Report

of the

Examination of

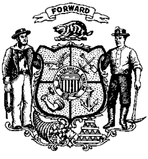
Bankers Reserve Life Insurance Company of Wisconsin

St. Louis, Missouri

As of December 31, 2017

TABLE OF CONTENTS

		Page
I.	INTRODUCTION	1
II.	HISTORY AND PLAN OF OPERATION	3
III.	MANAGEMENT AND CONTROL	5
IV.	AFFILIATED COMPANIES	7
V.	REINSURANCE	13
VI.	FINANCIAL DATA	19
VII.	SUMMARY OF EXAMINATION RESULTS	28
VIII.	CONCLUSION	31
IX.	SUMMARY OF COMMENTS AND RECOMMENDATIONS	32
X.	ACKNOWLEDGMENT	33



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, *Governor*
Mark V. Afable, *Commissioner*

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April 17, 2019

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

Bankers Reserve Life Insurance Company of Wisconsin
St. Louis, Missouri

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Bankers Reserve Life Insurance Company of Wisconsin (BRLW or the company) was conducted in 2013 as of December 31, 2012. The current examination covered the intervening period ending December 31, 2017, and included a review of such 2018 and 2019 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of Superior HealthPlan, Inc. The Texas Department of Insurance acted in the capacity as the lead state for the coordinated examinations. Work performed by the Texas Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and

prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

The company was organized on January 5, 1961, as The International Casualty Insurance Corporation. Its name was changed to International General Insurance Corporation (IGIC) in November 1961. The company's current name, Bankers Reserve Life Insurance Company of Wisconsin, was adopted on March 27, 1997.

Initially, the company was licensed to write automobile and other casualty lines but delays in beginning operations resulted in the withdrawal of those lines in October 1962. In May 1964, the company was licensed to write disability insurance. In July 1964, the company's license was amended to include life insurance.

The company has had several changes in structure and business lines as summarized below.

- On August 7, 1985, American Investors Assurance Company, a Utah-domiciled insurer, purchased 100% of the outstanding common stock of IGIC's parent company, International Inc.
- In 1987, Robert R. Barrow acquired control of IGIC through this purchase of all outstanding common stock of International Inc.
- Effective February 15, 1996, all outstanding shares of IGIC were sold to Atlantic Financial Company (AFC), a Florida-based corporation.
- Effective June 30, 1996, IGIC acquired all the outstanding shares of Bankers Reserve Life Insurance Company, a Colorado-domiciled life insurer, from its parent, AFC.
- Effective April 1, 1996, IGIC entered into a reinsurance contract in which 100% of its new and existing general account annuity business was ceded to Lincoln National Reinsurance Company and 60% was retroceded back on a funds withheld basis.
- Effective February 28, 1997, the reinsurance contract with Lincoln National was terminated for all business.
- BRLW sold its book of individual ordinary life insurance business to Central United Life Insurance Company through a 100% quota share coinsurance, assumption reinsurance agreement, effective April 1, 1997.
- Effective July 1, 1999, Life and Health Insurance Company of America (LHA) acquired Bankers Reserve Life Insurance Company of Wisconsin
- The company was sold to Centene Corporation in March 2002.

Since the acquisition by Centene Corporation, BRLW has provided reinsurance to affiliated health plans and provided multi-line managed care programs and related services to individuals

receiving benefits under Medicaid, including Supplemental Security Income (SSI), and the Children's Health Insurance Program (CHIP). Centene operates health plans in 29 states:

Arizona	Arkansas	California
Florida	Georgia	Illinois
Indiana	Kansas	Louisiana
Maryland	Massachusetts	Michigan
Minnesota	Mississippi	Missouri
Nebraska	Nevada	New Mexico
New York	North Carolina	Ohio
Oregon	Pennsylvania	South Carolina
Tennessee	Texas	Vermont
Washington	Wisconsin	

BRLW also entered into three agreements with the Texas Health and Human Services (THHS). The first of these three agreements, which began on September 1, 2004, was renewed in 2010, serves children enrolled in CHIP. The second agreement, which began on April 1, 2008, served children enrolled in Texas' Foster Care Program and was terminated in 2015. A third agreement which began on March 1, 2012, serves Medicaid enrollees in rural areas and Aged, Blind, or Disabled Program (ABD) enrollees in the Hidalgo service area.

As stated previously, the company assumes business from affiliated health maintenance organizations through several reinsurance agreements. In 2017, BRLW assumed reinsurance premium of $30.3 million from these health plans. Also in 2017, BRLW reported $1.7 billion of direct premium from the company's three agreements with THHS. The growth of the company is discussed in the "Financial Data" section of this report.

As of December 31, 2017, BRLW only wrote direct business in Texas but was licensed in the following 43 states and the District of Columbia:

Alabama	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Maryland	Oregon
Colorado	Michigan	Pennsylvania
Delaware	Mississippi	Rhode Island
District of Columbia	Missouri	South Carolina
Florida	Montana	South Dakota
Georgia	Nebraska	Tennessee
Idaho	Nevada	Texas
Illinois	New Hampshire	Utah
Indiana	New Jersey	Virginia
Iowa	New Mexico	Washington
Kansas	North Carolina	West Virginia
Kentucky	North Dakota	Wisconsin
Wyoming		

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. All directors are elected annually to serve a one-year term. Officers are elected by the board of directors. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation for serving on the board.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Jeffrey A. Schwaneke St. Louis, Missouri	President and Treasurer	2018
Keith H. Williamson St. Louis, Missouri	Vice President and Secretary	2018
Darren C. Meyer St. Louis, Missouri	Vice President	2018

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	Compensation*
Jeffery A. Schwaneke	President and Treasurer	$ 72,409
Keith H. Williamson	Vice President and Secretary	67,387
Michael F. Neidorff	Vice President	507,645
Holly A. Munin	Vice President	279,533
Darren C. Meyer	Vice President	14,070
Christopher D. Bowers	Vice President	64,555

*The officers' salaries are paid by Centene Management Corporation, a wholly owned subsidiary of Centene Corporation, through a management agreement with BRLICW. The salaries shown above are the amounts allocated to BRLICW through the management agreement.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees at the time of the examination.

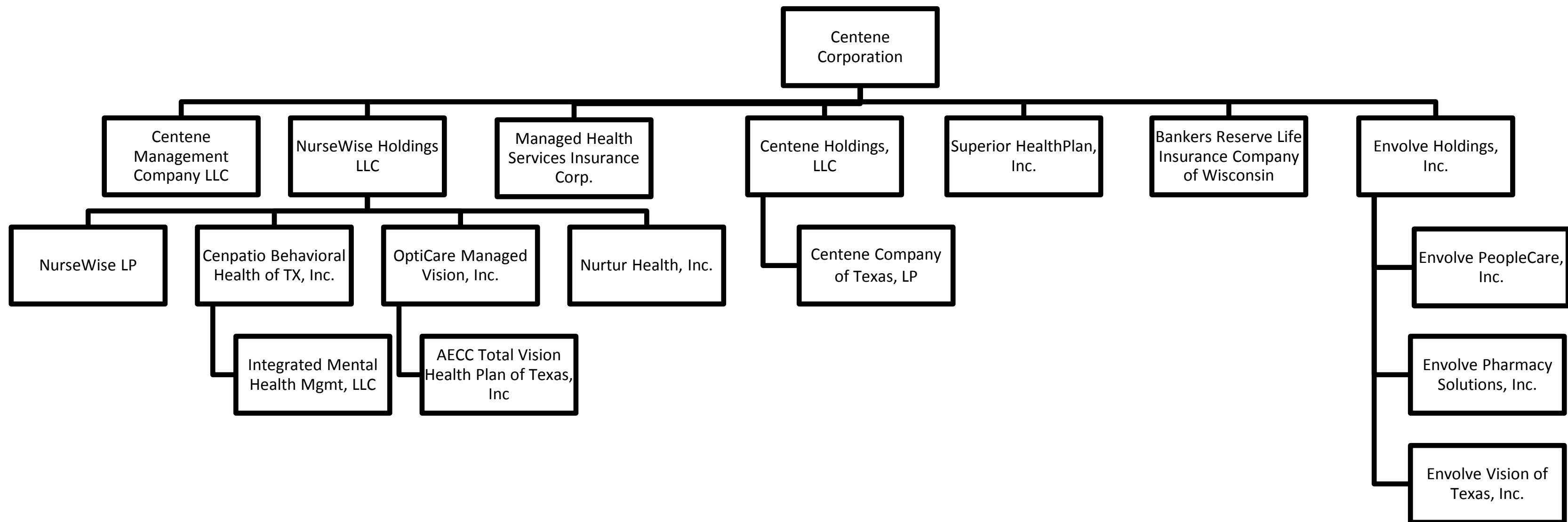
The company has no employees. Necessary staff is provided through a management agreement with Centene Management Company, LLC (CMC), a wholly owned subsidiary of Centene Corporation. Under the agreement, effective September 1, 2004, CMC agrees to provide the company

with administrative and financial services necessary to manage the business operations of the company and agrees to assume responsibility for all costs associated therewith. Areas for which CMC assumes responsibility under the terms of the agreement include the following: program planning and development, management information system, financial systems and services, claims administration, provider and enrollee services and records, utilization review and quality assessment, and marketing services. CMC receives a management fee equal to actual expenses incurred. This agreement renews automatically for successive one-year renewal terms unless either party gives the other at least 90-days' written notice of termination prior to the end of the term.

IV. AFFILIATED COMPANIES

Bankers Reserve Life Insurance Company is a member of a holding company system. The abbreviated organizational chart on the next page depicts the relationships among the affiliates in the group that have contractual agreements with BRLW. A brief description of affiliates deemed significant follows the organizational chart.

Abbreviated Holding Company Chart
As of December 31, 2017



Note: Not all of the subsidiaries of Centene Corporation have been included in this organizational chart as there were 235 companies in the group on December 31, 2017.

Centene Corporation

Centene Corporation, originally incorporated in 1993 as Coordinated Care Corporation, is a publicly held, for-profit company, headquartered in St. Louis, Missouri. It is the ultimate controlling party in the holding company system. Centene Corporation is a multi-line health care enterprise operating in two segments: Medicaid managed care and specialty services. Centene's Medicaid managed care segment provides Medicaid and Medicaid-related health plan coverage to individuals through government subsidized and commercial programs, including Medicaid, CHIP, foster care, long-term care, Medicare special needs plans, and the Supplemental Security Income Program, also known as the Aged, Blind or Disabled Program, or collectively ABD.

As of December 31, 2017, the audited financial statements of Centene Corporation reported assets of $21.9 billion, liabilities of $15.0 billion, and stockholders' equity of $6.9 billion. Operations for 2017 produced net earnings of $828 million.

Centene Management Company LLC

Centene Management Company LLC (CMC), originally incorporated in 1996 as Coordinated Care Medicaid Management Corporation, was created to provide management and administrative services to Centene Corporation's HMO subsidiaries. CMC, a wholly owned subsidiary of Centene Corporation, is a for-profit corporation that holds management agreements with Centene's subsidiaries and employs all staff, both at corporate headquarters and at the health plans. Licenses and certifications as required by individual state regulations are current. Specifically, in Wisconsin, CMC holds a license as an Employee Benefit Plan Administrator. The unaudited financial results reported assets of $13.1 million, liabilities of $12.0 million, and stockholders' equity of $0.8 million. Operations for 2017 resulted in net earnings of $0.1 million on revenues of $2.2 million.

Managed Health Services Insurance Corp.

Managed Health Services Insurance Corp. is a wholly owned subsidiary of Centene Corporation. The company was organized under the laws of Wisconsin on August 31, 1990, as a network model health maintenance organization (HMO) and provides managed care services to individuals receiving benefits under Medicaid and SSI. The company provides these services under a contract with the Wisconsin Department of Health Services (DHS) and a subcontract of another

insurer's contract with DHS. As of December 31, 2017, the company's audited financial statements reported assets of $69.6 million, liabilities of $18.9 million, and capital and surplus of $50.7 million. Operations for 2017 produced a net income of $9 million on revenues of $163 million.

Superior HealthPlan, Inc.

Superior HealthPlan, Inc., is a wholly owned subsidiary of Centene Corporation. The company was incorporated under the laws of Texas on February 14, 2007, as a network model health maintenance organization (HMO). The company contracts with the Texas Health and Human Service to provide Medicaid, State Children's Health Insurance Program, and Supplemental Security Income Program managed care services. The company also contracts with the Centers for Medicare and Medicaid Services (CMS) to participate in the Medicare Advantage Program. As of December 31, 2017, the company's audited financial statements reported assets of $754 million, liabilities of $384 million, and capital and surplus of $369 million. Operations for 2017 produced a net income of $64 million on revenues of $4 billion.

Agreements with Affiliates

Bankers Reserve Life Insurance Company of Wisconsin entered into the following affiliated agreements as described below:

- Effective December 31, 2002, the company entered into a tax-sharing agreement with Centene Corporation (Centene). Under this agreement, Centene files a consolidated tax return for member companies; member companies, in turn, agree to make quarterly payments to Centene in an amount equal to the full separate federal, state, and local income tax liability attributable to the net taxable income of each member that would have been paid if such member had filed separate federal, state, and local tax returns.
- Effective September 1, 2004, the company entered into an administrative services agreement with Centene Management Company LLC (CMC). This agreement is discussed in the caption of the report entitled "Management and Control."
- Effective September 1, 2004, the company entered into a delegated services agreement with Integrated Mental Health Services (IMHS). Under this Foster Care agreement, the company delegates to IMHS certain services related to behavioral health. The company agrees to

reimburse IMHS on a per member per month basis. This agreement was terminated effective September 1, 2017.

- Effective September 1, 2004, (last amended on January 1, 2015), the company entered into an administrative services agreement with Superior HealthPlan, Inc. (SHP). SHP provides the company with the administrative services reasonably necessary to manage the business operations and affairs of the company and is responsible for all costs associated therewith. This agreement automatically renews for the successive one-year contract unless either party gives 60-days' written notice.
- Effective September 1, 2004 (last amended April 1, 2017), the company entered into a service agreement with NurseWise LP (NurseWise). Under this agreement, NurseWise establishes a "Care Line" for the company's members to call with health inquiries. The company agrees to reimburse NurseWise on a per member per month basis.
- Effective September 1, 2005 (last amended September 1, 2016), the company entered into a vision services agreement with AECC Total Vision Health Plan of Texas, Inc. (Vision Network). Vision Network serves as the company's vision services vendor under the company's CHIP contract with THHS, and the company compensates Vision Network for its provision of services in such capacity. The company reimburses Vision Network on a per member per month basis.
- Effective April 1, 2008 (last amended March 1, 2016), the company entered into an administrative services agreement with Centene Management Company LLC (CMC) and Centene Company of Texas, LP (CTX). CMC contracted with the company to provide certain administrative services for the company's STAR Health Program enrollees. CTX contracted with the company to provide certain administrative services for the company's STAR Health Program enrollees. CMC and CTX hire, maintain, and supervise all personnel necessary to provide the administrative services for the company's STAR Health Program. The company pays a monthly administrative fee for services of 6% of all gross revenues for the company's STAR Health Program. This agreement automatically renews for one-year periods unless either party gives 90-days' written notice.

- Effective January 1, 2009 (last amended January 29, 2018), the company entered into a disease management program services agreement with Nurtur Health, Inc. The company arranges for the provision of health care services, including disease prevention services and chronic disease management services to members enrolled in the CHIP program. Both parties agree to expand the scope to include the provision of disease management services to members enrolled in the company's STAR Health Program effective April 1, 2008. This agreement automatically renews in one-year periods unless either party gives 90-days' written notice.
- Effective March 1, 2012, (last amended June 30, 2016) the company entered into a pharmacy benefit management services agreement with Envolve Pharmacy Solutions, Inc., f/k/a US Script, Inc., where the following services are provided to the company: claims processing, eligibility management, benefits and utilization management, pharmacy network management, call-center services for pharmacies and prescribers, and pharmacy complaints and appeals.
- Effective January 1, 2009, (last amended January 01, 2018), the company entered into a disease management program services agreement with Envolve PeopleCare, Inc., where disease management services are provided for the following conditions: asthma program, COPD program, diabetes program, heart disease program, heart failure program, and puff-free pregnancy program. In addition, Envolve PeopleCare, Inc., provides services related to the EPC web portal.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

One of the company's major functions in the holding company structure is to assume business from affiliated HMOs and then cede a portion of this business to an unaffiliated reinsurer. The amount of risk retained by BRLW from these assuming contracts varies depending on HMO, type of claims, and in some cases the region in which the claim occurred for the HMO.

The strategy of having BRLW assume business from several affiliates and then cedes to a single unaffiliated reinsurer is to minimize reinsurance costs across the holding company structure. This strategy has been profitable for BRLW over the past several years.

Nonaffiliated Ceding Contracts

1. Reinsurer: PartnerRe America Insurance Company

   Type: Specific Excess of Loss Reinsurance

   Effective Date: January 1, 2017

   Expiration Date: January 1, 2018

   Covered business: Superior HealthPlan Network, TX: Texas Medicaid recipients (STAR, STAR PLUS, CHIP, and perinatal programs)

   Retention: Specific deductible per covered person per agreement term: $1,250,000 maximum payable per covered person: $3,000,000

   Coverage: 80% or 90% of covered expenses in excess of $1,250,000 dependent upon whether the expenses are referred to an audit services firm or not. Referred claims receive the higher reimbursement.

   Limitations: Hospital inpatient services: acute care services: the lesser of
   - the amount paid;
   - the contracted rate;
   - the applicable state Medicaid fee schedule; or
   - a $15,000 maximum average per diem per discharge

   Limitations (cont.): Long-term acute care hospital and sub-acute care services (extended care services, skilled nursing, rehabilitation), extended care facility/skilled nursing facility/sub-acute care facility/rehabilitation facility/hospice/home health care services:
   - the lesser of the amount paid;
   - the contracted rate;
   - the applicable State Medicaid fee schedule; or

- a $1,000 per diem and limited to 90 days in total for the combination of all categories

Insolvency Coverage: In the event of the insolvency of the reinsured, this agreement shall be payable directly to the reinsured or to its liquidator, receiver, conservator, or statutory successor on the basis of the liability of the reinsured without diminution because of the insolvency of the reinsured.

Affiliated Assuming Contracts

1. Type: Specific Excess of Loss Reinsurance

   Reinsured: Managed Health Services Insurance Corporation.

   Covered business: TANF and SSI Non-Dual covered persons

   Retention: Specific deductible per covered person per agreement term: $500,000

   Maximum coverage: The maximum payable per covered person: $4,600,000

   Coverage: 90% of covered expenses excess of the specific deductible, organ transplant services, 50% if performed by a non-approved transplant provider

   Limitations: Hospital inpatient services as defined by the membership services agreement:
   - The lesser of the amount paid, the contracted rate
   - The applicable Wisconsin Medicaid fee schedule where contracted rates do not exist or
   - An average per diem per discharge of $10,000 for allowable expenses over $1,000,000

   Effective date: January 1, 2017

   Termination: January 1, 2018

2. Type: Specific Excess of Loss Reinsurance

   Reinsured: Buckeye Community Health Plan

   Covered business: CFC (TANF), Medicaid expansion, ABD members - adults and children, MMP Opt-Out (Medicaid only), and MMP Opt-in Medicaid and Medicare.

   Retention: Specific deductible per covered person per agreement term: $200,000
   Maximum payable per covered person: $4,600,000

   Coverage: 90% of covered expenses in excess of the specific deductible, organ transplant services are reimbursed at 50% if performed by a non-approved transplant provider

   Limitations: Hospital inpatient services the lesser of:
   - The amount paid;
   - The contracted rate in effect at the time of admission;

- The applicable Ohio Medicaid fee schedule where contracted rates do not exist;
- billed charges; or
- A $15,000 maximum average per diem per discharge

The per diem limit is waived for an approved transplant provider case rate.

Extended care facility/skilled nursing facility/sub-acute care facility/home health care rehabilitation:

- The lesser of the amount paid;
- The contracted rate;
- The applicable Ohio Medicaid fee schedule where contracted rates do not exist; or
- A $1,000 per diem

Effective date: January 1, 2017

Termination: January 1, 2018

3. Type: Specific Excess of Loss Reinsurance

Reinsured: Nebraska Total Care, Inc.

Covered business: TANF Foster Care, CHIP, SSI Dual, SSI Non-Dual, and LTC covered persons

Retention: Specific deductible per covered person per agreement term: $200,000
Maximum payable per covered person: $4,600,000

Coverage: 90% of covered expenses excess of the specific deductible. Claims must be received by the reinsurer no later than March 1, 2019. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.

Limitations: Hospital inpatient services the lesser of:

- The amount paid;
- The contracted rate in effect at the time of admission;
- The applicable Nebraska Medicaid fee schedule where contracted rates do not exist;
- Billed charges;
- An average per diem per discharge of $15,000.

Effective date: January 1, 2017

Termination: January 1, 2018

4. Type: Specific Excess of Loss Reinsurance

Reinsured: Granite State Health Plan, Inc.

Covered business: TANF and SSI Non-Dual covered persons

Retention: Specific deductible per covered person per agreement term: $500,000

Maximum payable per covered person: $4,600,000

Coverage: 90% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.

Limitations: Hospital inpatient services as defined by the membership services agreement the lesser of:

- The amount paid;
- The contracted rate in effect at the time of admission;
- The applicable New Hampshire Medicaid fee schedule where contracted rates do not exist;
- Billed charges; or
- A maximum average per diem per discharge of $15,000

The per diem limit is waived for an approved transplant provider case rate.

Effective date: January 1, 2017

Termination: January 1, 2018

5. Type: Specific Excess of Loss Reinsurance

Reinsured: Absolute Total Care, Inc.

Covered business: Medicaid, MMP Dual, and SSI Non-Dual members

Retention: Specific deductible per covered person per agreement term: $500,000
Maximum payable per covered person: $4,600,000

Coverage: 90% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.

Limitations: Hospital inpatient services: the lesser of:

- The amount paid.
- The contracted rate in effect at the time of admission.
- The applicable South Carolina Medicaid fee schedule where contracted rates do not exist.
- Billed charges; or
- A $15,000 maximum average per diem per discharge

The per diem limit is waived for an approved transplant provider case rate.

Effective date: February 10, 2017

Termination: January 1, 2018

6. Type: Specific Excess of Loss Reinsurance

Reinsured: SilverSummit Health Plan, Inc.

Covered business: TANF, CHIP, and Expansion covered persons

Retention: Specific deductible per covered person: $200,000
Maximum payable per covered person: $4,600,000

Coverage: 90% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.

Limitations: Hospital inpatient services:

- The lesser of the amount paid;
- The contracted rate in effect at the time of admission;
- The applicable Nevada Medicaid fee schedule where contracted rates do not exist;
- Billed charges or a $15,000 maximum average per diem per discharge

The per diem limit is waived for an approved transplant provider case rate.

Effective date: July 1, 2017

Termination: January 1, 2018

7. Type: Specific Excess of Loss Reinsurance

Reinsured: Trillium Community Health Plan, Inc.

Covered business: Medicaid TANF/CHIP/Foster Care, Medicaid Expansion, SSI Non-Dual, and SSI Dual.

Retention: Specific deductible per covered person per agreement term: $500,000
Maximum payable per covered person: $4,600,000

Coverage: 90% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider. If the agreement terminates prior to the expiration date, the complete claim must be received by the reinsurer within six months after the date of agreement termination, otherwise, the percentage payable will be reduced from 90% to 0%.

Limitations: Hospital inpatient services:

- the lesser of the amount paid;
- the contracted rate in effect at the time of admission
- The applicable Oregon Medicaid Fee Schedule where contracted rates do not exist;
- Billed charges or a $15,000 maximum average per diem per discharge

The per diem limit is waived for an approved transplant provider case rate.

Effective date: January 1, 2017

Termination: January 1, 2018

8. Type: Specific Excess of Loss Reinsurance

Reinsured: Peach State Health Plan, Inc.

Covered business:	Medicaid and PeachCare for Kids recipients
Retention:	Specific deductible per covered person per agreement term: $200,000 Maximum payable per covered person: $2,000,000
Coverage:	90% of covered expenses excess of the specific deductible. Claims must be received by the reinsurer no later than November 1, 2014. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
Limitations:	Hospital inpatient services: • The lesser of the amount paid; • The contracted rate; • The applicable Georgia Medicaid fee schedule where contracted rates do not exist; or • An average per diem per discharge of $10,000
Effective date:	January 1, 2016
Termination:	January 1, 2017

All assuming contracts have the following insolvency coverage with the only difference being Peach State Health Plan, Inc., has $2.0 million maximum insolvency coverage as opposed to a $4.6 million maximum for the others.

Insolvency coverage: In the event that the reinsured shall become insolvent while the agreement is in force, the reinsured or its legal representative shall notify all applicable covered persons of this provision and the following shall apply:

1. The reinsurer will continue to provide the benefits covered under the applicable membership services agreement with respect to each covered person who is confined in a hospital on the insolvency date for expenses incurred and payable by such covered person on or after such date until the earlier of

   a. the covered person's discharge from the hospital or
   b. the date the covered person becomes eligible for health insurance coverage or benefits under another group or blanket policy or plan or any federal, state, or local government plan or program.

2. The reinsurer will continue covered benefits for other covered persons for treatment or services received after the insolvency date, until the end of the period for which applicable premium was received by the reinsured, prior to the insolvency date, but not beyond the end of that period.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2017, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Bankers Reserve Life Insurance Company of Wisconsin
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 194,861,471	$	$194,861,471
Common stocks	8,761,063		8,761,063
Cash, cash equivalents, and short-term investments	134,520,263		134,520,263
Other invested assets	2,955,373		2,955,373
Investment income due and accrued	1,051,310		1,051,310
Uncollected premiums and agents' balances in course of collection	13,963,411		13,963,411
Amounts recoverable from reinsurers	705,554		705,554
Other amounts receivable under reinsurance contracts	1,119,954	1,119,954	
Current federal and foreign income tax recoverable and interest thereon	11,471,168		11,471,168
Net deferred tax asset	9,100,385	6,779,855	2,320,530
Receivable from parent, subsidiaries and affiliates	33,458,499	1,278,499	32,180,000
Health care and other amounts receivable	11,297,124	4,991,646	6,305,478
Write-ins for other than invested assets:			
Prepaid expenses	291,744	291,744	
Separate account receivables	17,712		17,712
Total assets excluding separate accounts, segregated accounts and protected cell assets	423,575,032	14,461,699	409,113,333
From separate accounts, segregated accounts, and protected cell assets	796,883		796,883
Total assets	$424,371,915	$14,461,699	$409,910,216

Bankers Reserve Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017

Claims unpaid		$181,683,655
Accrued medical incentive pool and bonus amounts		4,144,442
Unpaid claims		2,991,000
Aggregate health policy reserves		26,167,383
General expenses due or accrued		3,224,510
Current federal and foreign income tax		70,353
Aggregate write-ins for other liabilities [including $(0) current]		648,285
Total liabilities		218,929,628
Common capital stock	$ 2,400,000	
Aggregate write-ins for special surplus funds	26,974,403	
Gross paid in and contributed surplus	361,377,809	
Unassigned funds (surplus)	(199,771,624)	
Total capital and surplus		190,980,589
Total liabilities, capital and surplus		$409,910,216

Bankers Reserve Life Insurance Company of Wisconsin
Summary of Operations
For the Year 2017

Net premium income		$1,902,175,035
Change in unearned premium reserves and reserve for rate credits		1,799,211
Total revenues		1,903,974,246
Medial and hospital:		
Hospital/medical benefits	$1,306,562,551	
Other professional services	58,431,002	
Emergency room and out-of-area	82,983,881	
Prescription drugs	295,161,159	
Incentive pool, withhold adjustments, and bonus amounts	31,906,475	
Subtotal	1,775,045,068	
Less		
Net reinsurance recoveries	(14,810,342)	
Total hospital and medical	1,789,855,410	
Claims adjustment expenses	25,642,243	
General administrative expenses	158,813,662	
Increase in reserves for life and accident and health contracts	23,661,077	
Total underwriting deductions		1,997,972,392
Net underwriting gain or (loss)		(93,998,146)
Net investment income earned	7,652,194	
Net realized capital gains (losses)	(4,011)	
Net investment gains (losses)		7,648,183
Net income or (loss) after capital gains tax and before all other federal income taxes		(86,349,963)
Federal and foreign income taxes incurred		(20,420,659)
Net loss		$ (65,929,304)

Bankers Reserve Life Insurance Company of Wisconsin
Cash Flow
For the Year 2017

Premiums collected net of reinsurance			$1,971,237,089
Net investment income			8,627,458
Total			1,979,864,547
Less:			
Benefit- and loss-related payments		$1,802,685,847	
Commissions, expenses paid, and aggregate write-ins for deductions		188,111,253	
Federal and foreign income taxes paid (recovered)		(16,870,754)	
Total deductions			1,973,926,346
Net cash from operations			5,938,201
Proceeds from investments sold, matured, or repaid:			
Bonds	$114,347,907		
Other invested assets	4,064,136		
Total investment proceeds		118,412,043	
Cost of investments acquired (long-term only):			
Bonds	97,766,085		
Other invested assets	1,951,586		
Miscellaneous applications	32,656		
Total investments acquired		99,750,327	
Net cash from investments			18,661,716
Cash provided (applied):			
Capital and paid in surplus, less treasury stock			4,000,000
Net change in cash, cash equivalents, and short term investments			28,599,917
Cash, cash equivalents, and short-term investments:			
Beginning of year			105,920,346
End of year			$ 134,520,263

Bankers Reserve Life Insurance Company of Wisconsin
Compulsory and Security Surplus Calculation
December 31, 2017

Assets	$ 409,910,216	
Less:		
Liabilities	218,929,628	
Assets available to satisfy surplus requirements		$190,980,588
Net premium earned	1,902,175,035	
Compulsory factor	10%	
Compulsory surplus		190,217,503
Compulsory surplus excess/(deficit)		$ 763,085
Assets available to satisfy surplus requirements		$190,980,588
Compulsory surplus	$190,217,503	
Security factor	110%	
Security surplus		209,239,253
Security surplus excess/(deficit)		$ (18,258,665)

Bankers Reserve Life Insurance Company of Wisconsin
Analysis of Surplus
For the Five-Year Period Ending December 31, 2017

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2017	2016	2015	2014	2013
Capital and surplus, beginning of year	$223,692,205	$244,424,604	$268,032,065	$238,096,925	$198,624,084
Net income or (loss)	(65,929,304)	(20,694,945)	(21,681,027)	11,216,417	(4,567,594)
Change in net unrealized capital gains/losses	(255,071)	1,315,237	(858,860)	881,161	(19,690)
Change in net deferred income tax	3,866,660	1,486,145	1,083,909	2,938,494	(7,537,393)
Change in nonadmitted assets and related items	(6,388,946)	(2,838,836)	(2,451,483)	(2,300,932)	1,897,518
Surplus adjustments:					
Paid in	36,180,000		300,000	17,200,000	49,700,000
Write-ins for gains and (losses) in surplus	(184,955)				
Capital and surplus, end of year	$190,980,589	$223,692,205	$244,424,604	$268,032,065	$238,096,925

Growth of Bankers Reserve Life Insurance Company of Wisconsin

Year	Admitted Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2017	$409,910,216	$218,929,628	$190,980,589	$1,903,974,246	$1,789,855,410	$ (65,929,304)
2016	410,427,048	186,734,848	223,692,201	1,958,590,637	1,754,626,595	(20,694,945)
2015	425,870,628	181,446,025	244,424,603	2,102,010,933	1,869,567,372	(21,681,027)
2014	468,762,090	200,730,026	268,032,064	2,363,586,865	2,058,347,671	11,216,417
2013	434,636,315	196,539,395	238,096,924	2,322,568,276	2,118,834,277	(4,567,594)
2012	409,443,694	210,819,610	198,624,084	1,719,296,459	1,647,395,056	(126,440,638)

Year	Profit Margin	Medical Expense Ratio	Administrative Expense Ratio	Change in Enrollment
2017	-3.4%	95.2%	9.7%	3.9%
2016	-1.1	89.6	11.4	-1.5
2015	-1.0	88.9	12.0	-0.3
2014	0.5	87.1	12.0	-1.0
2013	-0.2	89.7	11.4	-0.6
2012	-10.2	95.8	14.4	405.8

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2017	528,901	343.5	4.2
2016	509,169	344.4	4.3
2015	516,853	329.1	4.2
2014	518,325	354.0	4.2
2013	523,709	367.2	4.0

Per Member Per Month Information

	2017	2016	Percentage Change
Premiums:			
Commercial	$ 179.26	$311.69	-42.5%
Medicaid	324.79	330.17	-1.6
Expenses:			
Hospital/medical benefits	209.79	201.03	4.4
Other professional services	9.38	12.16	-22.9
Emergency room and out-of-area	13.32	12.53	6.3
Prescription drugs (medical and hospital)	47.39	46.93	1.0
Incentive pool and withhold adjustments	5.11	5.80	-11.8
Less: Net reinsurance recoveries	(2.38)	(14.73)	-83.9
Total medical and hospital	282.62	263.73	7.2
Claims adjustment expenses	4.12	4.16	-0.9
General administrative expenses	25.50	33.14	-23.0
Increase in reserves for accident and health contracts	3.80	0.00	100.0
Total underwriting deductions	$316.03	$301.02	5.0

Premium revenue decreased by 3% to $1.90 billion in 2017 from $1.96 billion in 2016. The decrease in premium revenue was mostly driven by a decrease in assumed risk through reinsurance agreements with affiliated health plans.

The company's enrollment increased by 1% from 523,709 at year-end 2013 to 528,901 at year-end 2017 and has experienced losses in four of the five years under examination. Losses of $101.7 million during the examination period were offset by capital contributions of $103.4 million.

Capital and surplus was $190.9 million at year-end 2017. The company reported a security surplus deficit of $18.3 million. This is despite the capital contributions noted above. The contributions were not sufficient to meet the security surplus standard.

The company's per member per month general administrative expenses decreased by 23.0% from 2016 while the total underwriting deductions (including administrative expenses) increased 5.0% due to an increase in hospital and medical expenses. The company incurred a net loss of $65.9 million in 2017 primarily due to increased medical expense and the recording of a $23.7 million premium deficiency reserve.

On March 1, 2012, the company began providing medical services to individuals within certain service areas enrolled in the Texas Access Reform (STAR) and STAR+PLUS programs. The STAR+PLUS program was expanded to include nursing facility benefits effective March 1, 2015. The THHS contract servicing the state's Foster Care program was discontinued for 2015 causing an enrollment decrease.

The company remains active in the CHIP, STAR, and STAR+PLUS programs through THHS in 2017 through 2019, however, company management informed OCI that the company expects to terminate these programs in 2020. The company will continue to provide reinsurance to affiliated health plans.

Reconciliation of Surplus per Examination

No adjustments to surplus or reclassifications were made as a result of the examination. The amount of surplus reported by the company as of December 31, 2017, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Executive Compensation

The State of Wisconsin requires all domestic insurance companies to file a Report on Executive Compensation. According to s. 611.63 (4), Wis. Stat., the amount of all direct and indirect remuneration for services should include retirement and other deferred compensation benefits, paid or accrued each year for the benefit of each director and each officer and employee whose remuneration exceeds the specified amount. The review of the company's executive compensation revealed that the company excluded the employer's portion of the defined contribution plan. The company should include all remuneration paid or accrued under the defined contribution plan on behalf of each reportable employee in the Report on Executive Compensation. It is recommended that the company properly complete the Report of Executive Compensation as required by s. 611.63 (4), Wis. Stat.

Reinsurance

Per Statement of Statutory Accounting Principle (SSAP) No. 61R, "reinsurance is an agreement by which a reporting entity transfers all or part of its risk under a contract to another reporting entity." Cenpatico of Arizona Inc., DBA Cenpatico Integrated Care (CIC) is not licensed as an insurer in Arizona, as such is not a reporting entity. Therefore, the agreement between the company and CIC is not a reinsurance treaty and should not be accounted for as such.

The company's agreement with CIC should have been accounted for as a direct insurance policy, not as reinsurance for BRLIC on Schedule S of the annual statement. It is recommended that the company report valid reinsurance treaties on Schedule S of future annual statements per SSAP No. 61R.

Corporate Governance

The review of the company's conflict of interest statements disclosed some individuals listed on the jurat page were either not completing the conflict of interest disclosure forms during the examination period or the disclosure forms were misplaced. It is recommended that the company have

its directors, officers, and key employees complete a conflict of interest questionnaire annually as required by a directive of the Office of the Commissioner of Insurance and maintain a record of the signed questionnaire.

VIII. CONCLUSION

The company is 100% owned subsidiary of Centene Corporation, a multi-line healthcare insurer that provides programs and related services to under-insured and uninsured individuals. BRLIC provides medical coverage primarily to the State of Texas and assumes reinsurance with affiliates. BRLIC remained active in the CHIP, STAR, and STAR+PLUS programs through the Texas Health and Human Services through 2018. An affiliate of the company will bid on the contracts for 2020. The income generated by premiums earned under the contract with THHS is the company's main source of cash flow. Net loss increased to $65,929,304 at year-end 2017 from $20,694,945 at year-end 2016. Losses incurred of $101.7 million during the examination period were offset by capital contributions of $103.4 million.

There were no adjustments made to surplus as a result of the current examination. The examination made three recommendations as listed on the following page.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 29 - Executive Compensation—It is recommended that the company properly complete the Report of Executive Compensation as required by s. 611.63 (4), Wis. Stat.

2. Page 29 - Reinsurance—It is recommended that the company report valid reinsurance treaties on Schedule S of future annual statements per SSAP No. 61R.

3. Page 29 - Corporate Governance—It is recommended that the company have its directors, officers, and key employees complete a conflict of interest questionnaire annually as required by a directive of the Office of the Commissioner of Insurance and maintain a record of the signed questionnaire.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
John Ebsen	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Vickie Ostien
Examiner-in-Charge