

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).....	1,520,091,526		1,520,091,526	1,431,884,075
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	529,410		529,410	
2.2 Common stocks.....	220,969,981		220,969,981	190,275,179
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 (\$.....12,639,717, Schedule E-Part 1), cash equivalents (\$.....257,833,991, Schedule E-Part 2) and short-term investments (\$.....324,894,726, Schedule DA).....	595,368,434		595,368,434	512,882,197
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	86,190,126		86,190,126	71,155,360
9. Receivables for securities.....	529,644		529,644	725,059
10. Securities lending reinvested collateral assets (Schedule DL).....	4,424,008		4,424,008	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	2,428,103,129	0	2,428,103,129	2,206,921,870
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	11,699,457		11,699,457	14,255,158
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	17,812,289	1,302,466	16,509,823	14,273,158
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 (\$.....0) and contracts subject to redetermination (\$.....35,961,313).....	35,961,313		35,961,313	20,860,866
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....			0	3,620,163
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.....	38,149,722		38,149,722	45,550,562
18.1 Current federal and foreign income tax recoverable and interest thereon.....	236,709		236,709	150,125
18.2 Net deferred tax asset.....	371,067		371,067	
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	2,001,522	2,001,522	0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	20,777,652	20,777,652	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	16,572,398		16,572,398	12,380,573
24. Health care (\$.....83,560,059) and other amounts receivable.....	85,451,673	1,891,614	83,560,059	67,537,409
25. Aggregate write-ins for other-than-invested assets.....	18,804,084	738,314	18,065,770	17,209,310
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	2,675,941,015	26,711,568	2,649,229,447	2,402,759,194
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTAL (Lines 26 and 27).....	2,675,941,015	26,711,568	2,649,229,447	2,402,759,194

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 through 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid expenses.....	738,314	738,314	0	
2502. Modified reinsurance experience adjustment.....	18,065,770		18,065,770	17,209,310
2503.			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	18,804,084	738,314	18,065,770	17,209,310

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....7,238,414 reinsurance ceded).....	395,833,264	10,730,372	406,563,636	384,663,782
2. Accrued medical incentive pool and bonus amounts.....	87,304,309		87,304,309	104,048,124
3. Unpaid claims adjustment expenses.....	10,391,641		10,391,641	11,349,455
4. Aggregate health policy reserves, including the liability of \$.....17,784,191 for medical loss ratio rebate per the Public Health Service Act.....	106,978,806		106,978,806	49,376,118
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserves.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	100,869,477		100,869,477	100,776,469
9. General expenses due or accrued.....	37,005,159		37,005,159	17,461,498
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	27,581
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....	1,321,741		1,321,741	1,704,313
12. Amounts withheld or retained for the account of others.....	923,647		923,647	759,191
13. Remittances and items not allocated.....			0	285,036
14. Borrowed money (including \$.....0 current) and interest thereon \$....44,625 (including \$.....44,625 current).....	50,044,625		50,044,625	50,036,833
15. Amounts due to parent, subsidiaries and affiliates.....	72,419,328		72,419,328	36,703,009
16. Derivatives.....			0	
17. Payable for securities.....	4,643,603		4,643,603	
18. Payable for securities lending.....	4,424,008		4,424,008	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers 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.....	32,842,579		32,842,579	34,410,557
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	4,573,445	0	4,573,445	1,803,253
24. Total liabilities (Lines 1 to 23).....	909,575,632	10,730,372	920,306,004	793,405,219
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	45,500,000	0
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	15,703,045	15,703,045
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	1,667,710,398	1,593,640,930
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	1,728,923,443	1,609,353,975
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	2,649,229,447	2,402,759,194

DETAILS OF WRITE-INS

2301. Escheats.....	4,573,445		4,573,445	1,803,253
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above).....	4,573,445	0	4,573,445	1,803,253
2501. Reserve for ACA Fee due in 2020.....	XXX	XXX	45,500,000	
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 through 2503 plus 2598) (Line 25 above).....	XXX	XXX	45,500,000	0
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 through 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	8,928,617	8,912,663
2. Net premium income (including \$.....0 non-health premium income).....	XXX	4,268,889,775	4,214,605,940
3. Change in unearned premium reserves and reserve for rate credits.....	XXX	(16,544,222)	24,532,975
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	40,111	31,872
7. Aggregate write-ins for other non-health revenues.....	XXX	0	0
8. Total revenues (Lines 2 to 7).....	XXX	4,252,385,664	4,239,170,787
Hospital and Medical:			
9. Hospital/medical benefits.....	36,987,591	2,547,907,819	2,395,365,720
10. Other professional services.....	2,122,496	163,048,640	146,622,723
11. Outside referrals.....	82,701,909	82,701,909	76,922,843
12. Emergency room and out-of-area.....	5,434,770	235,315,458	226,098,865
13. Prescription drugs.....		504,363,726	492,357,610
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		77,305,688	97,039,011
16. Subtotal (Lines 9 to 15).....	127,246,766	3,610,643,240	3,434,406,772
Less:			
17. Net reinsurance recoveries.....		7,388,908	13,439,860
18. Total hospital and medical (Lines 16 minus 17).....	127,246,766	3,603,254,332	3,420,966,912
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....77,918,139 cost containment expenses.....		155,332,863	172,017,150
21. General administrative expenses.....		473,465,009	440,287,248
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		35,500,000	
23. Total underwriting deductions (Lines 18 through 22).....	127,246,766	4,267,552,204	4,033,271,310
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	(15,166,540)	205,899,477
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		65,848,376	55,103,663
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		24,152,094	(10,021,225)
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	90,000,470	45,082,438
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....	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	74,833,930	250,981,915
31. Federal and foreign income taxes incurred.....	XXX	87,339	369,745
32. Net income (loss) (Lines 30 minus 31).....	XXX	74,746,591	250,612,170

DETAILS OF WRITE-INS

0601. Other Revenue.....	XXX	40,111	31,872
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	XXX	40,111	31,872
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 through 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 through 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 through 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.....	1,609,353,975	1,398,948,009
34. Net income or (loss) from Line 32.....	74,746,591	250,612,170
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.....	38,714,464	(48,434,061)
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	371,067	(61,172)
39. Change in nonadmitted assets.....	5,737,346	8,289,029
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).....	119,569,468	210,405,966
49. Capital and surplus end of reporting period (Line 33 plus 48).....	1,728,923,443	1,609,353,975

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 through 4703 plus 4798) (Line 47 above).....	0	0

Blue Care Network of Michigan CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	4,256,005,380	4,214,119,025
2. Net investment income.....	69,726,754	57,504,906
3. Miscellaneous income.....	40,111	31,872
4. Total (Lines 1 through 3).....	4,325,772,245	4,271,655,803
5. Benefit and loss related payments.....	3,612,044,644	3,346,568,585
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	601,608,971	645,044,989
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	201,504	(622,782)
10. Total (Lines 5 through 9).....	4,213,855,119	3,990,990,792
11. Net cash from operations (Line 4 minus Line 10).....	111,917,126	280,665,011
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	1,557,719,217	1,268,042,361
12.2 Stocks.....	86,865,971	364,376,365
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	10,063,218	674,862
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(272,120)	(282,579)
12.7 Miscellaneous proceeds.....	4,839,018	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,659,215,304	1,632,811,009
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	1,628,491,542	1,615,052,026
13.2 Stocks.....	74,036,099	327,936,669
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....	24,763,401	71,455,413
13.6 Miscellaneous applications.....	4,424,008	15,380,609
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,731,715,050	2,029,824,717
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).....	(72,499,746)	(397,013,708)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	43,068,857	(10,581,661)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	43,068,857	(10,581,661)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	82,486,237	(126,930,358)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	512,882,197	639,812,555
19.2 End of year (Line 18 plus Line 19.1).....	595,368,434	512,882,197

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

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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).....	3,061,095,545		14,401,800	3,046,693,745
2. Medicare Supplement.....	33,697,824			33,697,824
3. Dental only.....				0
4. Vision only.....				0
5. Federal Employees Health Benefits Plan.....	110,046,444		(136,753)	110,183,197
6. Title XVIII - Medicare.....	1,080,474,487		2,159,478	1,078,315,009
7. Title XIX - Medicaid.....				0
8. Other health.....				0
9. Health subtotal (Lines 1 through 8).....	4,285,314,300	0	16,424,525	4,268,889,775
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	4,285,314,300	0	16,424,525	4,268,889,775

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.....	3,530,192,482	2,497,927,923	23,270,962			102,511,075	906,482,522			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	12,197,341	12,197,341								
1.4 Net.....	3,517,995,141	2,485,730,582	23,270,962	0	0	102,511,075	906,482,522	0	0	0
2. Paid medical incentive pools and bonuses.....	94,049,503	60,940,930				2,293,560	30,815,013			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	413,802,050	303,057,265	2,278,731			7,611,871	100,854,183			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	7,238,414	7,238,414								
3.4 Net.....	406,563,636	295,818,851	2,278,731	0	0	7,611,871	100,854,183	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.....	87,304,309	60,176,496				2,871,315	24,256,498			
6. Net healthcare receivables (a).....	17,566,514	17,654,949					(88,435)			
7. Amounts recoverable from reinsurers December 31, current year.....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	393,090,466	289,003,741	2,329,036			7,632,988	94,124,701			
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	8,426,684	8,426,684								
8.4 Net.....	384,663,782	280,577,057	2,329,036	0	0	7,632,988	94,124,701	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.....	104,048,124	74,862,912				3,279,642	25,905,570			
11. Amounts recoverable from reinsurers December 31, prior year.....	3,620,163	3,620,163								
12. Incurred benefits:										
12.1 Direct.....	3,533,337,552	2,494,326,498	23,220,657	0	0	102,489,958	913,300,439	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	7,388,908	7,388,908	0	0	0	0	0	0	0	0
12.4 Net.....	3,525,948,644	2,486,937,590	23,220,657	0	0	102,489,958	913,300,439	0	0	0
13. Incurred medical incentive pools and bonuses.....	77,305,688	46,254,514	0	0	0	1,885,233	29,165,941	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.....	102,978,977	74,597,782	574,636			1,919,515	25,887,044			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	102,978,977	74,597,782	574,636	0	0	1,919,515	25,887,044	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	299,574,305	217,210,715	1,704,095			5,692,356	74,967,139			
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	7,238,414	7,238,414								
2.4 Net.....	292,335,891	209,972,301	1,704,095	0	0	5,692,356	74,967,139	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	11,248,768	11,248,768								
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	11,248,768	11,248,768	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	413,802,050	303,057,265	2,278,731	0	0	7,611,871	100,854,183	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	7,238,414	7,238,414	0	0	0	0	0	0	0	0
4.4 Net.....	406,563,636	295,818,851	2,278,731	0	0	7,611,871	100,854,183	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).....	266,878,141	2,222,472,607	2,347,791	293,471,060	269,225,932	280,577,057
2. Medicare Supplement.....	2,256,878	21,014,084	1,405	2,277,326	2,258,283	2,329,036
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal Employees Health Benefits Plan.....	7,372,254	95,138,818	68,764	7,543,107	7,441,018	7,632,988
6. Title XVIII - Medicare.....	88,397,492	818,085,030	240,055	100,614,128	88,637,547	94,124,701
7. Title XIX - Medicaid.....					0	
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	364,904,765	3,156,710,539	2,658,015	403,905,621	367,562,780	384,663,782
10. Healthcare receivables (a).....	1,305,230	84,146,443			1,305,230	67,885,159
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	92,867,048	1,182,455	1,813,588	85,490,721	94,680,636	104,048,124
13. Totals (Lines 9 - 10 + 11 + 12).....	456,466,583	3,073,746,551	4,471,603	489,396,342	460,938,186	420,826,747

(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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	373,167	374,941	375,292	375,320	375,320
2. 2015.....	2,335,930	2,708,065	2,710,394	2,710,511	2,710,344
3. 2016.....	XXX	2,486,430	2,865,412	2,867,194	2,867,642
4. 2017.....	XXX	XXX	2,583,742	2,945,897	2,947,511
5. 2018.....	XXX	XXX	XXX	2,985,221	3,441,098
6. 2019.....	XXX	XXX	XXX	XXX	3,157,893

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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	378,133	375,077	375,292	375,320	375,320
2. 2015.....	2,748,424	2,714,604	2,710,464	2,710,511	2,710,344
3. 2016.....	XXX	2,885,702	2,873,919	2,867,194	2,867,642
4. 2017.....	XXX	XXX	2,976,557	2,952,636	2,947,511
5. 2018.....	XXX	XXX	XXX	3,467,192	3,445,569
6. 2019.....	XXX	XXX	XXX	XXX	3,647,289

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. 2015.....	3,237,285	2,710,344	154,668	5.7	2,865,012	88.5			2,865,012	88.5
2. 2016.....	3,398,572	2,867,642	147,445	5.1	3,015,087	88.7			3,015,087	88.7
3. 2017.....	3,580,292	2,947,511	141,184	4.8	3,088,695	86.3			3,088,695	86.3
4. 2018.....	4,239,139	3,441,098	174,561	5.1	3,615,659	85.3	4,472	1,398	3,621,529	85.4
5. 2019.....	4,252,346	3,157,893	135,214	4.3	3,293,107	77.4	489,396	8,994	3,791,497	89.2

12.GT

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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	283,709	285,278	285,461	285,495	285,493
2. 2015.....	1,667,914	1,940,448	1,942,583	1,942,724	1,942,573
3. 2016.....	XXX	1,749,208	2,010,827	2,012,314	2,012,795
4. 2017.....	XXX	XXX	1,765,911	2,021,067	2,022,526
5. 2018.....	XXX	XXX	XXX	2,082,873	2,408,232
6. 2019.....	XXX	XXX	XXX	XXX	2,223,147

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	287,221	285,413	285,461	285,495	285,493
2. 2015.....	1,975,155	1,945,093	1,942,648	1,942,724	1,942,573
3. 2016.....	XXX	2,033,752	2,016,961	2,012,314	2,012,795
4. 2017.....	XXX	XXX	2,038,627	2,023,617	2,022,526
5. 2018.....	XXX	XXX	XXX	2,435,763	2,412,310
6. 2019.....	XXX	XXX	XXX	XXX	2,575,064

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. 2015.....	2,398,223	1,942,573	127,121	6.5	2,069,694	86.3			2,069,694	86.3
2. 2016.....	2,439,748	2,012,795	117,085	5.8	2,129,880	87.3			2,129,880	87.3
3. 2017.....	2,522,839	2,022,526	106,403	5.3	2,128,929	84.4			2,128,929	84.4
4. 2018.....	3,078,672	2,408,232	127,419	5.3	2,535,651	82.4	4,079	991	2,540,721	82.5
5. 2019.....	3,030,150	2,223,147	100,971	4.5	2,324,118	76.7	351,916	6,326	2,682,360	88.5

12.HM

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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	2,273	2,259	2,260	2,259	2,258
2. 2015.....	19,170	21,651	21,654	21,652	21,650
3. 2016.....	XXX	20,531	23,217	23,248	23,249
4. 2017.....	XXX	XXX	21,416	24,285	24,282
5. 2018.....	XXX	XXX	XXX	21,560	23,821
6. 2019.....	XXX	XXX	XXX	XXX	21,014

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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	2,289	2,259	2,260	2,259	2,258
2. 2015.....	21,844	21,668	21,654	21,652	21,650
3. 2016.....	XXX	23,552	23,233	23,248	23,249
4. 2017.....	XXX	XXX	24,182	24,289	24,282
5. 2018.....	XXX	XXX	XXX	23,884	23,823
6. 2019.....	XXX	XXX	XXX	XXX	23,291

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. 2015.....	31,179	21,650	1,347	6.2	22,997	73.8			22,997	73.8
2. 2016.....	33,764	23,249	1,328	5.7	24,577	72.8			24,577	72.8
3. 2017.....	34,894	24,282	1,444	5.9	25,726	73.7			25,726	73.7
4. 2018.....	34,904	23,821	1,781	7.5	25,602	73.3	2	.9	25,613	73.4
5. 2019.....	33,698	21,014	1,484	7.1	22,498	66.8	2,277	.55	24,830	73.7

**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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	11,085	11,150	11,154	11,154	11,154
2. 2015.....	74,276	84,290	84,295	84,293	84,281
3. 2016.....	XXX	76,284	88,537	88,685	88,704
4. 2017.....	XXX	XXX	90,519	99,236	99,360
5. 2018.....	XXX	XXX	XXX	94,615	104,121
6. 2019.....	XXX	XXX	XXX	XXX	95,168

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

12.FE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	11,199	11,150	11,154	11,154	11,154
2. 2015.....	83,563	84,487	84,295	84,293	84,281
3. 2016.....	XXX	84,875	88,782	88,685	88,704
4. 2017.....	XXX	XXX	100,007	99,332	99,360
5. 2018.....	XXX	XXX	XXX	105,431	104,272
6. 2019.....	XXX	XXX	XXX	XXX	105,499

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. 2015.....	95,195	84,281	5,091	6.0	89,372	93.9			89,372	93.9
2. 2016.....	95,200	88,704	4,834	5.4	93,538	98.3			93,538	98.3
3. 2017.....	110,312	99,360	4,810	4.8	104,170	94.4			104,170	94.4
4. 2018.....	116,577	104,121	5,184	5.0	109,305	93.8	151	36	109,492	93.9
5. 2019.....	110,183	95,168	3,922	4.1	99,090	89.9	10,332	246	109,668	99.5

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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	76,100	76,254	76,417	76,412	76,415
2. 2015.....	574,570	661,676	661,862	661,842	661,840
3. 2016.....	XXX	640,407	742,831	742,947	742,894
4. 2017.....	XXX	XXX	705,896	801,309	801,343
5. 2018.....	XXX	XXX	XXX	786,173	904,924
6. 2019.....	XXX	XXX	XXX	XXX	818,564

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 2015	2 2016	3 2017	4 2018	5 2019
1. Prior.....	77,424	76,255	76,417	76,412	76,415
2. 2015.....	667,862	663,356	661,867	661,842	661,840
3. 2016.....	XXX	743,523	744,943	742,947	742,894
4. 2017.....	XXX	XXX	813,741	805,398	801,343
5. 2018.....	XXX	XXX	XXX	902,114	905,164
6. 2019.....	XXX	XXX	XXX	XXX	943,435

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. 2015.....	712,688	661,840	21,109	3.2	682,949	95.8			682,949	95.8
2. 2016.....	829,860	742,894	24,198	3.3	767,092	92.4			767,092	92.4
3. 2017.....	912,247	801,343	28,527	3.6	829,870	91.0			829,870	91.0
4. 2018.....	1,008,986	904,924	40,177	4.4	945,101	93.7	240	362	945,703	93.7
5. 2019.....	1,078,315	818,564	28,837	3.5	847,401	78.6	124,871	2,367	974,639	90.4

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.....	2,015,006	2,014,436	340				230		
2. Additional policy reserves (a).....	35,500,000						35,500,000		
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income).....	17,784,191	17,784,191							
5. Aggregate write-ins for other policy reserves.....	51,679,609	51,679,609	0	0	0	0	0	0	0
6. Totals (gross).....	106,978,806	71,478,236	340	0	0	0	35,500,230	0	0
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	106,978,806	71,478,236	340	0	0	0	35,500,230	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

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DETAILS OF WRITE-INS

0501. ACA Risk Adjustment Liability.....	51,679,609	51,679,609							
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 through 0503 plus 0598) (Line 5 above).....	51,679,609	51,679,609	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 through 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....35,500,000 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	2,115,666	2,593,587	8,146,081	41,136	12,896,470
2. Salaries, wages and other benefits.....	45,428,263	55,666,248	105,939,404	1,652,765	208,686,680
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			85,918,489		85,918,489
4. Legal fees and expenses.....			21,875,092		21,875,092
5. Certifications and accreditation fees.....	967,322				967,322
6. Auditing, actuarial and other consulting services.....	4,162,130	590,472	18,844,061	367,277	23,963,940
7. Traveling expenses.....	443,340	364,539	3,395,459	23,596	4,226,934
8. Marketing and advertising.....	33,677	910	5,452,114		5,486,701
9. Postage, express and telephone.....	1,339,024	1,938,402	4,489,554	2,253	7,769,233
10. Printing and office supplies.....	149,758	63,689	2,479,475	26,612	2,719,534
11. Occupancy, depreciation and amortization.....	24	45	5,495,426		5,495,495
12. Equipment.....					0
13. Cost or depreciation of EDP equipment and software.....	2,424,171	3,763,771	31,250,116	1,045,376	38,483,434
14. Outsourced services including EDP, claims, and other services.....	26,169,924	18,249,663	63,730,075	111,868	108,261,530
15. Boards, bureaus and association fees.....	433,041	12,243	5,222,125	7,484	5,674,893
16. Insurance, except on real estate.....			2,020,628		2,020,628
17. Collection and bank service charges.....				3,009,519	3,009,519
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....	(8,967,760)	(8,813,579)	(28,499,431)		(46,280,770)
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....			970,888		970,888
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			19,952,648		19,952,648
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			26,114,591		26,114,591
23.4 Payroll taxes.....	3,219,559	2,984,734	5,668,214		11,872,507
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	85,000,000	0	85,000,000
26. Total expenses incurred (Lines 1 to 25).....	77,918,139	77,414,724	473,465,009	6,287,886	(a).....635,085,758
27. Less expenses unpaid December 31, current year.....	367	10,391,274	37,005,159		47,396,800
28. Add expenses unpaid December 31, prior year.....	406	11,349,049	17,461,498		28,810,953
29. Amounts receivable relating to uninsured plans, prior year.....	10,296,332	11,102,961	24,151,269		45,550,562
30. Amounts receivable relating to uninsured plans, current year.....	7,322,538	7,196,643	23,630,541		38,149,722
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	74,944,384	74,466,181	453,400,620	6,287,886	609,099,071

DETAILS OF WRITE-INS

2501. Social mission expenses.....			85,000,000		85,000,000
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 through 2503 plus 2598) (Line 25 above).....	0	0	85,000,000	0	85,000,000

(a) Includes management fees of \$....436,367,869 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).....11,556,932	.....11,510,512
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....42,528,256	.....41,561,624
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....9,845	.....9,845
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....5,251,713	.....5,214,196
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).....15,489,803	.....14,047,923
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....582,796	.....582,796
9. Aggregate write-ins for investment income.....	.....22,264	.....24,950
10. Total gross investment income.....	.....75,441,609	.....72,951,846
11. Investment expenses.....	.....	(g).....6,287,886
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....815,584
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).....	.....	.....7,103,470
17. Net investment income (Line 10 minus Line 16).....	.....	.....65,848,376

DETAILS OF WRITE-INS

0901. Securities Lending.....	.....22,264	.....24,950
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....22,264	.....24,950
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	.....0
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above).....	.....	.....0

- (a) Includes \$.....2,786,038 accrual of discount less \$.....4,100,924 amortization of premium and less \$.....7,044,391 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 \$.....5,770,985 accrual of discount less \$.....2,138,495 amortization of premium and less \$.....4,592,331 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....6,287,886 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.....	.....5,596,525	.....	.....5,596,525	.....95,850	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....16,703,112	.....(3,645,478)	.....13,057,634	.....	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....(3,051)	.....(3,051)	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....9,365,061	.....(3,591,955)	.....5,773,106	.....38,284,031	.....
2.21 Common stocks of affiliates.....	.....	.....	.....0	.....	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....	.....	.....0	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....(271,616)	.....(504)	.....(272,120)	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....	.....	.....0	.....334,583	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....31,393,082	.....(7,240,988)	.....24,152,094	.....38,714,464	.....0

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 through 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.....	1,302,466	486,281	(816,185)
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.....			0
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.....	2,001,522	5,097,402	3,095,880
21. Furniture and equipment, including health care delivery assets.....	20,777,652	25,373,544	4,595,892
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.....	1,891,614	347,750	(1,543,864)
25. Aggregate write-ins for other-than-invested assets.....	738,314	1,143,937	405,623
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	26,711,568	32,448,914	5,737,346
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	26,711,568	32,448,914	5,737,346

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 through 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Prepaid expenses.....	738,314	1,143,937	405,623
2502.....			0
2503.....			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	738,314	1,143,937	405,623

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.....	738,743	747,094	742,873	747,478	745,471	8,928,617
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.....	738,743	747,094	742,873	747,478	745,471	8,928,617

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 through 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS**1. Summary of Significant Accounting Policies and Going Concern****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:

	SSAP #	F/S Page	F/S Line #	2019	2018
NET INCOME					
(1) Blue Care Network of Michigan state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ 74,746,591	\$ 250,612,170
(2) State Prescribed Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(3) State Permitted Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>\$ 74,746,591</u>	<u>\$ 250,612,170</u>
SURPLUS					
(5) Blue Care Network of Michigan state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 1,728,923,443	\$ 1,609,353,975
(6) State Prescribed Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(7) State Permitted Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$ 1,728,923,443</u>	<u>\$ 1,609,353,975</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

Revenue from self-funded administrative services only (ASO) primarily consists of administrative fees for services provided, such as management of medical services, claims processing, and access to provider networks. Under ASO arrangements, self-funded groups retain the primary underwriting risk of paying claims. Amounts due from ASO groups are equal to the amounts required to pay claims and administrative fees. Administrative fees are earned as services are performed and are calculated based on the number of members in a group or the group's claim experience. Since benefit expenses for ASO arrangements are not the responsibility of BCN, claims paid by BCN and the corresponding receipt of claim payments are not reported in the accompanying Statement of Revenue and Expenses.

For the years ended December 31, 2019 and 2018, administrative fee revenues of \$46,280,770 and \$48,578,423, respectively, related to ASO arrangements are included as a reduction in general administrative expenses, cost containment expenses, and other claim adjustment expenses.

BCN follows the accounting policies below:

- (1) Short-term investments – stated at amortized cost.

NOTES TO FINANCIAL STATEMENTS

- (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 to six are carried at the lower of amortized cost or fair market value. BCN has not elected to use the Systematic approach for their SVO identified investments.
- (3) Common stocks – stated at fair value. Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in surplus.
- (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 – NOT APPLICABLE
- (8) Investments in joint ventures, partnerships and limited liability companies – BCN has ownership interests in partnerships and limited liability companies. BCN carries these investments based on the underlying U.S. GAAP equity of the investee. Such investments are included in the other invested assets line of the Assets page.
- (9) Derivatives – NOT APPLICABLE
- (10) Investment income in premium deficiency calculation – BCN did not use anticipated investment income as part of the premium deficiency actuarial estimate calculation.
- (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 components 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 asset capitalization policy from the prior period.
- (13) Pharmaceutical rebate receivables – estimated based on historical rebate experience.

D. Going Concern

Management has evaluated BCN's ability to continue as a going concern and does not have any substantial doubt about BCN's ability to continue as a going concern.

2. Accounting Changes and Corrections of Errors – NOT APPLICABLE**3. Business Combinations and Goodwill****A. Statutory Purchase Method – NOT APPLICABLE****B. Statutory Merger**

On July 1, 2018, Blue Care of Michigan, Inc. (BCMI) merged with and into BCN, through a statutory merger, at which time the separate existence of BCMI ceased. On October 1, 2018, BCN Service Company (BCNSC) merged with and into BCN, through a statutory merger, at which time the separate existence of BCNSC ceased.

C. Assumption Reinsurance – NOT APPLICABLE**D. Impairment Loss – NOT APPLICABLE****4. Discontinued Operations – NOT APPLICABLE****5. Investments****A. Mortgage Loans, including Mezzanine Real Estate Loans – NOT APPLICABLE****B. Debt Restructuring – NOT APPLICABLE**

NOTES TO FINANCIAL STATEMENTS**C. Reverse Mortgages – NOT APPLICABLE****D. Loan-Backed Securities**

(1) 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.

(2) Other-Than-Temporary Impairment of Loan-Backed and Structured Securities – NOT APPLICABLE

(3) Other-Than-Temporary Impairment of Loan-Backed and Structured Securities by CUSIP – NOT APPLICABLE

(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):

a. The aggregate amount of unrealized losses:		
1. Less than 12 Months	\$	(87,814)
2. 12 Months or Longer	\$	(536,743)
b. The aggregate related fair value of securities with unrealized losses:		
1. Less than 12 Months	\$	15,539,180
2. 12 Months or Longer	\$	34,811,582

(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. Dollar Repurchase Agreements and/or Securities Lending Transactions

(1) Policy for Requiring Collateral or Other Security – Beginning in 2019, in the normal course of business, BCN began actively participating in security lending agreements with a custodian bank. Under this agreement, BCN lends equity and bond securities in exchange for collateral, approximating at least 102% of the value of the securities loaned. Cash collateral is invested by the custodian bank in a money market fund and the offsetting collateral liability is included in Collateral from Lending activities. BCN's non-cash collateral is in the form of U.S. Treasury and U.S. agency securities. The security lending agreements are primarily overnight in nature and subject to renewal or termination. The fair value of the cash and non-cash collateral at December 31, 2019 is \$4,424,008 and \$6,432,900, respectively.

(2) Disclose the Carrying Amount and Classification of Both Assets and Liabilities – BCN has no pledged assets under its security lending transaction agreement.

(3) Collateral Received

a. Aggregate Amount Collateral Received	Fair Value
1. Securities Lending	
(a) Open	\$ 4,424,008
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	
(f) Sub-Total	\$ 4,424,008
(g) Securities Received	
(h) Total Collateral Received	\$ 4,424,008
2. Dollar Repurchase Agreement	
(a) Open	\$ -
(b) 30 Days or Less	
(c) 31 to 60 Days	
(d) 61 to 90 Days	
(e) Greater Than 90 Days	
(f) Sub-Total	\$ -
(g) Securities Received	
(h) Total Collateral Received	\$ -

NOTES TO FINANCIAL STATEMENTS

- b. The fair value of that collateral and the portion of that collateral that has been sold or re-pledged. Of the \$4,424,008 collateral received, none has been sold or re-pledged at December 31, 2019.
- c. Information about Sources and Uses of Collateral – BCN receives cash and noncash collateral in an amount in excess of the fair value of the securities lent. BCN reinvests the cash collateral into a money market fund.

(4) Securities lending transactions administered by an affiliated agent – NOT APPLICABLE

(5) Collateral Reinvestment

a. Aggregate Amount Collateral Reinvested	Amortized Cost	Fair Value
1. Securities Lending		
(a) Open	\$ 4,424,008	\$ 4,424,008
(b) 30 Days or Less		
(c) 31 to 60 Days		
(d) 61 to 90 Days		
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total	\$ 4,424,008	\$ 4,424,008
(l) Securities Received		
(m) Total Collateral Reinvested	\$ 4,424,008	\$ 4,424,008
2. Dollar Repurchase Agreement		
(a) Open	\$ -	\$ -
(b) 30 Days or Less		
(c) 31 to 60 Days		
(d) 61 to 90 Days		
(e) 91 to 120 Days		
(f) 121 to 180 Days		
(g) 181 to 365 Days		
(h) 1 to 2 Years		
(i) 2 to 3 Years		
(j) Greater Than 3 Years		
(k) Sub-Total	\$ -	\$ -
(l) Securities Received		
(m) Total Collateral Reinvested	\$ -	\$ -

- b. Explanation of Additional Sources of Liquidity for Maturity Date Mismatches
Not applicable. BCN has re-invested the cash collateral (Collateral to be returned) in a Money Market Mutual Fund with no specified maturity date and can be returned at any time.

(6) Detail on Collateral Transactions Not Permitted by Contract or Custom to Sell or Repledge
By contract, BCN through its custodian bank, is allowed to sell collateral received if borrowers are in default.

(7) Collateral for Securities Lending transactions that extend beyond one year from the reporting date – NOT APPLICABLE

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing – NOT APPLICABLE

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing – NOT APPLICABLE

H. Repurchase Agreements Transactions Accounted for as a Sale – NOT APPLICABLE

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale – NOT APPLICABLE

J. Real Estate – NOT APPLICABLE

K. Low-Income Housing Tax Credits (LIHTC) – NOT APPLICABLE

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

	1	2	3	4	5	6	7
Restricted Asset Category	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase / (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%	0.000%
b. Collateral held under security lending agreements	4,424,008	-	4,424,008	-	4,424,008	0.165%	0.167%
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	4,205,500	-	-	4,205,500	0.157%	0.159%
j. On deposit with states	1,000,000	1,000,000	-	-	1,000,000	0.037%	0.038%
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)	55,488,523	54,914,119	574,404	-	55,488,523	2.074%	2.095%
m. Pledged as collateral not captured in other categories							
n. Other restricted assets	200	200	-	-	200	0.000%	0.000%
o. Total Restricted Assets	<u>\$ 65,118,231</u>	<u>\$ 60,119,819</u>	<u>\$ 4,998,412</u>	<u>\$ -</u>	<u>\$ 65,118,231</u>	<u>2.433%</u>	<u>2.459%</u>

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

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

NOTES TO FINANCIAL STATEMENTS

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)

Description of Assets	1	2	3	4	5	6
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase (Decrease) (1 minus 2)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Investment in BCBSM Foundation	\$ 200	\$ 200	\$ -	\$ 200	0.000%	0.000%
Total (a)	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>0.000%</u>	<u>0.000%</u>

(a) Total Line for Columns 1 through 3 should equal 5L(1)n Columns 1 through 3 respectively and Total Line for Column 4 should equal 5L(1)n Column 5

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

Collateral Assets	1 Book/Adjusted Carrying Value (BACV)	2 Fair Value	3 % of BACV to Total Assets (Admitted and Nonadmitted) *	4 % of BACV to Total Admitted Assets **
a. Cash, Cash Equivalents and Short-Term Investments	\$ -	\$ -	%	%
b. Schedule D, Part 1			%	%
c. Schedule D, Part 2, Sec. 1			%	%
d. Schedule D, Part 2, Sec. 2			%	%
e. Schedule B			%	%
f. Schedule A			%	%
g. Schedule BA, Part 1			%	%
h. Schedule DL, Part 1	\$ 4,424,008	\$ 4,424,008	0.2%	0.2%
i. Other			%	%
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$ 4,424,008	\$ 4,424,008	0.2%	0.2%

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

** Column 1 divided by Asset Page, Line 26 (Column 3)

	1 Amount	2 % of Liability to Total Liabilities
k. Recognized Obligation to Return Collateral Asset	\$ 4,424,008	0.5%

* Column 1 divided by Liability Page, Line 24 (Column 3)

M. Working Capital Finance Investments – NOT APPLICABLE

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

NOTES TO FINANCIAL STATEMENTS

O. 5GI Securities

Investment	Number of 5GI Securities		Aggregate BACV		Aggregate Fair Value	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
(1) Bonds - AC	1	3	\$ 182,208	\$ 1,744,238	\$ 213,432	\$ 1,744,238
(2) Bonds - FV	-	-	-	-	-	-
(3) LB&SS - AC	-	-	-	-	-	-
(4) LB&SS - FV	-	-	-	-	-	-
(5) Preferred Stock - AC	-	-	-	-	-	-
(6) Preferred Stock - FV	-	-	-	-	-	-
Total (7) (1+2+3+4+5+6)	1	3	\$ 182,208	\$ 1,744,238	\$ 213,432	\$ 1,744,238

AC - Amortized Cost

FV - Fair Value

P. Short Sales – NOT APPLICABLE

Q. Prepayment Penalty and Acceleration Fees

(1) Number of CUSIPs	54
(2) Aggregate Amount of Investment Income	\$ 760,052

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, 2019 and 2018.

8. Derivative Instruments – NOT APPLICABLE

9. Income Taxes

A. Deferred Tax Assets or Deferred Tax Liabilities

The components of the net deferred tax asset / (liability) at December 31, 2019 and 2018, are as follows:

1	12/31/2019			12/31/2018			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
a.	\$ 86,978	\$ 284,089	\$ 371,067	\$ -	\$ 332,256	\$ 332,256	\$ 86,978	\$ (48,167)	\$ 38,811
b.	-	-	-	-	332,256	332,256	-	(332,256)	(332,256)
c.	86,978	284,089	371,067	-	-	-	86,978	284,089	371,067
d.	-	-	-	-	-	-	-	-	-
e.	86,978	284,089	371,067	-	-	-	86,978	284,089	371,067
f.	-	-	-	-	-	-	-	-	-
g.	\$ 86,978	\$ 284,089	\$ 371,067	\$ -	\$ -	\$ -	\$ 86,978	\$ 284,089	\$ 371,067

NOTES TO FINANCIAL STATEMENTS

2	12/31/2019			12/31/2018			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)	
Admission Calculation Components SSAP No. 101										
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total	
a.	Federal income taxes paid in prior years recoverable through loss carry backs	\$ 86,978	\$ 284,089	\$ 371,067	\$ -	\$ -	\$ -	\$ 86,978	\$ 284,089	\$ 371,067
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	86,978	284,089	371,067	-	-	-	86,978	284,089	371,067
2	Adjusted gross deferred tax assets allowed per limitation threshold	xxx	xxx	xxx	xxx	xxx	-	xxx	xxx	xxx
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))	\$ 86,978	\$ 284,089	\$ 371,067	\$ -	\$ -	\$ -	\$ 86,978	\$ 284,089	\$ 371,067

Under the Federal Internal Revenue Code, ordinary losses can be carried back two years for entities taxed as nonlife insurance companies, while capital losses for entities taxed both as nonlife and life insurance companies can be carried back three years. For losses arising in tax years after 2017, entities taxed as life insurance companies are not permitted to carryback ordinary losses.

3		2019	2018
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	12/31/2019		12/31/2018		Change	
	(1)	(2)	(3)	(4)	(5) (Col 1-3)	(6) (Col 2-4)
Impact of tax-planning strategies						
a.	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
	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)	\$ 86,978	\$ 284,089	\$ -	\$ -	\$ 86,978 \$ 284,089
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)	86,978	284,089	-	-	86,978 284,089
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___					

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 incurs unrelated business income that generates federal income taxes. There were no material uncertain tax positions as of December 31, 2019 or 2018.

NOTES TO FINANCIAL STATEMENTS

Federal income tax incurred for the years ended December 31, 2019 and 2018, respectively, is as follows:

	(1)	(2)	(3)
	12/31/2019	12/31/2018	(Col 1-2) Change
1 Current income tax:			
a. Federal	\$ 87,339	\$ 369,745	\$ (282,406)
b. Foreign	-	-	-
c. Subtotal	87,339	369,745	(282,406)
d. Federal income tax on net capital gains	-	-	-
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	-	-	-
g. Federal and foreign income taxes incurred	\$ 87,339	\$ 369,745	\$ (282,406)
	(1)	(2)	(3)
	12/31/2019	12/31/2018	(Col 1-2) Change
2 Deferred Tax Assets:			
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)	86,978	-	86,978
99 Subtotal	86,978	-	86,978
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	-	-	-
d. Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	86,978	-	86,978
e. Capital:			
1 Investments	-	-	-
2 Net capital loss carry-forward	284,089	332,256	(48,167)
3 Real estate	-	-	-
4 Other (including items <5% of total capital tax assets)	-	-	-
99 Subtotal	284,089	332,256	(48,167)
f. Statutory valuation allowance adjustment	-	332,256	(332,256)
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ 284,089	\$ -	\$ 284,089
i. Admitted deferred tax assets (2d + 2h)	\$ 371,067	\$ -	\$ 371,067
	(1)	(2)	(3)
	12/31/2019	12/31/2018	(Col 1-2) Change
3 Deferred Tax Liabilities:			
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)	-	-	-
4 Net deferred tax assets/liabilities (2i – 3c)	\$ 371,067	\$ -	\$ 371,067

D. Significant book to tax adjustments – During 2019, BCN incurred realized net capital gains of \$396,502 which for tax purposes, will be offset by realized capital loss carryovers from prior years, generating a net realized capital loss carryover of \$1,052,182 at December 31, 2019. No valuation allowance has been recorded at December 31, 2019.

E. Loss carry forwards, credit carry forwards – At December 31, 2019, BCN had no operating loss or tax credit carry forward.

F. Consolidated tax filing – NOT APPLICABLE

G. Loss contingencies – NOT APPLICABLE

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

H. Repatriation Transition Tax (RTT) – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

I. Alternative Minimum Tax (AMT) Credit – NOT APPLICABLE

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: Woodward Straits Insurance Company (WSIC), a subsidiary of BCBSM; Tessellate Holdings, LLC and COBX Co., wholly owned subsidiaries of Emergent Holdings, Inc, a subsidiary of BCBSM; Accident Fund Insurance Company of America (AFICA), a subsidiary of Accident Fund Holdings, Inc. (AFHI), a subsidiary of Emergent Holdings, Inc.; LifeSecure Insurance Company (LifeSecure), a subsidiary of a BCBSM wholly owned affiliate, LifeSecure Holdings Corporation (LSH Corp); BCBSM Foundation, a subsidiary of BCN; Blue Cross Complete of Michigan LLC (BCC LLC), owned by BCBSM through a joint venture; and AmeriHealth Caritas Health Plan (AHP), owned by BCBSM through a joint venture.

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; allocated employee salaries and related benefits; building rent; purchased services including agent fees; and reinsurance. Transactions with affiliates include 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.

C. For the years ended December 31, 2019 and 2018, \$2,587,272,236 and \$2,381,565,461, 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, 2019 and 2018, \$72,455,991 and \$54,446,484, respectively, were billed to BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCBSM.

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, 2019 and 2018, BCN had \$16,654,070 and \$12,396,670, respectively, in related party receivables. The majority of these balances were related to BCBSM.

As of December 31, 2019 and 2018, BCN had \$99,340,436 and \$67,089,412, respectively, in related party payables. The majority of these balances were related to BCBSM.

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. The agreements provide for monthly payments.

G. All outstanding shares of BCN are owned by BCBSM. In addition, BCN; BCBSM; BCC LLC; BCBSM Foundation; WSIC; LSH Corp and its subsidiary; Michigan Medicaid Holdings Company and BH Assets LLC, subsidiaries of BCBSM; AFHI; COBX CO.; Emergent Holdings, Inc.; and Covantage Health Partners, Inc., a subsidiary of Emergent Holdings, Inc., have some common officers and board members.

H. Ownership in upstream affiliate or parent – NOT APPLICABLE

I. Investment in SCA – NOT APPLICABLE

J. Investment impaired – NOT APPLICABLE

K. Investment in a foreign insurance subsidiary – NOT APPLICABLE

L. Investment in downstream noninsurance holding company – NOT APPLICABLE

M. All SCA Investments – NOT APPLICABLE

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

O. SCA or SSAP 48 Entity Loss Tracking – NOT APPLICABLE

11. Debt

A. Debt Including Capital Notes – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS**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 October 8, 2015, BCN borrowed \$50,000,000 at a rate of 1.56% on a 60 month loan. The \$50,000,000 loan was refinanced effective November 8, 2019, resulting in a new rate of 1.89% on a 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 at 105% of the outstanding loan balance.

(2) FHLB Capital Stock**a. Aggregate Totals****1. Current Year**

		1 Total 2+3	2 General Account	3 Protected Cell Accounts
(a)	Membership Stock – Class A			
(b)	Membership Stock – Class B	4,205,500	4,205,500	
(c)	Activity Stock			
(d)	Excess Stock			
(e)	Aggregate Total (a+b+c+d)	4,205,500	4,205,500	
(f)	Actual or Estimated Borrowing Capacity as Determined by the Insurer	93,455,556	XXX	XXX

2. Prior Year-End

		1 Total 2+3	2 General Account	3 Protected Cell Accounts
(a)	Membership Stock – Class A			
(b)	Membership Stock – Class B	4,205,500	4,205,500	
(c)	Activity Stock			
(d)	Excess Stock			
(e)	Aggregate Total (a+b+c+d)	4,205,500	4,205,500	
(f)	Actual or Estimated Borrowing Capacity as Determined by the Insurer	93,455,556	XXX	XXX

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)a1(b) Total (Column 1)

NOTES TO FINANCIAL STATEMENTS**(3) Collateral Pledged to FHLB****a. Amount Pledged as of Reporting Date**

	1	2	3
	Fair Value	Carrying Value	Aggregate Total Borrowing
1. Current Year Total General and Protected Cell Accounts Total Collateral Pledged (Lines 2+3)	57,808,483	55,488,523	50,000,000
2. Current Year General Account Total Collateral Pledged	57,808,483	55,488,523	50,000,000
3. Current Year Protected Cell Accounts Total Collateral Pledged			
4. Prior Year-end Total General and Protected Cell Accounts Total Collateral Pledged	57,426,378	54,914,119	50,000,000

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)

11B(3)a3 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b3 (Columns 1, 2 and 3, respectively)

11B(3)a4 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b4 (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 General and Protected Cell Accounts Maximum Collateral Pledged (Lines 2+3)	59,343,704	57,128,642	50,000,000
2. Current Year General Account Maximum Collateral Pledged	59,343,704	57,128,642	50,000,000
3. Current Year Protected Cell Accounts Maximum Collateral Pledged			
4. Prior Year-end Total General and Protected Cell Accounts Maximum Collateral Pledged	60,251,249	58,277,573	50,000,000

(4) Borrowing from FHLB**a. Amount as of the Reporting Date****1. Current Year**

		1	2	3	4
		Total 2+3	General Account	Protected Cell Account	Funding Agreements Reserves Established
(a)	Debt				XXX
(b)	Funding Agreements	50,000,000	50,000,000		
(c)	Other				XXX
(d)	Aggregate Total (a+b+c)	50,000,000	50,000,000		

NOTES TO FINANCIAL STATEMENTS

2. Prior Year-End

		1	2	3	4
		Total 2+3	General Account	Protected Cell Account	Funding Agreements Reserves Established
(a)	Debt				XXX
(b)	Funding Agreements	50,000,000	50,000,000		
(c)	Other				XXX
(d)	Aggregate Total (a+b+c)	50,000,000	50,000,000		

b. Maximum Amount During Reporting Period (Current Year)

		1 Total 2+3	2 General Account	3 Protected Cell Accounts
1.	Debt			
2.	Funding Agreements	50,000,000	50,000,000	
3.	Other			
4.	Aggregate Total (Lines 1+2+3)	50,000,000	50,000,000	

11B(4)b4 (Columns 1, 2 and 3) should be equal to or greater than 11B(4)a1(d) (Columns 1, 2 and 3, respectively)

c. FHLB – Prepayment Obligations

		Does the company have prepayment obligations under the following arrangements? (YES/NO)?
1.	Debt	N/A
2.	Funding Agreements	NO
3.	Other	N/A

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-of-Return-on-Assets Assumption – NOT APPLICABLE
- E. Defined Contribution Plans – NOT APPLICABLE
- F. Multiemployer Plans – NOT APPLICABLE
- G. Consolidated/Holding Company Plans

BCBSM has the responsibility for administering and funding the pension and other postretirement benefits for BCN, including qualified and non-qualified noncontributory defined benefit pension plans, and qualified defined contribution and deferred compensation plans. BCN has no legal obligation for benefits under these plans. BCBSM allocates expenses to BCN based on allocations supporting other employment and overhead costs. BCN's share of net expense for qualified and non-qualified pension plans, other postretirement benefit plans and qualified defined contribution plans was:

	<u>2019</u>	<u>2018</u>
Qualified and non-qualified pension plans	\$ 16,147,535	\$ 10,112,091
Other postretirement benefit plans	984,570	2,586,373
Qualified defined contribution plan	1,349,082	824,023

The above expenses and amounts due to BCBSM related to the retirement expenses, as of December 31, 2019 and 2018, are included in the amounts disclosed in Note 10.

- H. Post-employment Benefits and Compensated Absences – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

1. 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) Special surplus fund changes – Changes in balances of special surplus funds from the prior year are due to the reserve for the 2019 Affordable Care Act (ACA) Fee payable in 2020. As a result of the Continuing Appropriations Act of 2018, BCN did not reclassify unassigned surplus to special surplus funds in 2018 for BCN's anticipated expense of the 2019 ACA fee. The law imposed a moratorium in 2019 on the Annual Fee on Health Insurance Providers also known as the ACA Section 9010 assessment. Because there was no fee payable in the 2019 reporting year on premiums written during the data year of 2018, there was no segregation of special surplus in 2018.
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses was a net unrealized gain of \$34,140,943 at December 31, 2019.
- (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

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments

BCN has outstanding commitments for additional investments to its joint ventures and partnership interests in the amount of \$64,376,088 at December 31, 2019.

B. Assessments

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

Effective October 1, 2018, the State of Michigan enacted the Insurance Provider Assessment (IPA). The IPA is a fixed-rate tax of \$2.40 per member per month for commercial group and individual lines of business, assessed on health insurers authorized to deliver, issue for delivery, or renew a policy in the state of Michigan (including HMOs). The liability is reflected in general expenses due or accrued as of December 31, 2019 and 2018, in the amount of \$8,974,712 and \$4,085,670, respectively. Prior to the IPA, a Michigan Health Insurance Claims Assessment (HICA) tax was applied to certain Michigan health insurance claims arising from health and medical services provided on or after January 1, 2012 through September 30, 2018. BCN bared the inherent credit risk of uncollectability of the tax and therefore recorded the tax under the gross method, whereby claims taxes collected and paid were recorded as revenue and general administrative expense, respectively. The HICA tax rate was 1.0% in 2018. The liability was reflected in general expenses due or accrued as of December 31, 2018 in the amount of \$2,625,644.

Effective October 1, 2012, through September 30, 2029, 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 or accrued as of December 31, 2019 and 2018, in the amount of \$1,563,495 and \$1,560,765, 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

NOTES TO FINANCIAL STATEMENTS**F. All Other Contingencies**

Reimbursement Dispute – BCN is currently involved in a dispute with a provider regarding reimbursement for certain Medicare Advantage claims. The lawsuit alleges BCN breached the applicable contracts. It is not yet possible to make an assessment regarding probability of an adverse outcome, nor estimate a range of potential loss.

Blue Cross Blue Shield Association (BCBSA) Litigation – Numerous antitrust class actions have been filed against BCBSA and every Plan. The cases were originally filed in 2012. The cases were consolidated into two, a provider case and a subscriber case. The cases are currently pending in United States District Court for the Northern District of Alabama. The cases allege that numerous BCBSA rules and/or regulations violate the Sherman Antitrust Act and related state laws. The Court issued its Opinion on April 5th, 2018 holding that the Exclusive Service Areas and National Best Efforts will be analyzed under the per se standard and the Blue Card program will be analyzed under the Rule of Reason. Defendants' appealed this decision, but the Court of Appeals declined to take the appeal, thereby sending it back to the trial court for further proceedings. If this matter goes to trial, the trial is anticipated to take place in 2021. BCN has accrued its best estimate of risk of loss associated with a possible settlement in the subscriber case. It is not yet possible to make an assessment regarding probability of an adverse outcome, nor estimate a range of potential loss in the provider case.

Other Legal Matters – BCN is a defendant in numerous other lawsuits and involved in other matters arising in the normal course of business primarily related to subscribers' benefits, breach of contracts, provider reimbursement issues and provider participation arrangements. BCN's management, as of December 31, 2019, estimates that these matters will be resolved without a material adverse effect on BCN's future financial position or results of operations.

Where available information indicates that it is probable that a loss has been incurred as of the date of the statutory-basis financial statements and the amount of the loss can be reasonably estimated, BCN will accrue the estimated loss. As of December 31, 2019, and 2018, BCN recorded in general expenses due or accrued in the Liabilities, Capital, and Surplus \$21,875,092 and \$0, respectively, for all probable and reasonably estimable losses.

The statements of revenue and expenses for the periods ended December 31, 2019 and December 31, 2018 includes approximately \$21,875,092 and \$0, respectively, related to legal losses and settlements.

Asset Impairment – In accordance with BCN's impairment policy, 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 \$3,645,981 and \$13,502,647 for debt securities and \$3,595,007 and \$13,016,479 for equity securities in 2019 and 2018, 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. BCN also leases office buildings under noncancelable operating leases with unrelated parties. Rent expense in 2019 and 2018 was \$12,896,470 and \$14,258,589, 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.

(d) Lease Restrictions – NOT APPLICABLE**(e) Early Terminations – NOT APPLICABLE**

NOTES TO FINANCIAL STATEMENTS

(2) Non-cancelable leases

(a) At December 31, 2019, the minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Leases
2020	\$ 3,335,384
2021	3,335,384
2022	3,470,601
2023	3,605,820
2024	3,605,820
Thereafter	1,802,910
Total	<u>\$ 19,155,919</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

A. Transfers of Receivables Reported as Sales – NOT APPLICABLE

B. Transfer and Servicing of Financial Assets

(1) Description of any Loaned Securities

Beginning in 2019, in the normal course of business, BCN began actively participating in security lending agreements with a custodian bank. Under this agreement, BCN lends equity and bond securities in exchange for collateral, approximating at least 102% of the value of the securities loaned. Cash collateral is invested by the custodian bank in a money market fund, while non-cash collateral is in the form of U.S. Treasury and U.S. agency securities. The security lending agreements are primarily overnight in nature and subject to renewal or termination. The fair value of loaned securities at December 31, 2019 were \$4,346,043 and \$6,432,900 for bonds and equities respectively.

(2) Servicing Assets and Servicing Liabilities – NOT APPLICABLE

(3) When Servicing Assets and Liabilities are Measured at Fair Value – NOT APPLICABLE

(4) Securitizations, Asset-Based Financing Arrangements and Similar Transfers Accounted for as Sales – NOT APPLICABLE

(5) Disclosure Requirements for Transfers of Assets Accounted for as Secured Borrowing – NOT APPLICABLE

(6) Transfer of Receivables with Recourse – NOT APPLICABLE

(7) Securities Underlying Dollar Repurchase and Dollar Reverse Repurchase Agreements – NOT APPLICABLE

C. Wash Sales

(1) Description of the Objectives Regarding These Transactions

In the course of BCN's asset management, securities are sold and reacquired within 30 days of the sale date to enhance the yield on the investments.

(2) The details by NAIC designation 3 or below, or unrated of securities sold during the current period and reacquired with 30 days of the sale date are:

Description	NAIC Designation	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain /(Loss)
Bonds	3	4	\$ 422,659	\$ 254,779	\$ (9,679)
Bonds	4	10	\$ 447,170	\$ 277,410	\$ (12,345)

NOTES TO FINANCIAL STATEMENTS

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

A. ASO Plans

The loss from operations from ASO uninsured plans and the uninsured portion of partially insured plans was as follows during 2019:

	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$(29,918,788)	\$ -	\$(29,918,788)
b. Total net other income or expenses (including interest paid to or received from plans)	-	-	-
c. Net gain or (loss) from operations	(29,918,788)	-	(29,918,788)
d. Total claim payment volume	\$ 680,210,989	\$ -	\$ 680,210,989

B. ASC Plans – NOT APPLICABLE

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

- (1) Medicare Part D cost-based reimbursements for the years 2019 and 2018 consisted of \$6,470,848 and \$4,430,508, respectively, for coverage gap discount; \$13,060,371 and \$14,307,154, respectively, for low-income subsidy (cost sharing portion); and \$37,898,778 and \$37,746,348, respectively, for reinsurance payments.
- (2) As of December 31, 2019 and 2018, 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:

	2019	2018
Centers for Medicare & Medicaid Services (CMS)	<u>\$10,170,981</u>	<u>\$6,319,510</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 \$0 and \$2,978,924, as of December 31, 2019 and 2018, 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 Disclosures

(1) Fair Value Measurements at Reporting Date

Description for Each Class of Asset or Liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
a. Assets at fair value					
Common stock					
Industrial and miscellaneous	\$ 220,101,472	\$ -	\$ -	\$ -	\$ 220,101,472
Mutual funds	<u>868,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,509</u>
Total common stock	<u>\$ 220,969,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,969,981</u>
Cash Equivalents					
Exempt money market mutual funds	<u>\$ 66,022,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,022,968</u>
Other					
Security lending collateral	<u>\$ 4,424,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,424,008</u>
Total assets at fair value/NAV	<u>\$ 291,416,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,416,957</u>
b. Liabilities at fair value					
Payable for securities lending	<u>\$ 4,424,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,424,008</u>
Total liabilities at fair value	<u>\$ 4,424,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,424,008</u>

NOTES TO FINANCIAL STATEMENTS

(2) Fair Value Measurements in Level 3 of the Fair Value Hierarchy – NOT APPLICABLE

(3) Transfers between levels — NOT APPLICABLE

(4) 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.

(5) Derivative assets and liabilities – NOT APPLICABLE

B. Other Fair Value Information – NOT APPLICABLE

C. Fair Value of Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds:							
Special revenue and special assessment obligations	\$ 365,049,386	\$ 358,477,293	\$ -	\$ 365,049,386	\$ -	\$ -	\$ -
Industrial and miscellaneous	801,106,542	781,160,036	-	801,106,542	-	-	-
U.S. government	403,206,128	377,924,737	-	403,206,128	-	-	-
Hybrid securities	535,123	506,487	-	535,123	-	-	-
All other governments	<u>2,138,016</u>	<u>2,022,973</u>	<u>-</u>	<u>2,138,016</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonds	\$ <u>1,572,035,195</u>	\$ <u>1,520,091,526</u>	\$ <u>-</u>	\$ <u>1,572,035,195</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Preferred Stock:							
Non-Affiliates	\$ <u>529,466</u>	\$ <u>529,410</u>	\$ <u>-</u>	\$ <u>529,466</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Common Stocks:							
Industrial and miscellaneous	\$ 220,101,472	\$ 220,101,472	\$ 220,101,472	\$ -	\$ -	\$ -	\$ -
Mutual funds	<u>868,509</u>	<u>868,509</u>	<u>868,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Common Stocks	\$ <u>220,969,981</u>	\$ <u>220,969,981</u>	\$ <u>220,969,981</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Cash Equivalents & Short-Term Investments:							
Industrial and miscellaneous	\$ 516,698,636	\$ 516,705,749	\$ -	\$ 516,698,636	\$ -	\$ -	\$ -
Exempt money market mutual funds	<u>66,022,968</u>	<u>66,022,968</u>	<u>66,022,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Equivalents & Short-Term Investments	\$ <u>582,721,604</u>	\$ <u>582,728,717</u>	\$ <u>66,022,968</u>	\$ <u>516,698,636</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Other							
Security lending collateral	\$ <u>4,424,008</u>	\$ <u>4,424,008</u>	\$ <u>4,424,008</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Liabilities							
Payable for securities lending	\$ <u>4,424,008</u>	\$ <u>4,424,008</u>	\$ <u>4,424,008</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

D. Not Practicable to Estimate Fair Value – NOT APPLICABLE

E. Investments Using the NAV Practical Expedient – 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 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 cash equivalents, in accordance with SSAP No. 2R. 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 \$1,141,805 and \$5,177,611 as of December 31, 2019 and 2018, respectively. In addition, BCN held investments in these customers with a total value of \$13,277,326 and \$23,080,941 as of December 31, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

Other Items – On March 28, 2019, BCN made a contribution of \$85,000,000 to the Michigan Health Endowment Fund (MHEF) to fulfill BCN's mission to promote the health and financial peace of mind for its members concerning quality affordable health care and service; and to support programs that back health and welfare activities in Michigan communities which includes benefitting the health and wellness of Michigan's children and seniors. This contribution is reflected in the Statement of Revenue and Expenses as a part of general administrative expenses.

- 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 (ILS) Contracts – NOT APPLICABLE
- I. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy – NOT APPLICABLE

22. Events Subsequent

Management has evaluated all events subsequent to the annual statement date of December 31, 2019, through March 2, 2020, for the annual statement submitted on March 2, 2020.

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 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 was \$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 national amount of the fee will be \$15.5 billion in 2020. This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the total amount of health insurance for all U.S. health risk that is written during the preceding calendar year.

The Continuing Appropriations Act of 2018 suspended the assessment and collection of the health insurance fee for the 2019 calendar year. Thus, health insurance issuers were not required to pay these fees for 2019. The assessment of the fee will resume in 2020 and has been repealed for years after 2020.

On January 1, 2020, BCN will be subject to the annual fee. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2019, BCN has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2020, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2020 to be \$45,500,000. This amount is reflected in special surplus. This assessment is expected to reduce risk based capital (RBC) by approximately 32 percentage points. Reporting the ACA assessment as of December 31, 2019 would not have triggered an RBC action level. Due to the moratorium, no fee was payable in 2019 on premiums written during the data year of 2018, and no amount was reflected in special surplus in 2018.

	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	\$ 45,500,000	\$ -
C. ACA fee assessment paid	\$ -	\$ 35,782,020
D. Premium written subject to ACA 9010 assessment	\$ 4,251,616,476	\$ 4,209,238,588
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	\$ 1,728,923,443	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	\$ 1,683,423,443	
G. Authorized Control Level after surplus adjustment (Five-Year Historical Line 15)	\$ 142,022,781	
H. Would reporting the ACA assessment as of Dec. 31, 2019 have triggered an RBC action level (YES/NO)?	NO	

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

A. Ceded Reinsurance Report

In compliance with the NAIC annual statement instructions and SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*, BCN accounts for its transactions with 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 \$250,000 per member basis for all lines of business excluding commercial individual, up to a defined accumulated attachment point of \$8.42 per member per month for Medicare Advantage and \$9.87 per member per month for remaining policies. In addition, WSIC provides insolvency coverage subject to a separate aggregate limit in the amount of \$5,000,000 for all policies combined.

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)

If yes, give full details.

- (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.

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 () No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS

- B. Uncollectible Reinsurance – NOT APPLICABLE
- C. Commutation of Ceded Reinsurance – NOT APPLICABLE
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – NOT APPLICABLE

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 \$4,235,191,951 and \$4,179,701,924 for 2019 and 2018, respectively; representing approximately 99.2% of the total net health premiums written for both 2019 and 2018, 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
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	\$ -	\$ (4,451,144)	\$ -	\$ 1,355,524	\$ (3,095,620)
(2) Medical loss ratio rebates paid	-	13,781,610	-	3,233,963	17,015,573
(3) Medical loss ratio rebates unpaid	-	-	-	1,411,531	1,411,531
(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	1,411,531
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	\$ 16,998,602	\$ 1,656,618	\$ -	\$ 1,127,438	\$ 19,782,658
(8) Medical loss ratio rebates paid	-	1,656,618	-	1,753,380	3,409,998
(9) Medical loss ratio rebates unpaid	16,998,602	-	-	785,589	17,784,191
(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	17,784,191

NOTES TO FINANCIAL STATEMENTS

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

AMOUNT

a. Permanent ACA Risk Adjustment Program

Assets

1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments) \$ -

Liabilities

2. Risk adjustment user fees payable for ACA Risk Adjustment \$ 448,482

3. Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium) \$ 51,679,609

Operations (Revenue & Expense)

4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment \$ (40,454,350)

5. Reported in expenses as ACA risk adjustment user fees (incurred/paid) \$ 447,272

b. Transitional ACA Reinsurance Program

Assets

1. Amounts recoverable for claims paid due to ACA Reinsurance \$ -

2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability) \$ -

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 \$ -

5. Ceded reinsurance premiums payable due to ACA Reinsurance \$ -

6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance \$ -

Operations (Revenue & Expense)

7. Ceded reinsurance premiums due to ACA Reinsurance \$ -

8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments \$ 168,545

9. ACA Reinsurance contributions - not reported as ceded premium \$ -

c. Temporary ACA Risk Corridors Program

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 \$ -

Operations (Revenue & Expense)

3. Effect of ACA Risk Corridors on net premium income (paid/received) \$ -

4. Effect of ACA Risk Corridors on change in reserves for rate credits \$ -

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)	Ref	Receivable	(Payable)
	1	2	3	4	5	6	7	8		9	10	
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)	
a. Permanent ACA Risk Adjustment Program												
Premium adjustments receivable (including high-risk pool payments)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ -	\$ -
Premium adjustments payable (including high-risk pool premium)	-	46,121,143	575,569	35,471,453	(575,569)	10,649,690	575,569	(10,649,690)		B	-	-
Subtotal ACA Permanent Risk Adjustment Program	\$ -	\$ 46,121,143	\$ 575,569	\$ 35,471,453	\$ (575,569)	\$ 10,649,690	\$ 575,569	\$ (10,649,690)			\$ -	\$ -
b. Transitional ACA Reinsurance Program												
Amounts recoverable for claims paid	\$ -	\$ -	\$ 168,545	\$ -	\$ (168,545)	\$ -	\$ 168,545	\$ -		C	\$ -	\$ -
Amounts recoverable for claims unpaid (contra liability)	-	-	-	-	-	-	-	-		D	-	-
Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-		E	-	-
Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	-	-	-	-	-	-	-	-		F	-	-
Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-		G	-	-
Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-		H	-	-
Subtotal ACA Transitional Reinsurance Program	\$ -	\$ -	\$ 168,545	\$ -	\$ (168,545)	\$ -	\$ 168,545	\$ -			\$ -	\$ -
c. Temporary ACA Risk Corridors Program												
Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		I	\$ -	\$ -
Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-		J	-	-
Subtotal ACA Risk Corridors Program	-	-	-	-	-	-	-	-			-	-
Total for ACA Risk Sharing Provisions	\$ -	\$ 46,121,143	\$ 744,114	\$ 35,471,453	\$ (744,114)	\$ 10,649,690	\$ 744,114	\$ (10,649,690)			\$ -	\$ -

Explanation of Adjustments

- A
- B Adjustment supplied by CMS for high-risk pool and risk adjustment program.
- C Adjustment supplied by CMS.
- D
- E
- F
- G
- H
- I
- J

NOTES TO FINANCIAL STATEMENTS

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

Risk Corridors Program Year	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 Receivable	2 (Payable)	3 Receivable	4 (Payable)	5 Receivable	6 (Payable)	7 Receivable	8 (Payable)	Ref	9 Receivable	10 (Payable)
a. 2014											
1 Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ -	\$ -
2 Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	B	-	-
b. 2015											
1 Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	C	\$ -	\$ -
2 Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	D	-	-
c. 2016											
1 Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	E	\$ -	\$ -
2 Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	F	-	-
d. Total for Risk Corridors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -

Explanation of Adjustments

- A
- B
- C
- D
- E
- F

24E(4)d (Columns 1 through 10) should equal 24E(3)c3 (Column 1 through 10 respectively)

(5) ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Non-admissions) (1-2-3)	5 Non-admitted Amount	6 Net Admitted Asset (4-5)
a. 2014	\$ 17,193,569	\$ 14,314,428	\$ 2,879,141	\$ -	\$ -	\$ -
b. 2015	4,154,148	4,154,148	-	-	-	-
c. 2016	20,617,732	20,617,732	-	-	-	-
Total d. (a+b+c)	\$ 41,965,449	\$ 39,086,308	\$ 2,879,141	\$ -	\$ -	\$ -

24E(5)d (Column 4) should equal 24E(3)c1 (Column 9)
 24E(5)d (Column 6) should equal 24E(2)c1

25. Change in Incurred Claims and Claim Adjustment Expenses

A. Liabilities for unpaid claims and claims adjustment expenses as of December 31, 2018, were \$396,013,237. As of December 31, 2019, \$376,254,220 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Liabilities for unpaid claims and claims adjustment expenses remaining for prior years are now estimated to be \$2,658,015 as a result of a re-estimation of unpaid claims on comprehensive and Medicare lines of business. Therefore, there has been a \$17,101,002 favorable prior year development based on the analysis of recent loss development trends from December 31, 2018 to December 31, 2019.

B. Significant Changes in Methodologies and Assumptions – NOT APPLICABLE

26. Intercompany Pooling Arrangements – NOT APPLICABLE

27. Structured Settlements – NOT APPLICABLE

NOTES TO FINANCIAL STATEMENTS**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
12/31/2019	\$ 57,486,999	\$ 52,678,472	\$ -	\$ -	\$ -
9/30/2019	55,003,999	55,507,111	34,818,819	-	-
6/30/2019	53,788,298	54,062,569	52,284,350	115,271	-
3/31/2019	51,868,201	50,512,439	49,237,397	491,975	(116,238)
12/31/2018	\$ 52,719,678	\$ 48,691,323	\$ 44,686,536	\$ 2,587,980	\$ 32,508
9/30/2018	54,822,604	46,045,101	43,420,373	1,919,463	(108,620)
6/30/2018	40,265,146	44,042,071	42,085,668	1,249,755	675,512
3/31/2018	45,021,032	41,392,593	38,709,410	1,706,277	2,049,514
12/31/2017	\$ 30,212,229	\$ 33,723,594	\$ 30,880,356	\$ 3,741,064	\$ 28,479
9/30/2017	30,157,558	32,598,874	29,965,315	1,653,279	1,859,642
6/30/2017	29,769,365	31,254,590	28,757,700	1,634,407	3,117,525
3/31/2017	21,223,034	23,680,157	20,170,925	1,839,073	758,335

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, 2019, 2018, and 2017, BCN had risk sharing receivables of \$0, \$0, and \$4,866,470, respectively. Risk sharing receivables for the years ended December 31, 2019, 2018, and 2017 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 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 - All Other
2019	2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2020	XXX	\$ -	XXX	\$ -	XXX	XXX	XXX	XXX
2018	2018	\$4,866,470	\$ -	\$4,866,470	\$ -	\$4,866,470	\$ -	\$ -	\$ -
	2019	XXX	\$ -	XXX	\$ -	XXX	XXX	XXX	XXX
2017	2017	\$5,016,980	\$4,750,000	\$9,766,980	\$ -	\$9,766,980	\$ -	\$ -	\$ -
	2018	XXX	\$4,866,470	XXX	\$4,866,470	XXX	XXX	XXX	XXX

29. Participating Policies – NOT APPLICABLE**30. Premium Deficiency Reserves**

A liability for premium deficiency losses is an actuarial estimate that is recognized when it is probable that expected claim losses and allocable administrative expenses will exceed future premiums on existing health and other contracts, without consideration of investment income. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with BCN's method of acquiring, servicing, and measuring the profitability of such contracts. Premium deficiency losses are generally released over the period that the contract is in a loss position.

1. Liability carried for premium deficiency reserves	Medicare Advantage \$ 35,500,000
2. Date of the most recent evaluation of this liability	12/31/2019
3. Was anticipated investment income utilized in the calculation?	Yes [] No [X]

31. Anticipated Salvage and Subrogation – NOT APPLICABLE

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State regulating? Michigan
- 1.4 Is the reporting entity publicly traded or a member of publicly traded group? Yes No
- 1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group. _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2017
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2017
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/31/2019
- 3.4 By what department or departments?
Michigan Department of Insurance and Financial Services
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
 If the answer is YES, complete and file the merger history data file with the NAIC.
- 5.2 If yes, provide the name of entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes No
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes No
- 7.2 If yes,
- 7.21 State the percentage of foreign control _____ %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes No
- 8.4 If the response to 8.3 is yes, please provide below the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1
Affiliate Name | 2
Location (City, State) | 3
FRB | 4
OCC | 5
FDIC | 6
SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
| | | | | | |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche LLP 200 Renaissance Center Suite 3900, Detroit, Michigan 48243-1313
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes No
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes No
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes No N/A
- 10.6 If the response to 10.5 is no or n/a, please explain:
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?
John Dunn, FSA, MAAA, Sr. Vice President and Chief Actuary, Blue Cross Blue Shield of Michigan, 600 E. Lafayette, MC 0710, Detroit, Michigan 48226
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes No
- 12.11 Name of real estate holding company Brookfield Strategic Real Estate Partners III.
- 12.12 Number of parcels involved 17
- 12.13 Total book/adjusted carrying value \$ 3,855,000
- 12.2 If yes, provide explanation
Brookfield Strategic Real Estate Partners III is a real estate equity fund.
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 No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes No
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes No
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes No
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.
- | 1
American Bankers Association (ABA)
Routing Number | 2
Issuing or Confirming Bank Name | 3
Circumstances That Can Trigger
the Letter of Credit | 4
Amount |
|---|--------------------------------------|---|-------------|
| | | | \$ |
- BOARD OF DIRECTORS**
16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinator committee thereof? Yes No
17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes No
18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes No
- FINANCIAL**
19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes No
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$ 0
- 20.12 To stockholders not officers \$ 0
- 20.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$ 0
- 20.22 To stockholders not officers 0
- 20.23 Trustees, supreme or grand (Fraternal only) 0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reporting in the statement? Yes No
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$ 0
- 21.22 Borrowed from others \$ 0
- 21.23 Leased from others \$ 0
- 21.24 Other \$ 0
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes No
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ 0
- 22.22 Amount paid as expenses \$ 17,148,268
- 22.23 Other amounts paid \$ 0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 16,572,398

INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes No

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). Please see note 17.

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. \$ 10,982,567

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: \$ 4,424,008

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 4,424,008

24.103 Total payable for securities lending reported on the liability page: \$ 4,424,008

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 31 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 \$ 55,488,523

25.32 Other \$ 200

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.

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

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

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

26.41 Special accounting provision of SSAP No. 108 Yes No

26.42 Permitted accounting practice Yes No

26.43 Other accounting guidance Yes No

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

- The reporting entity has obtained explicit approval from the domiciliary state.
- Hedging strategy subject to the special accounting provisions is consistent with the requirements of VM-21.
- Actuarial certification has been obtained which indicates that the hedging strategy is incorporated within the establishment of VM-21 reserves and provides the impact of the hedging strategy within the Actuarial Guidance Conditional Tail Expectation Amount.
- Financial Officer Certification has been obtained which indicates that the hedging strategy meets the definition of a Clearly Defined Hedging Strategy within VM-21 and the Clearly Defined Hedging Strategy is the hedging strategy being used by the company in its actual day-to-day risk mitigation efforts.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes No

27.2 If yes, state the amount thereof at December 31 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 agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank and Trust Company	801 Pennsylvania, Kansas City, MO 64205
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing, Indianapolis, IN 46240

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Fidelity Investments Institutional Operations Co.	100 Magellan Way, Covington, KY 41015
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28.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation

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

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

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

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

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

1 Name of Firm or Individual	2 Affiliation
Blue Cross Blue Shield of Michigan	A
Loomis Sayles	U
Los Angeles Captial Management and Equity Research, Inc	U
Arrowstreet Capital Limited Partnership	U
Aegon Asset Management US	U

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's invested assets? Yes [] No [X]

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

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

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
	Blue Cross Blue Shield of Michigan			
105377	Loomis Sayles	04-3200030	SEC	NO
119033	Los Angeles Captial Management and Equity Research, Inc	549300DZCL1LRBNVU327	SEC	NO
111298	Arrowstreet Capital Limited Partnership	L03UDTZUGORICVPPFGQ53	SEC	NO
114537	Aegon Asset Management US	4DJIF67XTB552LOE3L78	SEC	NO

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

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
316146 10 9	Fid Inv Gr Bond	\$ 46,563
701769 40 8	Parnassus Equity IS	\$ 25,013
74256W 58 4	PIF MidCap Fund R6	\$ 24,317
880196 87 8	Templeton Foreign R6	\$ 8,467
378690 82 0	Glenmede Sm Cap E IS	\$ 4,265
315911 75 0	Fid 500 Index IPR	\$ 8,589
315911 72 7	Fid Intl Index IPR	\$ 9,954
411512 52 8	Harbor Cap App Ret	\$ 209,401
92646A 82 3	Victory Special Value I	\$ 8,284
315794 79 2	Fid Freedom 2015 K	\$ 173,579
315794 78 4	Fid Freedom 2020 K	\$ 174,916
315794 77 6	Fid Freedom 2025 K	\$ 109,671
315794 75 0	Fid Freedom 2035 K	\$ 65,490
29.2999	TOTAL	\$ 868,509

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Fid Inv Gr Bond (FBNDX)	Treasury 2 7/8 11/30/25	\$ 3,719	12/31/2019
Fid Inv Gr Bond (FBNDX)	Treasury 2 5/8 2/15/29	\$ 3,135	12/31/2019
Fid Inv Gr Bond (FBNDX)	Treasury 2 3/4 6/30/25	\$ 2,608	12/31/2019
Fid Inv Gr Bond (FBNDX)	Treasury 1 3/8 8/31/26	\$ 1,761	12/31/2019
Fid Inv Gr Bond (FBNDX)	Treasury 3 10/31/25	\$ 1,358	12/31/2019
Parnassus Equity IS (PRILX)	Microsoft Corp	\$ 1,576	12/31/2019
Parnassus Equity IS (PRILX)	Walt Disney Co/The	\$ 1,225	12/31/2019

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Parnassus Equity IS (PRILX)	Danaher Corp	\$	897	12/31/2019
Parnassus Equity IS (PRILX)	Verizon Communications Inc	\$	875	12/31/2019
Parnassus Equity IS (PRILX)	American Express Co	\$	834	12/31/2019
PIF MidCap Fund R6 (PMAQX)	Brookfield Asset Management Inc	\$	1,012	12/31/2019
PIF MidCap Fund R6 (PMAQX)	TransDigm Group Inc	\$	987	12/31/2019
PIF MidCap Fund R6 (PMAQX)	Markel Corp	\$	692	12/31/2019
PIF MidCap Fund R6 (PMAQX)	CarMax Inc	\$	665	12/31/2019
PIF MidCap Fund R6 (PMAQX)	Hilton Worldwide Holdings Inc	\$	656	12/31/2019
Templeton Foreign R6 (FTFGX)	BNP Paribas SA	\$	278	12/31/2019
Templeton Foreign R6 (FTFGX)	Samsung Electronics Co Ltd	\$	269	12/31/2019
Templeton Foreign R6 (FTFGX)	Standard Chartered PLC	\$	257	12/31/2019
Templeton Foreign R6 (FTFGX)	ING Groep NV	\$	252	12/31/2019
Templeton Foreign R6 (FTFGX)	BP PLC	\$	233	12/31/2019
Glenmede SMCAP EQ IS (GTCSX)	Horizon Therapeutics Plc	\$	97	12/31/2019
Glenmede SMCAP EQ IS (GTCSX)	Western Alliance Bancorp	\$	96	12/31/2019
Glenmede SMCAP EQ IS (GTCSX)	Nexstar Media Group Inc	\$	84	12/31/2019
Glenmede SMCAP EQ IS (GTCSX)	Boyd Gaming Corp	\$	81	12/31/2019
Glenmede SMCAP EQ IS (GTCSX)	HealthEquity Inc	\$	79	12/31/2019
Fid 500 Index IPR (FXAIX)	Apple Inc	\$	391	12/31/2019
Fid 500 Index IPR (FXAIX)	Microsoft Corp	\$	384	12/31/2019
Fid 500 Index IPR (FXAIX)	Amazon.com Inc	\$	246	12/31/2019
Fid 500 Index IPR (FXAIX)	Facebook Inc	\$	158	12/31/2019
Fid 500 Index IPR (FXAIX)	Berkshire Hathaway Inc	\$	142	12/31/2019
Fid International Index IPR (FSPSX)	MSCI EAFE Sep 19	\$	367	12/31/2019
Fid International Index IPR (FSPSX)	Nestle SA	\$	201	12/31/2019
Fid International Index IPR (FSPSX)	Roche Holding AG	\$	143	12/31/2019
Fid International Index IPR (FSPSX)	Novartis AG	\$	127	12/31/2019
Fid International Index IPR (FSPSX)	Toyota Motor Corp	\$	100	12/31/2019
Harbor Cap App Ret (HACAX)	Amazon.com Inc	\$	11,433	12/31/2019
Harbor Cap App Ret (HACAX)	Microsoft Corp	\$	11,266	12/31/2019
Harbor Cap App Ret (HACAX)	Apple Inc	\$	11,182	12/31/2019
Harbor Cap App Ret (HACAX)	Mastercard Inc	\$	8,355	12/31/2019
Harbor Cap App Ret (HACAX)	Salesforce.com Inc	\$	7,957	12/31/2019
Victory Special Value (SSVSX)	Microsoft Corp	\$	479	12/31/2019
Victory Special Value (SSVSX)	Apple Inc	\$	466	12/31/2019
Victory Special Value (SSVSX)	Alphabet Inc	\$	324	12/31/2019
Victory Special Value (SSVSX)	Amazon.com Inc	\$	222	12/31/2019
Victory Special Value (SSVSX)	Facebook Inc	\$	208	12/31/2019
Fid Freedom 2015 K (FFVFX)	Fidelity Series Investment Gra	\$	48,993	12/31/2019
Fid Freedom 2015 K (FFVFX)	Fidelity Series Government Mon	\$	16,205	12/31/2019
Fid Freedom 2015 K (FFVFX)	Fidelity Series Inflation-Prot	\$	13,708	12/31/2019
Fid Freedom 2015 K (FFVFX)	Fidelity Series Emerging Markets	\$	11,935	12/31/2019
Fid Freedom 2015 K (FFVFX)	Fidelity Series International	\$	9,153	12/31/2019
Fid Freedom 2020 K (FFFDX)	Fidelity Series Investment Gra	\$	43,502	12/31/2019
Fid Freedom 2020 K (FFFDX)	Fidelity Series Emerging Markets	\$	13,399	12/31/2019
Fid Freedom 2020 K (FFFDX)	Fidelity Series Inflation-Prot	\$	11,789	12/31/2019
Fid Freedom 2020 K (FFFDX)	Fidelity Series Government Mon	\$	11,405	12/31/2019
Fid Freedom 2020 K (FFFDX)	Fidelity Series International	\$	10,722	12/31/2019
Fid Freedom 2025 K (FFTWX)	Fidelity Series Investment Gra	\$	24,409	12/31/2019
Fid Freedom 2025 K (FFTWX)	Fidelity Series Emerging Markets	\$	9,081	12/31/2019
Fid Freedom 2025 K (FFTWX)	Fidelity Series International	\$	7,447	12/31/2019
Fid Freedom 2025 K (FFTWX)	Fidelity Series International	\$	7,074	12/31/2019
Fid Freedom 2025 K (FFTWX)	Fidelity Series Inflation-Prot	\$	6,635	12/31/2019
Fid Freedom 2035 K (FFTHX)	Fidelity Series Emerging Markets	\$	6,922	12/31/2019
Fid Freedom 2035 K (FFTHX)	Fidelity Series International	\$	5,966	12/31/2019
Fid Freedom 2035 K (FFTHX)	Fidelity Series International	\$	5,737	12/31/2019
Fid Freedom 2035 K (FFTHX)	Fidelity Series Intrinsic Opps	\$	5,252	12/31/2019
Fid Freedom 2035 K (FFTHX)	Fidelity Series Large Cap Stock	\$	4,591	12/31/2019

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

		1	2	3
		Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	\$ 2,036,797,275	\$ 2,088,733,831	\$ 51,936,556
30.2	Preferred Stocks	\$ 529,410	\$ 529,466	\$ 56

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

30.3	Totals	\$	2,037,326,685	\$	2,089,263,297	\$	51,936,612
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- 30.4 Describe the sources or methods utilized in determining the fair values:
Custodians and Thomson Reuters 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 reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes [X] No []
- 32.2 If no, list exceptions:
33. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designation 5GI security:
 a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
 b. Issuer or obligor is current on all contracted interest and principal payments.
 c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
 Has the reporting entity self-designated 5GI securities? Yes [X] No []
34. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:
 a. The security was purchased prior to January 1, 2018.
 b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
 c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as an NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
 d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.
 Has the reporting entity self-designated PLGI securities? Yes [] No [X]
35. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:
 a. The shares were purchased prior to January 1, 2019.
 b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
 c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.
 d. The fund only or predominantly holds bonds in its portfolio.
 e. The current reported NAIC Designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.
 f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.
 Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria? Yes [] No [X]

OTHER

36.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 1,134,360

36.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
American Association of Health Plans	\$ 845,595
Blue Cross Blue Shield Association	\$ 288,765

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

37.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	\$

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

38.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$

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.		\$	33,697,973	
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.		\$	23,220,657	
1.6	Individual policies:				
	Most current three years:				
1.61	Total premium earned		\$	728,560	
1.62	Total incurred claims		\$	490,803	
1.63	Number of covered lives			301	
	All years prior to most current three years:				
1.64	Total premium earned		\$	32,969,413	
1.65	Total incurred claims		\$	22,729,854	
1.66	Number of covered lives			11,223	
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	\$ 4,268,889,775	\$ 4,214,605,940		
2.2	Premium Denominator	\$ 4,268,889,775	\$ 4,214,605,940		
2.3	Premium Ratio (2.1/2.2)	100.0%	100.0%		
2.4	Reserve Numerator	\$ 600,846,751	\$ 538,088,024		
2.5	Reserve Denominator	\$ 600,846,751	\$ 538,088,024		
2.6	Reserve Ratio (2.4/2.5)	100.0%	100.0%		
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 checked="" 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:				

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

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

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No []
- 7.2 If no, give details
-
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year 59,465
- 8.2 Number of providers at end of reporting year 63,008
-
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [X] No []
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees with rate guarantees between 15-36 months \$ 8,389,301
- 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 87,304,309
- 10.22 Amount actually paid for year bonuses 94,049,503
- 10.23 Maximum amount payable withholds 11,248,768
- 10.24 Amount actually paid for year withholds 10,730,879
-
- 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. \$ 284,045,562
-
- 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: \$4,285,314,300 x 4% = \$171,412,572 or 2 times authorized control level risk-based capital: 2 x \$142,022,781 = \$284,045,562

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

1 Name of Service Area
ALCONA
ALGER
ALLEGAN
ALPENA
ANTRIM
ARENAC
BARAGA
BARRY
BAY
BENZIE
BERRIEN
BRANCH
CALHOUN
CASS
CHARLEVOIX
CHEBOYGAN
CHIPPEWA
CLARE
CLINTON
CRAWFORD
DELTA
DICKINSON
EATON
EMMET
GENESEE
GLADWIN
GOGEBIC
GRAND TRAVERSE
GRATIOT

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

HILLSDALE
HOUGHTON
HURON
INGHAM
IONIA
IOSCO
IRON
ISABELLA
JACKSON
KALAMAZOO
KALKASKA
KENT
KEWEENAW
LAKE
LAPEER
LEELANAU
LENAWEE
LIVINGSTON
LUCE
MACKINAC
MACOMB
MANISTEE
MARQUETTE
MASON
MECOSTA
MENOMINEE
MIDLAND
MISSAUKEE
MONROE
MONTCALM
MONTMORENCY
MUSKEGON
NEWAYGO
OAKLAND
OCEANA
OGEMAW
ONTONAGON
OSCEOLA
OSCODA
OTSEGO
OTTAWA
PRESQUE ISLE
ROSCOMMON
SAGINAW
SANILAC
SCHOOLCRAFT
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

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

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

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes [] No [X]
- 16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [] No [X]

FIVE-YEAR HISTORICAL DATA

	1 2019	2 2018	3 2017	4 2016	5 2015
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	2,649,229,447	2,402,759,194	2,154,410,987	1,864,163,158	1,847,797,036
2. Total liabilities (Page 3, Line 24).....	920,306,004	793,405,219	755,462,978	741,135,729	821,290,559
3. Statutory minimum capital and surplus requirement.....	284,045,562	267,726,392	224,027,496	213,029,712	206,314,150
4. Total capital and surplus (Page 3, Line 33).....	1,728,923,443	1,609,353,975	1,398,948,009	1,123,027,429	1,026,506,477
Income Statement (Page 4)					
5. Total revenues (Line 8).....	4,252,385,664	4,239,170,787	3,580,954,463	3,399,337,903	3,252,461,237
6. Total medical and hospital expenses (Line 18).....	3,603,254,332	3,420,966,912	2,943,352,612	2,848,031,512	2,738,379,632
7. Claims adjustment expenses (Line 20).....	155,332,863	172,017,150	133,534,693	151,081,260	157,147,960
8. Total administrative expenses (Line 21).....	473,465,009	440,287,248	309,904,275	343,174,600	358,782,411
9. Net underwriting gain (loss) (Line 24).....	(15,166,540)	205,899,477	194,162,883	57,050,531	(1,848,766)
10. Net investment gain (loss) (Line 27).....	90,000,470	45,082,438	50,138,269	37,227,119	22,388,228
11. Total other income (Lines 28 plus 29).....				358,268	(1,650,363)
12. Net income or (loss) (Line 32).....	74,746,591	250,612,170	242,457,052	93,756,107	18,045,229
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	111,917,126	280,665,011	241,099,446	103,925,272	31,904,085
Risk-Based Capital Analysis					
14. Total adjusted capital.....	1,728,923,443	1,609,353,975	1,398,948,009	1,123,027,429	1,026,506,477
15. Authorized control level risk-based capital.....	142,022,781	133,863,196	112,013,748	106,514,856	103,157,075
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	745,471	738,743	689,351	669,741	670,254
17. Total member months (Column 6, Line 7).....	8,928,617	8,912,663	8,197,092	8,078,307	8,025,758
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	84.7	80.7	82.2	83.8	84.6
20. Cost containment expenses.....	1.8	2.3	2.2	2.2	2.6
21. Other claims adjustment expenses.....	1.8	1.8	1.6	2.2	2.3
22. Total underwriting deductions (Line 23).....	100.4	95.1	94.7	98.3	100.5
23. Total underwriting gain (loss) (Line 24).....	(0.4)	4.9	5.3	1.7	(0.1)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5).....	460,938,186	370,506,869	390,239,236	380,583,171	378,061,458
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	420,826,747	349,161,914	371,212,409	383,517,990	354,234,633
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....				14,008,633	14,838,172
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.....	200	200			
32. Total of above Lines 26 to 31.....	200	200	0	14,008,633	14,838,172
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:

Blue Care Network of Michigan SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status (a)	Direct Business Only							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	8 Total Columns 2 Through 7		
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	3,094,793,369	1,080,474,487		110,046,444			4,285,314,300		
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	0
59. Subtotal.....	.XXX	3,094,793,369	1,080,474,487	0	110,046,444	0	0	4,285,314,300	0	0
60. Reporting entity contributions for Employee Benefit Plans.....	.XXX								0	
61. Total (Direct Business).....	.XXX	3,094,793,369	1,080,474,487	0	110,046,444	0	0	4,285,314,300	0	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	0
58999. Total (Lines 58001 through 58003 + 58998).....		0	0	0	0	0	0	0	0	0

(a) Active Status Counts:

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG.....	1
E - Eligible - Reporting entities eligible or approved to write surplus lines in the state.....	0

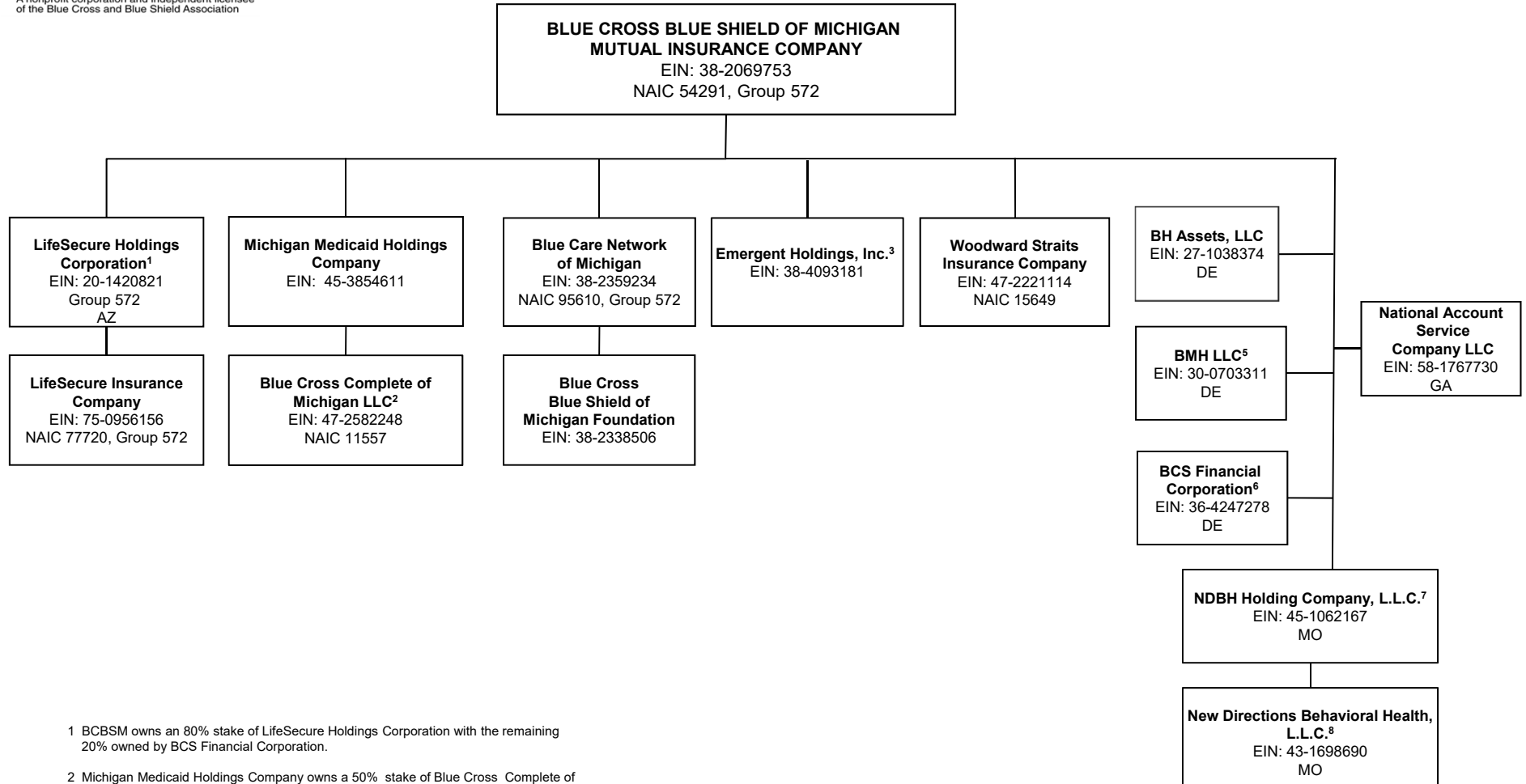
R - Registered - Non-domiciled RRGs.....	0
Q - Qualified - Qualified or accredited reinsurer.....	0
N - None of the above - Not allowed to write business in the state.....	56

(b) Explanation of basis of allocation by states, premiums by state, etc.
By situs of contract



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

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



40

1 BCBSM owns an 80% stake of LifeSecure Holdings Corporation with the remaining 20% owned by BCS Financial Corporation.

2 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.

3 See pg. 2 for additional subsidiaries.

4 BCBSM owns a 19.50% stake of National Account Service Company LLC.

5 See pg. 3 for additional affiliates.

6 See pg. 4 for affiliated companies.

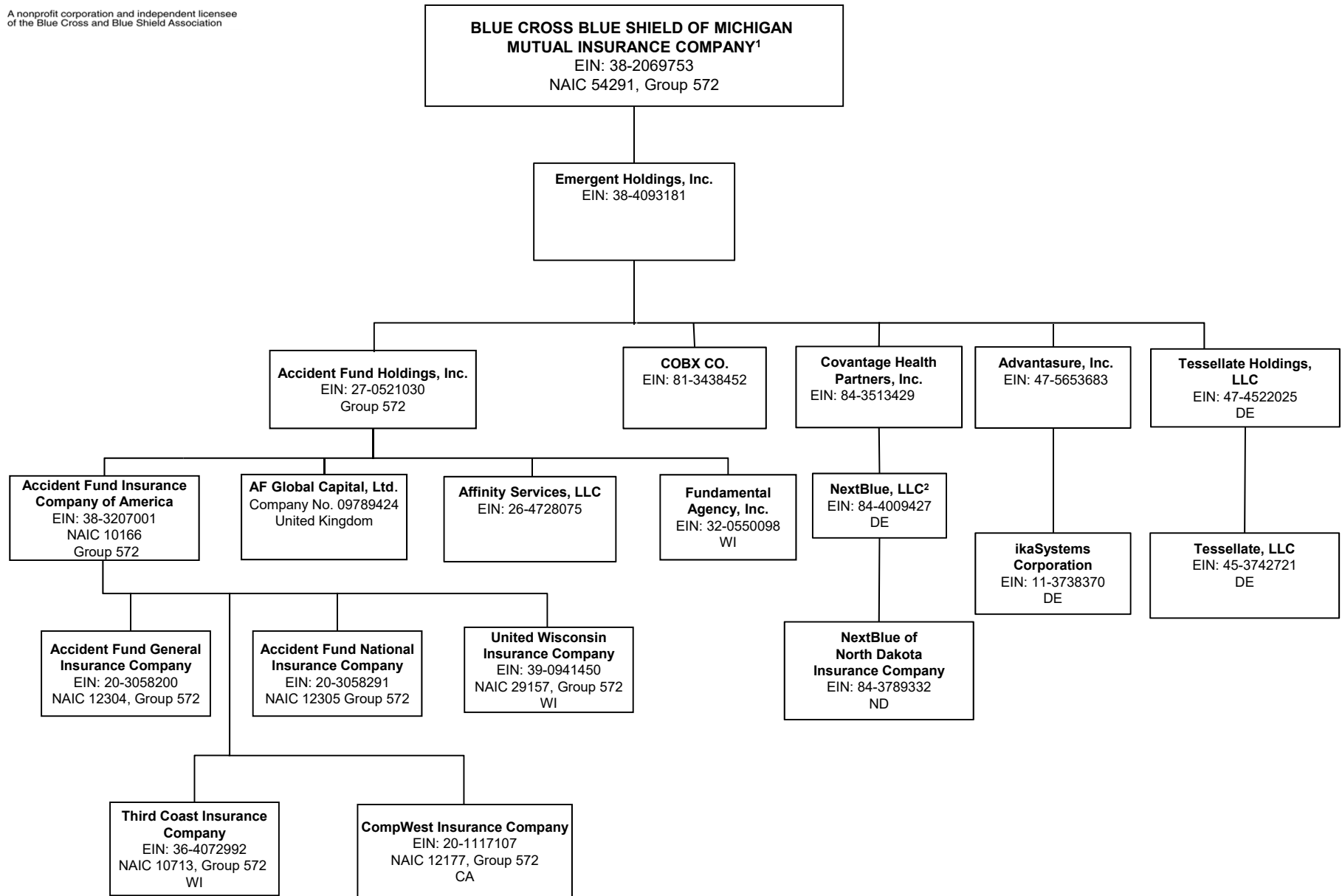
7 BCBSM owns a 10% stake of NDBH Holding Company, L.L.C.

8 A 99% stake of New Directions Behavioral Health, L.L.C. 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.



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SUBSIDIARY & AFFILIATE ORGANIZATION CHART



40.1

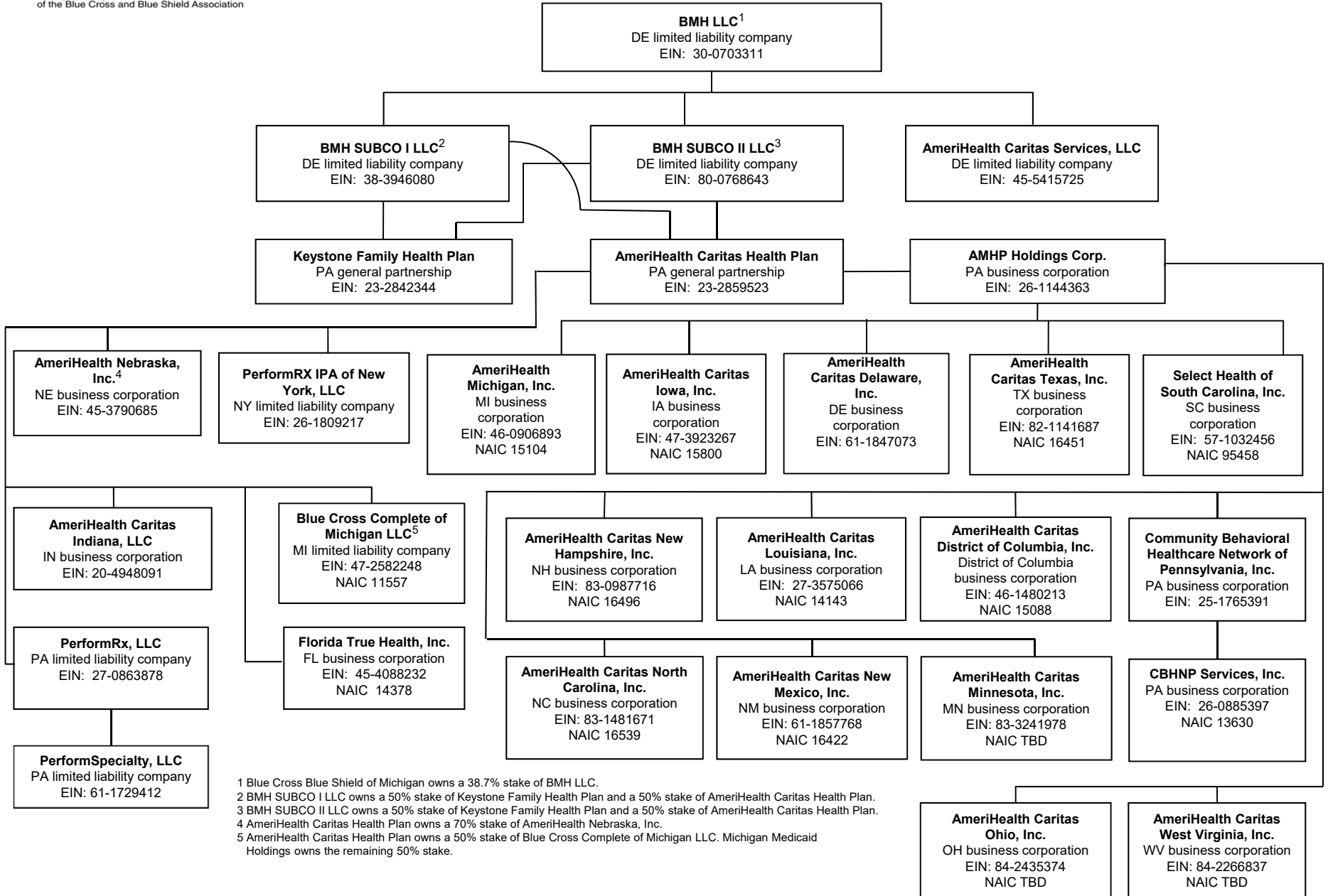
1 See page 1 for additional subsidiaries and affiliates

2 Covantage Health Partners, Inc. owns a 51% stake in NextBlue, LLC



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SUBSIDIARY & AFFILIATE ORGANIZATION CHART



40.2

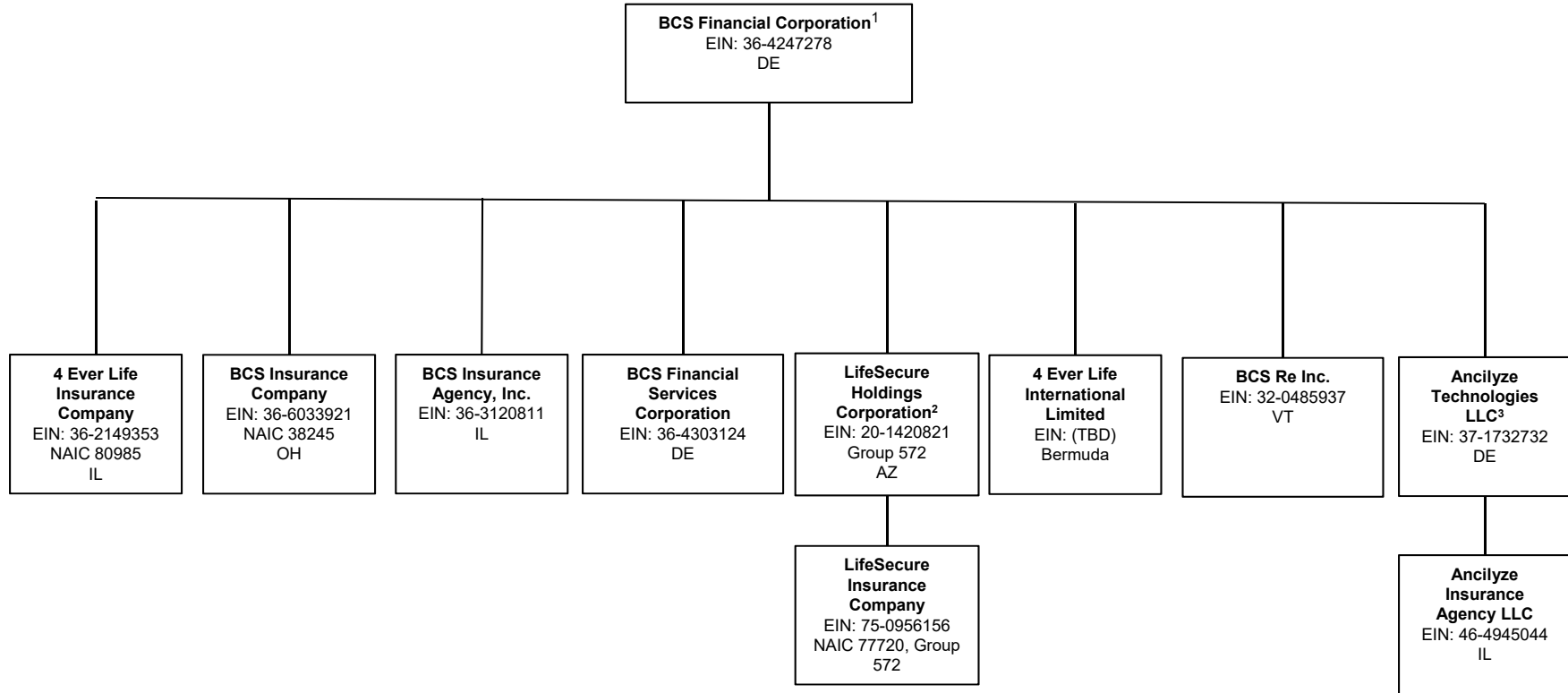
1 Blue Cross Blue Shield of Michigan owns a 38.7% stake of BMH LLC.
 2 BMH SUBCO I LLC owns a 50% stake of Keystone Family Health Plan and a 50% stake of AmeriHealth Caritas Health Plan.
 3 BMH SUBCO II LLC owns a 50% stake of Keystone Family Health Plan and a 50% stake of AmeriHealth Caritas Health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



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SUBSIDIARY & AFFILIATE ORGANIZATION CHART

40.3



1 Blue Cross Blue Shield of Michigan owns 10.1% of BCS Financial Corporation Accident Fund Insurance Company of America owns 3.56% of BCS Financial Corporation.

2 BCS Financial owns a 20% stake in LifeSecure Holdings Corporation with the remaining 80% owned by BCBSM

3 BCS Financial Corporation owns 50% of Ancilyze Technologies LLC.

**2019 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK**

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