



DATE: May 20, 2024

TO: Amy J. Malm
Mark McNabb

FROM: John E. Pollock

SUBJECT: Form A - Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer

Form A Filing Contact(s)

Primary Contact:

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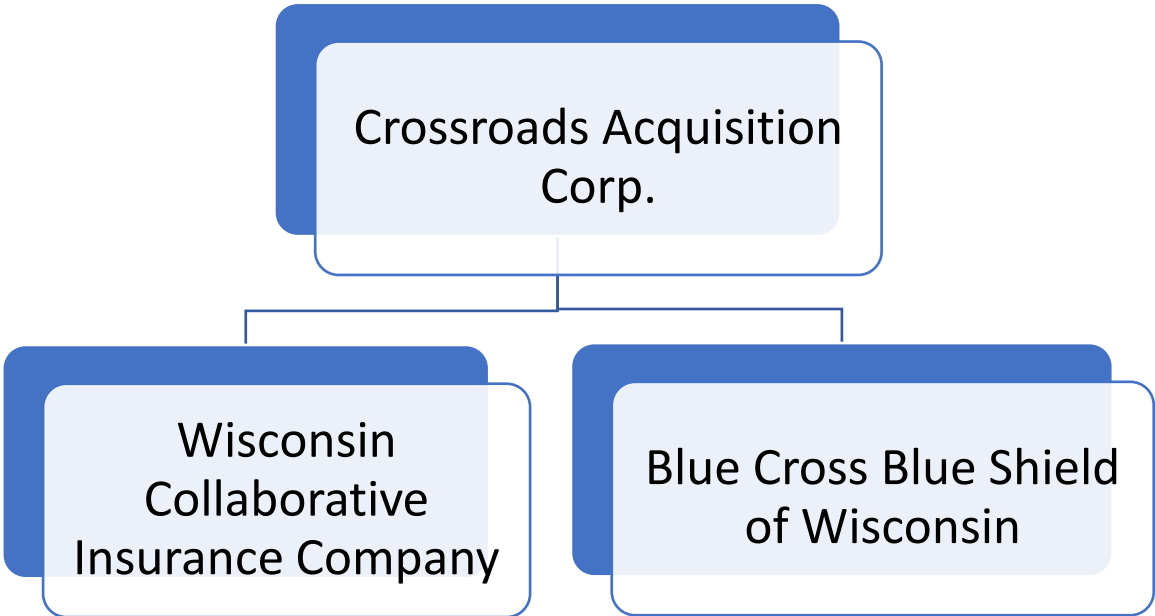
Form A Exhibit(s)

<u>Exhibit:</u>	<u>Description:</u>
Ex 1	Plan of Merger dated November 9, 2023
Ex 2	Pre-Acquisition Organizational Chart for the Companies and Their Affiliates
Ex 3	Pro Forma Post-Acquisition Organizational Chart for the Applicant
Ex 4	List of the Proposed Directors and Executive Officers of the Applicant
Ex 5	Audited Financial Statements of WCIC for the Five Fiscal Years Ended December 31, 2018 Through 2022
Ex 6	Quarterly Financial Statement Filing of WCIC for Quarter Ended June 30, 2023
Ex 7	Audited Financial Statements of BCBSWI for the Five Fiscal Years ended December 31, 2018 Through 2022
Ex 8	Quarterly Financial Statement Filing of BCBSWI for the Quarter Ended September 30, 2023
Ex 9	Consent to Jurisdiction
Ex 10	Biographical Affidavits for the Directors and Executive Officers of the Domestic Insurer
Ex 11	Biographical Affidavits for the Directors and Executive Officers of the Applicant
Ex 12	Three-Year Financial Projections of BCBSWI

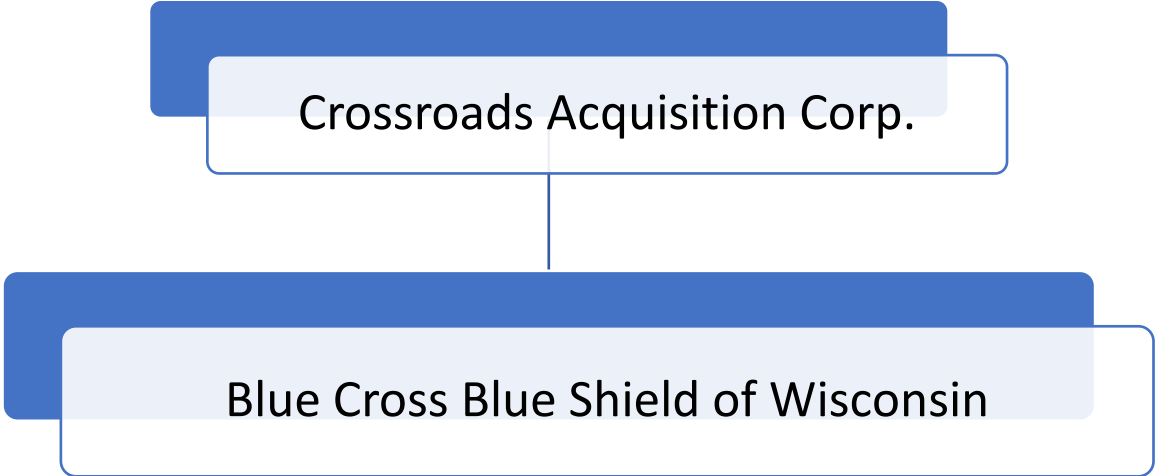
Executive Summary

On November 10, 2023, Blue Cross Blue Shield of Wisconsin (BCBSWI, the “Applicant”), submitted a Form A filing in the matter of the acquisition of control of Wisconsin Collaboration Insurance Company (WCIC, the “Domestic Insurer”). The acquisition of control will occur pursuant to the Plan of Merger Agreement, dated November 9, 2023.

Organizational Chart Before Proposed Transaction:



Organizational Chart After Proposed Transaction:



Identity and Background of the Domestic Insurers

Identity of the Domestic Insurers:

Wisconsin Collaborative Insurance Company

N17 W24222 Riverwood Drive
Waukesha, WI 53188

Blue Cross Blue Shield of Wisconsin

N17 W24222 Riverwood Drive
Waukesha, WI 53188

Background of the Domestic Insurer:

Wisconsin Collaboration Insurance Company

WCIC is described as a for-profit model health maintenance organization (HMO) insurer. An HMO insurer is defined by s. 609.01 (2), Wis. Stat., as ". . . a health care plan offered by an organization established under ch. 185, 611, 613, or 614 or issued a certificate of authority under ch. 618 that makes available to its enrolled participants, in consideration for predetermined fixed payments, comprehensive health care services performed by providers selected by the organization." Under the network model, the company provides care through contracts with two or more clinics.

WCIC was incorporated on March 31, 2016, and commenced business on January 1, 2017. WCIC was a joint venture between Crossroads Acquisition Corporation on behalf of Anthem, Inc., (Anthem) and Aurora Health Care, Inc. (Aurora). Through this joint venture, Aurora and Anthem expect to capitalize on Aurora's expertise in clinical operations and Anthem's expertise in claims operations to improve patient care coordination and reduce medical cost trends.

On October 29, 2021, Anthem, Inc., an Indiana corporation, in connection with the proposed sale by Aurora Health Care, Inc., a Wisconsin non-stock corporation of forty-five (45%) of the stock of WCIC, a Wisconsin stock insurance company, to Crossroads Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Anthem (CAC), pursuant to a stock purchase agreement dated October 22, 2021 (the "Purchase Agreement") a Form A filing was submitted. As of the date of the filing of the Form A, CAC owned fifty-five percent (55%) of the stock of WCIC. The proposed sale constituted a change of control of WCIC as CAC became the one hundred percent (100%) owner of WCIC.

Identity and Background of the Applicants

Identity of the Applicant(s):

Blue Cross Blue Shield of Wisconsin

N17 W24222 Riverwood Drive
Waukesha, WI 53188

Background of the Applicant(s):

Blue Cross Blue Shield of Wisconsin

The company was organized in 1939 as a nonprofit hospital service membership corporation under the name of Associated Hospital Services, Inc. (AHS). The company was operated in close affinity with Surgical Care, The Blue Shield Plan of the Medical Society of Milwaukee County, Wisconsin. Surgical Care was established in December 1943 as an unincorporated, nonprofit service plan that operated as a division of the Medical Society of Milwaukee County. It provided medical and surgical coverage as a companion writer to AHS. Cooperative efforts encompassed marketing and rate making.

On May 5, 1976, legislation was enacted in Wisconsin to require the incorporation of unincorporated, nonprofit service plans. Surgical Care applied for a certificate of incorporation and a certificate of authority to be issued to a corporation to be known as Surgical Care - Blue Shield, Inc. (SCBS). This office granted SC-BS a certificate of authority on November 20, 1978.

On December 28, 1979, under an agreement and plan of merger and reorganization, SC-BS transferred all of its operations, including all assets and liabilities to AHS. The name of AHS was changed simultaneously with the date of this transfer and reorganization to Blue Cross & Blue Shield United of Wisconsin (BCBSU). In 1983, BCBSU organized a downstream holding company, United Wisconsin Services, Inc. (UWSI).

On June 14, 1999, BCBSU filed an application with this office to convert from a nonprofit service insurance corporation to a stock insurance corporation. The Wisconsin United for Health Foundation, Inc., was created on October 31, 1999, as part of this conversion with the aim of achieving the full value of BCBSU and distributing the proceeds from the orderly sale of this interest to The Medical College of Wisconsin and the University of Wisconsin Medical School. The conversion was consummated on March 23, 2001, in conjunction with a combination transaction that resulted in UWSI becoming the parent of BCBSU and BCBSU becoming a stock insurance corporation organized pursuant to ch. 611, Wis. Stat. UWSI changed its name to Cobalt Corporation.

Effective September 24, 2003, Cobalt Corporation, an upstream holding company, was merged with and into CAC, a wholly owned subsidiary of WellPoint Health Networks, Inc. (WHN). WHN was a publicly traded managed health care company domiciled in the state of Delaware. BCBSU changed its name on November 20, 2003, from Blue Cross & Blue Shield United of Wisconsin to the name that is presently used, Blue Cross Blue Shield of Wisconsin. On November 30, 2004, WHN and Anthem, Inc., a publicly traded managed care company domiciled in the state of Indiana, merged. WHN merged with and into Anthem Holding Corp. In connection with the merger, Anthem, Inc., amended its articles of incorporation to change its name to WellPoint, Inc. (WellPoint). In December 2014, Wellpoint, Inc. changed its corporate name to Anthem, Inc.

The company is licensed to do business in Wisconsin. BCBSWI offers coverage for the following: large and small group health, individual health, pharmacy, Medicare supplement, dental and vision. (BCBSWI does not offer an individual product on the health care exchange. All qualified health plans (QHPs) offered on the individual health care exchange are issued exclusively by CompCare Health Services Insurance Corporation [CompCare], a subsidiary of BCBSWI.) The indemnity portion of the point-of-service (POS) coverage offered issued by CompCare is underwritten by BCBSWI under an administrative service agreement dated August 1, 2003. The company also provides administrative service-only plans and stop-loss coverage for local and national groups and participates in the Federal Employees Health Benefits Program. BCBSWI is licensed as a smaller controlled affiliate licensee of the BlueCross BlueShield Association and markets its products under the BlueCross BlueShield trade name, as Anthem Blue Cross Blue Shield.

Directors and Executive Officers of the Applicant

<u>Name</u>	<u>Title</u>
Paul Christopher Nobile*	CEO, President, Director
Kathleen Susan Kiefer*	VP, Secretary
Julie Elisabeth Walsh*	Assistant Secretary
Vincent Edward Scher*	VP, Treasurer
Eric Kenneth Noble*	Assistant Treasurer
Laurie Helm Benintendi*	Director
Ronald William Penczek*	Director

Executive Officers and Directors WCIC

<u>Name</u>	<u>Title</u>
Paul Christopher Nobile*	CEO, President, Director
Kathleen Susan Kiefer*	Secretary
Julie Elisabeth Walsh*	Assistant Secretary
Vincent Edward Scher*	Treasurer
Eric Kenneth Noble*	Assistant Treasurer
Julie Mitchel^	Director
Theodore Michael Osthelder^	Director

Note: * following an individual's name indicates that the biographical affidavit was provided for the individual and there are no outstanding significant concerns after OCI review.

^ following an individual's name indicates that the biographical affidavit was not provided for the individual as part of the Form A filing and the WI OCI has no concerns as the individuals will not be directors for the applicant upon completion of the Merger Agreement.

Nature, Source, and Consideration

Following the Closing, the Applicant will become the surviving member to the merger. As the parent company of BCBSWI, CAC will continue to have control of the Domestic Insurer.

The merger will require no cash compensation and will not involve any exchange of stock. Transaction costs will be funded from the applicant's cash on hand. The only consideration for the transaction will be the assumption by the applicant of all of WCIC's assets and liabilities.

Applicants Future Plans

As of the effective date of the merger, BCBSWI will assume all of WCIC's rights, liabilities and obligations. WCIC members have been offered, over the course of the past 18 months, the opportunity to transfer their business to Compcare policies with similar benefits. All groups have so elected to make that change, therefore no WCIC membership will remain as of the effective date of the merger.

WCIC has not sold any new business since January 1, 2023 and all policies are expected to be moved off of WCIC policies by January 1, 2024. All policyholders will, at termination of their WCIC policy, be given the opportunity to purchase a similar Compcare policy.

Upon the effective date of the merger, the WCIC Board of Directors will cease to exist, and all functions of the Board will be assumed by the Board of Directors of BCBSWI. Currently, WCIC operations are handled by associates who also handle BCBSWI operations. In summary, the runout of WCIC policies will be administered in the same fashion and by the same people that administer the BCBSWI policies.

BCBSWI operates throughout the state of Wisconsin. BCBSWI offers a full range of health-related products provided on a self-insured and an insured basis, including pool-rated, group-rated, and self-insured health coverages, along with dental and prescription drug products. Individual health products are available through a state-wide network of providers.

BCBSWI continues to see growth in the individual health market. During the Medicaid Redetermination period, BCBSWI is working with local and regional enrollment networks to offer coverage without gaps for Wisconsin consumers entering the insured market following the end of the national pandemic. Growth continues in the small and large employer markets both self-insured and insured segments of the market. BCBSWI provides administrative services for self-insured accident and health plans and the uninsured portion of partially insured plans.

BCBSWI believes in working together to achieve its mission of improving lives and communities, simplifying healthcare and expecting more. As BCBSWI seeks to accomplish these goals through a collaborative focus on execution and delivering for those it serves, BCBSWI's vision is to be the most innovative, valuable and inclusive health partner. With an unyielding commitment to meeting the needs of its diverse customers, BCBSWI is guided by the following values: leadership, community, integrity, agility and diversity. BCBSWI believes it is well positioned to deliver what customers want: innovative, choice-based and affordable products; distinctive service; simplified transactions; and better access to information for quality care. BCBSWI believes that practical and sustainable improvements in healthcare must focus on improving healthcare quality while managing costs for total affordability.

At this time, BCBSWI believes merging WCIC into BCBSWI and dissolving the WCIC insurance license will streamline and simplify the individual health market. As of the effective date of the merger, BCBSWI will assume all WCIC's rights, liabilities, and obligations.

Financial Highlights

Highlighted Financial Data of the Applicant(s):

BCBSWI

[In whole \$'s, except %'s]

Financial Condition:	2023	2022	2021	2020	2019
Admitted Assets	\$ 830,679,829	\$ 783,279,979	\$ 680,247,522	\$ 590,109,947	\$ 560,367,928
Liabilities	262,185,535	287,332,725	310,526,486	282,623,654	271,098,470
Capital and Surplus	568,494,294	495,947,254	369,721,036	307,486,293	289,269,458
Risk Based Capital	491.8	477.4%	383.2%	392.5%	452.6%
FAST Score	395	445	385	345	355
Operations:					
Underwriting Gain (Loss)	\$ 96,939,291	\$ 75,254,940	\$ 90,321,112	\$ 52,215,724	\$ 61,507,655
Investment Gain (Loss)	67710690	28,436,437	40,052,489	42,791,071	61,828,793
Net Income (Loss)	147796145	91,066,625	111,426,976	76,014,968	112,223,163
Stockholder Dividends	(125,000,000)	(36,900,000)	(70,000,000)	(95,000,000)	(150,000,000)
Key Operating Ratios:					
Medical Loss Ratio	88.1%	90.3%	87.9%	86.0%	88.5%
Administrative Expense Ratio	1.4%	0.9%	1.1%	6.9%	3.0%
Combined Ratio	89.5%	91.2%	89.0%	92.9%	91.5%
1-Year Loss Dev. To PYE C&S	-2.7%	2.1%	-0.3%	0.9%	-1.8%
Writings:					
Gross Premiums Written	\$ 1,129,541,574	\$ 1,084,899,234	\$ 983,572,809	\$ 916,315,526	\$ 904,995,844
Net Premiums Written	913,085,942	874,549,032	800,687,472	741,387,169	717,188,283

WCIC

[In whole \$'s, except %'s]

Financial Condition:	2023	2022	2021	2020	2019
Admitted Assets	\$ 29,008,805	\$ 41,798,594	\$ 46,773,953	\$ 36,990,964	\$ 30,063,395
Liabilities	15,768,628	15,043,242	11,136,060	11,902,959	7,028,943
Capital and Surplus	13,240,177	26,755,352	35,637,893	25,088,005	23,034,452
Risk Based Capital	1480.3%	862.3%	962.0%	692.2%	703.2%
FAST Score	260	950	85	330	135
Operations:					
Underwriting Gain (Loss)	\$ 6,623,637	\$ (7,102,627)	\$ 12,501,216	\$ 682,516	\$ 9,516,413
Investment Gain (Loss)	1,922,623	(799,000)	123,724	72,406	349,159
Net Income (Loss)	77,698,873	(7,785,830)	10,225,420	(201,135)	8,965,851
Stockholder Dividends	(9,841,549)	-	-	-	-
Key Operating Ratios:					
Medical Loss Ratio	31.8%	108.2%	80.9%	94.0%	82.5%
Administrative Expense Ratio	-29.2%	13.9%	-0.4%	4.9%	0.8%
Combined Ratio	2.6%	122.1%	80.5%	98.9%	83.3%
1-Year Loss Dev. To PYE C&S	-7.8%	-0.5%	-11.3%	-3.2%	-12.2%
Writings:					
Gross Premiums Written	\$ 6,804,085	\$ 32,081,435	\$ 65,020,133	\$ 62,107,107	\$ 57,802,925
Net Premiums Written	6,804,085	32,080,717	64,157,592	60,953,628	56,806,829

Financial Projections of the Domestic Insurer:

Blue Cross Blue Shield of Wisconsin

Financial projections of Insurers are confidential. OCI reviews these projections as part of the Form A review process.

611.72 (3) Standard

Wisconsin Statute s. 611.72(3)(am) creates a five-part test for the Commissioner to use when evaluating the merger or acquisition of a domestic stock insurance company. It reads, in relevant part:

(am) The commissioner shall approve the plan if the commissioner finds...that it would not violate the law or be contrary to the interests of the insureds of any participating domestic corporation or of the Wisconsin insureds of any participating nondomestic corporation and that:

1. After the change of control, the domestic stock insurance corporation or any domestic stock insurance corporation controlled by the insurance holding corporation would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
2. The effect of the merger or other acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in this state;
3. The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic stock insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders;
4. The plans or proposals which the acquiring party has to liquidate the domestic stock insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate

structure or management, are fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest; and

5. The competence and integrity of those persons who would control the operation of the domestic stock insurance corporation or its parent insurance holding corporation are such that it would be in the interest of the policyholders of the corporation and of the public to permit the merger or acquisition of control.

These five requirements are analyzed below.

s. 611.72(3)(am)1: After reviewing the documents provided by the Applicant in their Form A filing, OCI Staff believes that the Applicant is able to satisfy s. 611.72(3)(am)1. In reaching this decision, OCI staff has relied heavily on the proposed business plan and financial projections.

s. 611.72(3)(am)2: OCI's determined that a Form E analysis was not necessary. OCI's examination of the potential competitive effects concluded that approving the acquisition would not violate the competitive standards set forth in s. Ins 40.025(4), Wis. Adm. Code.

s. 611.72(3)(am)3: Paragraph three requires that the financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic insurance corporation or its parent insurance corporation, or prejudice the interest of its Wisconsin policyholders. After reviewing the documents provided by the Applicants, the financial condition and solvency concern of the surviving entity is deemed minimal. OCI, however, will monitor compliance with s. 611.72(3)(am)3, Wis. Stat., going forward.

s. 611.72(3)(am)4: Paragraph four requires that the post-transaction plans to change the business structure be "fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest." The Form A filing notes that the Applicant's current plan is to merge the Domestic Insurer into the Applicant. Additional review of the filing by OCI staff, including plans outlined in the Applicant's Future Plans section above, do not raise significant concerns and compliance with s. 611.72(3)(am)4, Wis. Stat., is expected.

s. 611.72(3)(am)5: Paragraph 5 requires that OCI review the Biographical Affidavits of the proposed officers and directors of the Applicants. This review did not raise significant concerns.

Recommendation

The Acquisition of Control in the above-referenced Form A filing will not violate the law or be contrary to the interests of the insureds, and it does not meet any of the disqualifying criteria outlined in s. 611.72 (3), Wis. Adm. Code. Therefore, the transaction should be approved.