM coverage</u>				
7.1	Does the reporting entity set up its claim liability for provider services on a service date basis?				Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

**GENERAL INTERROGATORIES**

**PART 2 – HEALTH INTERROGATORIES**

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 45,261

8.2 Number of providers at end of reporting year 47,800

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [ X ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months \$ 0

9.22 Business with rate guarantees over 36 months \$ 0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [ X ] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses \$ 71,266,951

10.22 Amount actually paid for year bonuses \$ 71,462,879

10.23 Maximum amount payable withholds \$ 9,494,137

10.24 Amount actually paid for year withholds \$ 9,398,774

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [ X ]

11.13 An Individual Practice Association (IPA), or, Yes [ X ] No [ ]

11.14 A Mixed Model (combination of above)? Yes [ ] No [ X ]

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes [ X ] No [ ]

11.3 If yes, show the name of the state requiring such minimum capital and surplus.

Michigan

11.4 If yes, show the amount required. \$ 206,314,150

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [ X ]

11.6 If the amount is calculated, show the calculation

The greater of: 4% of subscription revenue: \$3,278,232,853 x 4% = \$131,129,314 or 2 times authorized control level risk-based capital: 2 x \$103,157,075 = \$206,314,150

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

1 Name of Service Area
ALCONA
ALLEGAN
ALPENA
ANTRIM
ARENAC
BARRY
BAY
BENZIE
BERRIEN
BRANCH
CALHOUN
CASS
CHARLEVOIX
CHEBOYGAN
CHIPPEWA
CLARE
CLINTON
CRAWFORD
DICKINSON
EATON
EMMET
GENESEE
GLADWIN
GRAND TRAVERSE
GRATIOT
HILLSDALE
HOUGHTON
HURON
INGHAM
IONIA
IOSCO
ISABELLA
JACKSON
KALAMAZOO
KALKASKA
KENT

**GENERAL INTERROGATORIES**

**PART 2 – HEALTH INTERROGATORIES**

LAKE
LAPEER
LEELANAU
LENAWEE
LIVINGSTON
MACKINAC
MACOMB
MANISTEE
MARQUETTE
MASON
MECOSTA
MIDLAND
MISSAUKEE
MONROE
MONTCALM
MONTMORENCY
MUSKEGON
NEWAYGO
OAKLAND
OCEANA
OGEMAW
OSCEOLA
OSCODA
OTSEGO
OTTAWA
PRESQUE ISLE
ROSCOMMON
SAGINAW
SANILAC
SHIAWASSEE
ST. CLAIR
ST. JOSEPH
TUSCOLA
VAN BUREN
WASHTENAW
WAYNE
WEXFORD

- 13.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0
- 13.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ 0
- 14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes [X] 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
Woodward Straits Insurance Company	15649	MI	\$	\$	\$	\$

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).
- 15.1 Direct Premium Written \$ 0
- 15.2 Total Incurred Claims \$ 0
- 15.3 Number of Covered Lives 0

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

## Blue Care Network of Michigan FIVE-YEAR HISTORICAL DATA

	1 2015	2 2014	3 2013	4 2012	5 2011
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	1,847,797,036	1,799,329,626	1,593,598,932	1,567,871,484	1,290,207,099
2. Total liabilities (Page 3, Line 24).....	821,290,559	785,840,061	593,839,867	675,341,387	581,628,546
3. Statutory minimum capital and surplus requirement.....	206,314,150	205,292,068	175,581,436	106,126,229	104,234,272
4. Total capital and surplus (Page 3, Line 33).....	1,026,506,477	1,013,489,565	999,759,065	892,530,097	708,578,553
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	3,252,461,237	2,992,075,511	2,613,280,220	2,632,753,502	2,573,245,997
6. Total medical and hospital expenses (Line 18).....	2,738,379,632	2,506,138,058	2,155,047,148	2,185,929,754	2,189,392,163
7. Claims adjustment expenses (Line 20).....	157,147,960	143,107,859	120,547,583	109,409,055	102,265,297
8. Total administrative expenses (Line 21).....	358,782,411	354,128,060	238,791,111	201,706,943	140,079,837
9. Net underwriting gain (loss) (Line 24).....	(1,848,766)	(11,298,466)	98,894,378	137,977,750	139,238,700
10. Net investment gain (loss) (Line 27).....	22,388,228	29,428,352	20,976,916	30,337,970	24,871,530
11. Total other income (Lines 28 plus 29).....	(1,650,363)	(267,722)	(608,338)	(373,154)	(194,749)
12. Net income or (loss) (Line 32).....	18,045,229	17,316,778	118,578,532	167,214,162	163,466,422
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	31,904,085	184,130,593	87,493,060	166,936,238	162,047,952
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	1,026,506,477	1,013,489,565	999,759,065	892,530,097	708,578,553
15. Authorized control level risk-based capital.....	103,157,075	102,646,034	87,790,718	86,863,215	84,025,516
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	670,254	652,857	532,482	544,596	569,229
17. Total member months (Column 6, Line 7).....	8,025,758	7,489,166	6,313,762	6,503,819	6,692,695
<b>Operating Percentage (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0</b>					
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	84.3	83.0	83.6	85.1
20. Cost containment expenses.....	2.6	2.5	2.1	2.0	1.8
21. Other claims adjustment expenses.....	2.3	2.3	2.5	2.2	2.2
22. Total underwriting deductions (Line 23).....	100.5	101.0	96.8	95.4	94.6
23. Total underwriting gain (loss) (Line 24).....	(0.1)	(0.4)	3.8	5.3	5.4
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13 Col. 5).....	378,061,458	293,154,704	294,912,584	280,369,331	280,643,261
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	354,234,633	297,438,486	297,958,871	316,875,694	309,600,081
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
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).....	14,838,172	15,023,649	25,422,160	14,785,622	11,783,121
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....		161,019,373	120,671,665	114,752,328	106,164,483
32. Total of above Lines 26 to 31.....	14,838,172	176,043,022	146,093,825	129,537,950	117,947,604
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 [ ]

If no, please explain:

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							8 Total Columns 2 Through 7	9 Deposit-Type Contracts
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Plan Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums			
1. Alabama.....AL	N							0		
2. Alaska.....AK	N							0		
3. Arizona.....AZ	N							0		
4. Arkansas.....AR	N							0		
5. California.....CA	N							0		
6. Colorado.....CO	N							0		
7. Connecticut.....CT	N							0		
8. Delaware.....DE	N							0		
9. District of Columbia.....DC	N							0		
10. Florida.....FL	N							0		
11. Georgia.....GA	N							0		
12. Hawaii.....HI	N							0		
13. Idaho.....ID	N							0		
14. Illinois.....IL	N							0		
15. Indiana.....IN	N							0		
16. Iowa.....IA	N							0		
17. Kansas.....KS	N							0		
18. Kentucky.....KY	N							0		
19. Louisiana.....LA	N							0		
20. Maine.....ME	N							0		
21. Maryland.....MD	N							0		
22. Massachusetts.....MA	N							0		
23. Michigan.....MI	L	2,456,863,425	714,156,448		96,022,480			3,267,042,353		
24. Minnesota.....MN	N							0		
25. Mississippi.....MS	N							0		
26. Missouri.....MO	N							0		
27. Montana.....MT	N							0		
28. Nebraska.....NE	N							0		
29. Nevada.....NV	N							0		
30. New Hampshire.....NH	N							0		
31. New Jersey.....NJ	N							0		
32. New Mexico.....NM	N							0		
33. New York.....NY	N							0		
34. North Carolina.....NC	N							0		
35. North Dakota.....ND	N							0		
36. Ohio.....OH	N							0		
37. Oklahoma.....OK	N							0		
38. Oregon.....OR	N							0		
39. Pennsylvania.....PA	N							0		
40. Rhode Island.....RI	N							0		
41. South Carolina.....SC	N							0		
42. South Dakota.....SD	N							0		
43. Tennessee.....TN	N							0		
44. Texas.....TX	N							0		
45. Utah.....UT	N							0		
46. Vermont.....VT	N							0		
47. Virginia.....VA	N							0		
48. Washington.....WA	N							0		
49. West Virginia.....WV	N							0		
50. Wisconsin.....WI	N							0		
51. Wyoming.....WY	N							0		
52. American Samoa.....AS	N							0		
53. Guam.....GU	N							0		
54. Puerto Rico.....PR	N							0		
55. U.S. Virgin Islands.....VI	N							0		
56. Northern Mariana Islands.....MP	N							0		
57. Canada.....CAN	N							0		
58. Aggregate Other alien.....OT	XXX	0	0	0	0	0	0	0	0	
59. Subtotal.....XXX		2,456,863,425	714,156,448	0	96,022,480	0	0	3,267,042,353	0	
60. Reporting entity contributions for Employee Benefit Plans.....XXX		11,190,500						11,190,500		
61. Total (Direct Business).....(a)	1	2,468,053,925	714,156,448	0	96,022,480	0	0	3,278,232,853	0	

**DETAILS OF WRITE-INS**

58001.....								0	
58002.....								0	
58003.....								0	
58998. Summary of remaining write-ins for line 58.....		0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998).....		0	0	0	0	0	0	0	0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

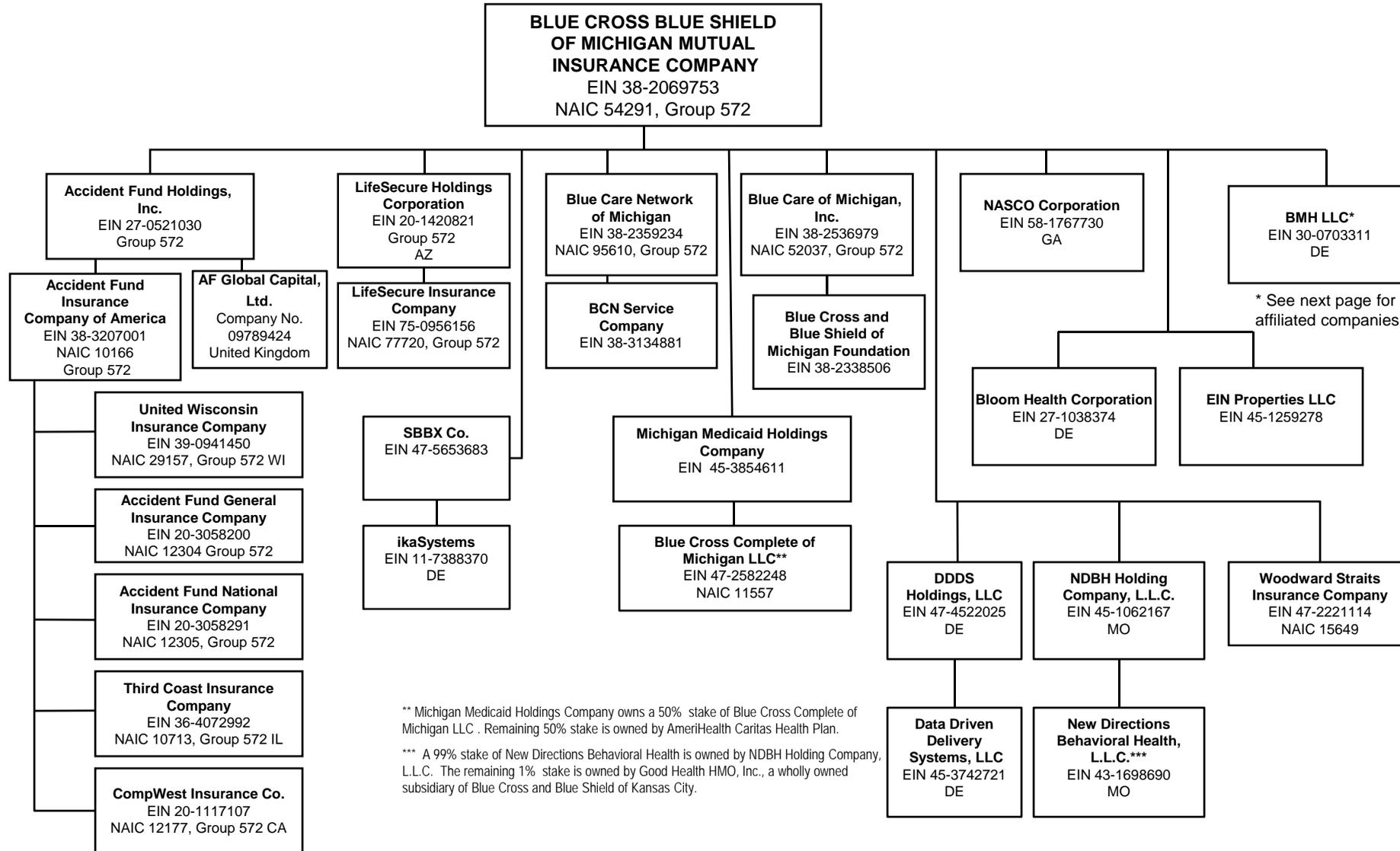
**Explanation of basis of allocation by states, premiums by state, etc.**  
By situs of contract

(a) Insert the number of L responses except for Canada and Other Alien.



A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

## SUBSIDIARY & AFFILIATE ORGANIZATION CHART



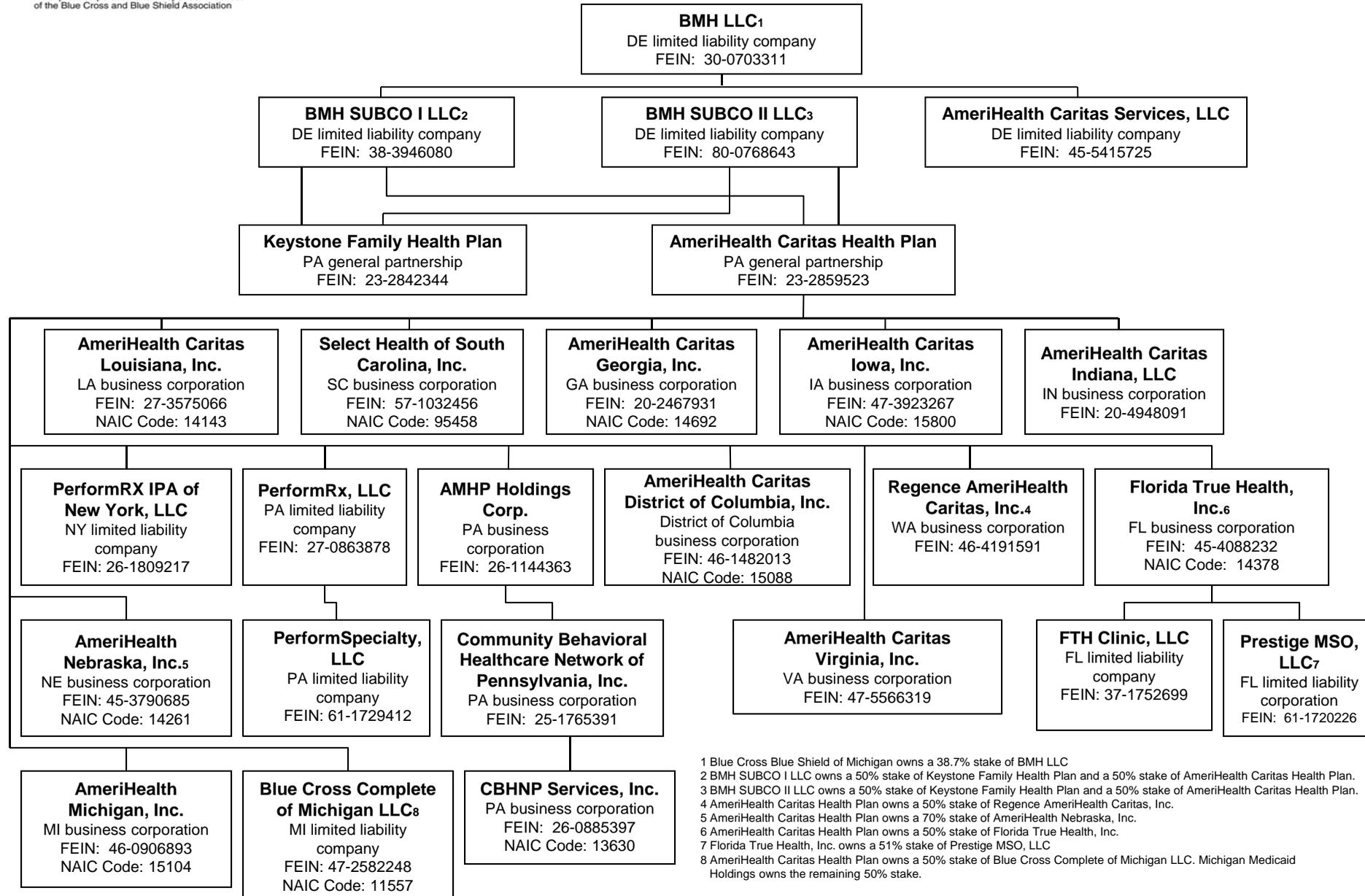
\*\* Michigan Medicaid Holdings Company owns a 50% stake of Blue Cross Complete of Michigan LLC. Remaining 50% stake is owned by AmeriHealth Caritas Health Plan.

\*\*\* A 99% stake of New Directions Behavioral Health is owned by NDBH Holding Company, L.L.C. The remaining 1% stake is owned by Good Health HMO, Inc., a wholly owned subsidiary of Blue Cross and Blue Shield of Kansas City.

All entities that do not reflect a particular state name or abbreviation are domiciled in Michigan.



## SUBSIDIARY & AFFILIATE ORGANIZATION CHART



1 Blue Cross Blue Shield of Michigan owns a 38.7% stake of BMH LLC  
 2 BMH SUBCO I LLC owns a 50% stake of Keystone Family Health Plan and a 50% stake of AmeriHealth Caritas Health Plan.  
 3 BMH SUBCO II LLC owns a 50% stake of Keystone Family Health Plan and a 50% stake of AmeriHealth Caritas Health Plan.  
 4 AmeriHealth Caritas Health Plan owns a 50% stake of Regence AmeriHealth Caritas, Inc.  
 5 AmeriHealth Caritas Health Plan owns a 70% stake of AmeriHealth Nebraska, Inc.  
 6 AmeriHealth Caritas Health Plan owns a 50% stake of Florida True Health, Inc.  
 7 Florida True Health, Inc. owns a 51% stake of Prestige MSO, LLC  
 8 AmeriHealth Caritas Health Plan owns a 50% stake of Blue Cross Complete of Michigan LLC. Michigan Medicaid Holdings owns the remaining 50% stake.

All entities that do not reflect a particular state name or abbreviation are domiciled in Michigan.

**2015 ALPHABETICAL INDEX  
HEALTH ANNUAL STATEMENT BLANK**

Analysis of Operations By Lines of Business	7	Schedule D – Part 6 – Section 2	E16
Assets	2	Schedule D – Summary By Country	SI04
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