

Wisconsin Physicians Service Insurance Corporation

Statutory Financial Statements and
Supplementary Information

December 31, 2020 and 2019

Wisconsin Physicians Service Insurance Corporation

Table of Contents
December 31, 2020 and 2019

	<u>Page</u>
Independent Auditors' Report	1
Statutory Financial Statements	
Statements of Admitted Assets, Liabilities, Capital and Surplus	3
Statements of Revenues and Expenses	4
Statements of Changes in Surplus	5
Statements of Cash Flows	6
Notes to Statutory Financial Statements	7
Supplementary Information	
Independent Auditors' Report on the Other Financial Information	
Summary Investment Schedule	
Supplemental Investment Risks Interrogatories	
Supplemental Schedule Regarding Reinsurance Contracts with Risk-Limiting Features	

Independent Auditors' Report

To the Board of Directors and Audit Committee of
Wisconsin Physicians Service Insurance Corporation

We have audited the accompanying statutory financial statements of Wisconsin Physicians Service Insurance Corporation (the Company) which comprise the statement of admitted assets, liabilities, capital and surplus of the Company as of December 31, 2020, and the related statements of revenues and expenses, changes in surplus and cash flows for the year then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of the Company as of December 31, 2020, and the results of its operations, and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, these financial statements were presented on the basis of accounting practices prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Wisconsin. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The statutory financial statements of Wisconsin Physicians Service Insurance Corporation as of December 31, 2019, were audited by other auditors whose report dated May 26, 2020, expressed an unmodified opinion on those statements.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors, the Audit Committee, management of the Company, the Wisconsin Office of the Commissioner of Insurance and other state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

Milwaukee, Wisconsin
May 27, 2021

Wisconsin Physicians Service Insurance Corporation

Statements of Admitted Assets, Liabilities, Capital and Surplus (\$000's)

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Admitted Assets		
Cash and Invested Assets		
Bonds	\$ 58,686	\$ 57,385
Stocks	85,320	59,323
Real estate, less encumbrances of \$0 in 2020 and 2019	26,894	26,109
Cash, cash equivalents and short-term investments	<u>96,256</u>	<u>34,213</u>
Total cash and invested assets	267,156	177,030
Uncollected premiums	1,791	1,936
Receivables from subsidiaries and affiliates	481	662
Investment income due and accrued	428	450
Amounts receivable relating to uninsured plans	85,063	122,860
Amounts recoverable from reinsurers	1,200	296
Electronic data processing equipment and software, net	1,749	1,079
Federal and foreign income tax recoverable and interest thereon	1,399	474
Aggregate write-ins for other than invested assets	-	44
Net deferred tax assets	13,487	14,160
Health care and other amounts receivable	6,630	7,195
Contracts subject to redetermination	<u>2,591</u>	<u>2,980</u>
Total admitted assets	<u>\$ 381,975</u>	<u>\$ 329,166</u>
Liabilities, Capital and Surplus		
Liabilities		
Claims unpaid	\$ 36,877	\$ 37,872
Accrued medical incentive pool and bonus amounts	104	104
Unpaid claims adjustment expenses	1,043	1,043
Aggregate health policy reserves	14,503	15,749
Premiums received in advance	13,408	12,679
Ceded insurance premiums payable	110	106
General expenses due or accrued	87,039	72,476
Amounts withheld or retained for account of others	72	161
Liability for amounts held under uninsured plans	3,503	3,880
Funds held under reinsurance treaties	815	793
Remittances and items not allocated	2,124	1,685
Pension liability	10,816	13,902
Other liabilities	<u>304</u>	<u>253</u>
Total liabilities	<u>170,718</u>	<u>160,703</u>
Capital and Surplus		
Unassigned funds	211,257	164,192
Surplus appropriated for current year ACA Section 9010 fee	<u>-</u>	<u>4,271</u>
Total capital and surplus	<u>211,257</u>	<u>168,463</u>
Total liabilities, capital and surplus	<u>\$ 381,975</u>	<u>\$ 329,166</u>

See notes to statutory financial statements

Wisconsin Physicians Service Insurance Corporation

Statements of Revenues and Expenses (\$000's)

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Underwriting Income		
Premiums earned, net	\$ 344,374	\$ 346,025
Expenses		
Hospital and medical benefits	191,600	199,918
Emergency room and out-of-area	26,781	28,664
Outside referrals	1,920	2,513
Prescription drugs	35,083	28,868
Incentive pool, withhold adjustments and bonus amounts	-	(111)
Claims adjustment expenses	10,943	11,723
General administrative expenses	52,632	48,574
Net reinsurance	<u>1,728</u>	<u>4,889</u>
Total underwriting deductions	<u>320,687</u>	<u>325,038</u>
Net underwriting income	<u>23,687</u>	<u>20,987</u>
Interest Income (Loss)		
Net realized income earned	1,656	2,977
Net realized capital loss, net of tax effect	<u>2,406</u>	<u>(4,383)</u>
Net investment income (loss)	<u>4,062</u>	<u>(1,406)</u>
Other (Expense) Income	<u>(7,345)</u>	<u>12,158</u>
Net income before federal income taxes	20,404	31,739
Federal Income Tax Expense	<u>4,593</u>	<u>10,518</u>
Net income	<u>\$ 15,811</u>	<u>\$ 21,221</u>

See notes to statutory financial statements

Wisconsin Physicians Service Insurance Corporation

Statements of Changes in Surplus (\$000's)
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Surplus, Beginning of Year	\$ 168,463	\$ 127,737
Net income for the year	15,811	21,221
Change in net unrealized capital gains, net of deferred income tax	20,470	4,650
Change in net deferred income tax	(2,485)	(188)
Change in non-admitted assets	10,223	6,440
Additional minimum pension liability	<u>(1,225)</u>	<u>8,603</u>
Surplus, End of Year	<u>\$ 211,257</u>	<u>\$ 168,463</u>

See notes to statutory financial statements

Wisconsin Physicians Service Insurance Corporation

Statements of Cash Flows (\$000's)
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Premiums collected net of reinsurance	\$ 346,946	\$ 349,583
Net investment income	<u>3,243</u>	<u>4,619</u>
Total cash received	<u>350,189</u>	<u>354,202</u>
Benefits and loss-related payments	261,735	272,255
Commissions, expenses paid and aggregate write-ins for deductions	16,443	71,575
Federal income taxes paid (refunded)	<u>5,552</u>	<u>7,966</u>
Total cash applied	<u>283,730</u>	<u>351,796</u>
Net cash flows from operating activities	<u>66,459</u>	<u>2,406</u>
Cash Flows From Investing Activities		
Proceeds from investments sold, matured or repaid:		
Bonds	18,493	12,824
Stocks	3,150	8,567
Real estate	-	14,150
Other invested assets	<u>1,853</u>	<u>-</u>
Total investment proceeds	<u>23,496</u>	<u>35,541</u>
Cost of investments acquired:		
Bonds	(18,987)	(14,607)
Stocks	(6,100)	(7,908)
Miscellaneous	<u>(2,391)</u>	<u>(8,621)</u>
Total investments acquired	<u>(27,478)</u>	<u>(31,136)</u>
Net cash flows from investing activities	<u>(3,982)</u>	<u>4,405</u>
Cash Flows From Financing Activities		
Other cash (applied) provided	<u>(434)</u>	<u>6,683</u>
Net change in cash, cash equivalents and short-term investments	62,043	13,494
Cash, Cash Equivalents and Short-term Investments, Beginning	<u>34,213</u>	<u>20,719</u>
Cash, Cash Equivalents and Short-term Investments, Ending	<u>\$ 96,256</u>	<u>\$ 34,213</u>

See notes to statutory financial statements

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Operations

Wisconsin Physicians Service Insurance Corporation (the Company) is a service insurance corporation offering hospitalization, surgical medical, major medical, drug and dental insurance to subscribers in various states with a concentration in Wisconsin. The Company's primary sources of revenue are providing health insurance to predominantly small and middle market businesses and individuals and processing health care claims for various governmental bodies and corporate entities.

A summary of the Company's significant accounting policies applied in the preparation of the accompanying statutory financial statements follows.

Insurance Accounting Practices

The statutory financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance (OCI) for determining and reporting the financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual (NAIC SAP), has been adopted as a component of prescribed or permitted practices by the OCI. Such practices differ in certain respects from accounting principles generally accepted in the United States of America (U.S. GAAP). The more significant of these differences are as follows:

1. Certain assets designated as "non-admitted assets" are excluded from the statements of admitted assets, liabilities, capital and surplus, and the change in such assets is credited or charged directly to unassigned surplus. The Company's non-admitted assets consist of certain of its deferred tax assets, prepaid expenses, fixed assets (other than real estate) and receivable balances over 90 days past due.
2. The statements of cash flows differ in certain respects from the presentation required by U.S. GAAP, primarily in the presentation of certain cash flows between operating and financing activities.
3. Investments in bonds are reported at amortized cost or fair value based on their NAIC rating.
4. Stocks are carried at fair value with the resulting unrealized gains and losses, net of applicable taxes, recorded in surplus. Under GAAP, equity securities are carried at fair value, with unrealized gains and losses, net of applicable taxes, recorded in income.
5. Net income or loss from subsidiaries is recorded as a direct component of surplus.
6. Net revenue from uninsured plans is recorded as an offset to claims adjustment expenses and general administrative expenses, with significant net amounts recognized as other income or expense.
7. Net revenue from administrative services contracts for various governmental entities is recorded in other income (expense).
8. Changes in deferred income taxes are reported as a component of surplus and are subject to statutory limitations and admissibility tests.
9. The presentation of the statements of admitted assets, liabilities, capital and surplus is not in conformity with U.S. GAAP with respect to the reporting of other comprehensive income.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The OCI requires that insurance companies domiciled in the State of Wisconsin prepare their statutory financial statements in accordance with the NAIC SAP, subject to any deviations prescribed or permitted by the OCI. The Company does not use any prescribed or permitted accounting practices that deviate from NAIC SAP.

Cash and Invested Assets

The Company considers all highly liquid debt instruments purchased with original maturities of one year or less and commercial paper to be short-term investments. The Company carries its financial instruments included in cash at cost, which approximates fair value because of the short maturities for the instruments held. The Company carries its financial instruments included in short-term investments at amortized cost.

Investments in debt and equity securities are stated in accordance with valuations prescribed by the NAIC. Debt securities are reported at the lower of amortized cost or fair value based on their NAIC rating, and equity securities are reported at fair market values, as determined by independent pricing sources. Unrealized investment gains and losses on equity securities arising from market value fluctuations are credited or charged to unassigned surplus. Realized gains and losses are credited or charged to operations. Premiums and discounts on debt securities purchased are amortized and accreted, respectively, using the effective interest method. The cost of securities sold is determined using the first-in, first-out method.

The Company's investments in its wholly owned subsidiaries, The EPIC Life Insurance Company (EPIC) and WPS Health Plan, Inc. (HPI), are stated at cost plus recognized equity in undistributed net earnings and losses since dates of inception. The Company's interest in EPIC and HPI was determined based on financial statements prepared on the basis of accounting practices prescribed or permitted by the OCI.

During 2019, the Company owned a 30 percent interest in Westwood, LLC, an office building and conference center in Wausau, Wisconsin. The interest in Westwood, LLC is a non-admitted asset, as required by NAIC statutory guidance, as the financial information is unaudited. The Company also had a 50 percent interest in Arise Health Ventures, Inc. (AHV) a holding company for a Wisconsin-based and Michigan-based health maintenance organization. The interest in AHV was admitted as of December 31, 2018 as the related financial information was audited. During 2019, the Company disposed of its 50 percent interest in AHV.

Administrative Service Contracts

The Company processes health care claims as an administrative agent for various governmental and corporate entities under both administrative services only (ASO) and administrative services contracts (ASC). The administrative fees for processing these claims are netted against the related expenses to process the claims and are included in other income (expense) in the accompanying statements of revenues and expenses. Claims paid are excluded from operations because they are paid, or fully reimbursed, with governmental or corporate funds.

Amounts receivable relating to uninsured plans primarily relate to claim servicing fees from government agencies and administrative services-only contracts.

Claims Unpaid

Claims unpaid is calculated using either the development method or the loss ratio method. The development method is used for blocks of business with sufficient volume to generate credible data for calculation of completion factors. In addition, case reserves for known high-dollar health cases are established as necessary. The adequacy of completion factors is monitored separately for each reserve segment that is calculated using the development method.

The loss ratio method is based on earned premium multiplied by an estimated loss percentage.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

Aggregate Health Policy Reserves

Aggregate health policy reserves primarily include premiums collected for a coverage period that has started but for the portion that has not yet occurred. Also included are contract reserves, which includes the liability for the Medical Loss Ratio rebate.

Premiums Received in Advance

Premiums received in advance are premiums received prior to the start of the respective coverage period.

General Expenses Due or Accrued

General expenses due or accrued primarily include pension, payroll and amounts payable to vendors.

Revenue and Expense Recognition

Income from premiums is recorded as earned during the coverage period on a pro rata basis. Premiums collected in advance are reflected as liabilities. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

Reported and estimated claims are recognized as an expense when incurred. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

Uncollected Premiums and Amounts Receivable

The Company considers uncollected premiums and amounts receivable less than 60 days old to be fully collectible. If non-governmental amounts become 60 days or older, they will be charged to surplus at the end of the reporting period.

Depreciation and Amortization

Depreciation and amortization of real estate and electronic data processing (EDP) equipment and software are provided in amounts sufficient to relate the cost of the related assets to operations over their estimated service lives by straight-line and accelerated methods.

The Company had the following balances of EDP equipment and software at December 31:

	<u>2020</u>	<u>2019</u>
EDP equipment	\$ 11,821	\$ 5,877
Software	245,407	244,168
	257,228	250,045
Accumulated depreciation and amortization	<u>(245,487)</u>	<u>(229,126)</u>
EDP equipment and software before being nonadmitted	11,741	20,919
Less nonadmitted EDP	<u>9,992</u>	<u>19,840</u>
Net EDP equipment and software	<u>\$ 1,749</u>	<u>\$ 1,079</u>

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The Company recorded depreciation and amortization expense of \$16,362 and \$19,242 related to EDP equipment and software for the years ended December 31, 2020 and 2019, respectively.

Depreciation and amortization of non-admitted furniture, fixtures and equipment are provided in amounts sufficient to relate the cost of the related assets to operations over their estimated service lives by straight-line and accelerated methods.

The Company recorded depreciation and amortization expense of \$1,394 and \$1,344 related to non-admitted furniture, fixtures and equipment for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

Deferred income tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their amounts reported in the financial statements, using statutory tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as a change in surplus in the period that includes the enactment date. Deferred income tax assets are subject to certain admissibility limitations based on risk-based capital calculations.

The Company recognizes the financial statement benefit of a tax position after determining that the relevant tax authority would more likely than not sustain the position following an audit, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Interest and penalties, if incurred, are recognized in the statements of revenues and expenses as federal income tax expense. The Company has not recognized any interest, penalties or income tax contingencies for the years ended December 31, 2020 and 2019.

Concentration of Credit Risk

The Company maintains deposits in financial institutions that consistently exceed the Federal Deposit Insurance Corporation limit. In addition, the Company has accounts receivable related to government contracts of \$65,659 and \$102,727 at December 31, 2020 and 2019, respectively. The Company has not experienced any credit-related losses in such accounts and management believes it is not exposed to any significant credit risks.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the NAIC did not have, nor does the Company expect such pronouncements to have, a significant impact to the Company's present or future financial statements.

Estimates

In preparing financial statements in conformity with insurance accounting practices, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

Claims unpaid and the related unpaid claims adjustment expenses consist of unpaid claims reported to the Company and an estimated liability for health care claims incurred on or before December 31, which have not been reported to the Company by that date (estimated claims payable). Estimated claims payable are based on historical trends and current cost projections, which are reviewed by an independent actuary as of the date of the financial statements. It is reasonably possible that the claims and related expenses presented for payment may not follow past trends and therefore may be more or less than the \$37,920 and \$38,915 recorded in the financial statements as of December 31, 2020 and 2019, respectively. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

2. Investments

The amortized cost or cost and fair market value, together with unrealized gains and losses of investments, were as follows at December 31:

	2020			
	Amortized Cost or Cost	Estimated Market Value	Unrealized Gains	Unrealized Losses
Debt securities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 21,802	\$ 23,317	\$ 1,570	\$ (55)
Political subdivisions of states, territories and possessions	-	-	-	-
Issued by foreign governments	153	203	50	-
Corporate securities	20,905	23,579	2,674	-
Mortgage-backed securities	15,826	16,643	820	(3)
Total bonds	58,686	63,742	5,114	(58)
Equity securities:				
Domestic	23,586	34,125	10,539	-
Equity in subsidiaries:				
EPIC ⁽¹⁾	16,671	16,671	-	-
HPI ⁽¹⁾	34,524	34,524	-	-
Total equity in subsidiaries	51,195	51,195	-	-
Total stocks	74,781	85,320	10,539	-
	<u>\$ 133,467</u>	<u>\$ 149,062</u>	<u>\$ 15,653</u>	<u>\$ (58)</u>

(1) Statutory carrying amount

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

	2019			
	Amortized Cost or Cost	Estimated Market Value	Unrealized Gains	Unrealized Losses
Debt securities:				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 13,493	\$ 14,043	\$ 604	\$ (54)
Political subdivisions of states, territories and possessions	6,751	7,300	552	(3)
Issued by foreign governments	154	177	23	-
Corporate securities	18,656	19,946	1,298	(8)
Mortgage-backed securities	18,331	18,645	325	(11)
Total bonds	<u>57,385</u>	<u>60,111</u>	<u>2,802</u>	<u>(76)</u>
Equity securities:				
Domestic	<u>21,158</u>	<u>28,840</u>	<u>7,682</u>	<u>-</u>
Equity in subsidiaries:				
EPIC ⁽¹⁾	17,525	17,525	-	-
HPI ⁽¹⁾	<u>12,958</u>	<u>12,958</u>	<u>-</u>	<u>-</u>
Total equity in subsidiaries	<u>30,483</u>	<u>30,483</u>	<u>-</u>	<u>-</u>
Total stocks	<u>51,641</u>	<u>59,323</u>	<u>7,682</u>	<u>-</u>
	<u>\$ 109,026</u>	<u>\$ 119,434</u>	<u>\$ 10,484</u>	<u>\$ (76)</u>

(1) Statutory carrying amount

The amortized cost and fair market value of debt securities, by contractual maturities, are as follows at December 31, 2020:

	Amortized Cost or Cost	Fair Market Value
In one year or less	\$ 632	\$ 636
After one year through five years	13,522	14,346
After five years through 10 years	14,329	15,233
After 10 years	<u>14,377</u>	<u>16,884</u>
	42,860	47,099
Mortgage-backed securities	<u>15,826</u>	<u>16,643</u>
	<u>\$ 58,686</u>	<u>\$ 63,742</u>

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

Expected maturities for mortgage-backed securities may differ from contractual maturities because borrowers may have the right to prepay obligations without penalty.

Mortgage-backed securities are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the book/adjusted carrying value, commonly referred to as amortized cost, of loan-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors.

Realized gains and losses from sales of unrelated investments were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Proceeds	\$ 21,643	\$ 13,157
Gains	3,050	728
Losses	<u>(10)</u>	<u>(7)</u>
	3,040	721
Federal income tax expense (benefit) on capital gains	<u>634</u>	<u>151</u>
Net gain	<u>\$ 2,406</u>	<u>\$ 872</u>

The following summary of the Company's investments, by category, in an unrealized loss position at December 31, indicates the length of time these individual securities have been in a continuous unrealized loss position.

	2020					
	<u>Less than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Market Value</u>	<u>Unrealized Losses</u>	<u>Fair Market Value</u>	<u>Unrealized Losses</u>	<u>Fair Market Value</u>	<u>Unrealized Losses</u>
Debt securities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 6,708	\$ (55)	\$ -	\$ -	\$ 6,708	\$ (55)
Political subdivisions of states, territories and possessions	-	-	-	-	-	-
Corporate securities	-	-	-	-	-	-
Mortgage-backed securities	<u>1,622</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>1,622</u>	<u>(3)</u>
	<u>\$ 8,330</u>	<u>\$ (58)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,330</u>	<u>\$ (58)</u>

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

	2019					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Debt securities:						
U.S. Treasury securities and obligations of U.S. government agencies	\$ 3,790	\$ (54)	\$ 75	\$ -	\$ 3,865	\$ (54)
Political subdivisions of states, territories and possessions	297	(3)	-	-	297	(3)
Corporate securities	340	(4)	125	(4)	465	(8)
Mortgage-backed securities	1,079	(8)	1,951	(3)	3,030	(11)
	<u>\$ 5,506</u>	<u>\$ (69)</u>	<u>\$ 2,151</u>	<u>\$ (7)</u>	<u>\$ 7,657</u>	<u>\$ (76)</u>

The Company reviews its investment portfolio to ensure that investments that may be other than temporarily impaired are identified and that any impairment is charged against earnings in the proper period.

Management reviews several factors to determine whether a loss is other-than-temporary, such as the length of time a security is in an unrealized loss position, the extent to which fair value is less than amortized cost, the impact of changing interest rates in the short and long term, the financial condition and near term prospects of the issuer and the Company's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

Holdings have been reviewed and the Company has concluded that there were no other-than-temporary impairments as of December 31, 2020 and 2019. Issuers have continued to satisfy all contractual obligations and are expected to continue to do so. As such, the Company believes that the securities in an unrealized loss status are temporarily impaired and the Company intends to hold such securities until recovery. Issuers of equity securities continue to pay out dividends consistent with historical experience, and market values have improved with the overall market fluctuations. As such, the Company believes that the remaining debt and equity securities in an unrealized loss status are temporarily impaired and the Company intends to hold such securities until recovery.

At December 31, 2020 and 2019, the Company has securities valued at \$1,728 and \$1,718, respectively, in trusts. The assets are held in the trusts pursuant to certain provisions of various state statutes.

At December 31, 2020 and 2019, the Company has securities in Federal Home Loan Bank (FHLB) valued at \$20 and \$17, respectively. The Company also has pledged collateral to FHLB of \$17,176 and \$17,356 as of December 31, 2020 and 2019, respectively.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

3. Fair Value of Financial Instruments

The fair values presented represent management's best estimates and may not be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Certain instruments and all non-financial instruments are not required to be disclosed.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Corporate Debt Securities

When quoted prices are available in an active market, corporate debt securities are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing or discounted cash flow models. The fair values of corporate debt securities estimated using pricing models or matrix pricing based on observable prices of corporate debt securities that trade in inactive markets are generally classified within Level 2 of the fair value hierarchy. Securities are classified within Level 3 when there is limited activity or less transparency around inputs to the valuation.

Mortgage-Backed Securities

Fair values for Level 2 mortgage-backed securities are estimated using a market approach, including a pricing model with observable inputs. Mortgage-backed securities are classified within Level 3 when market activity is significantly limited or when there is less transparency around inputs to the valuation.

Other Debt and Equity Securities

When quoted market prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing or discounted cash flow models. The fair value of securities estimated using pricing models or matrix pricing are generally classified within Level 2 of the fair value hierarchy. The significant inputs include the yield and expected maturity date.

Cash and Short-term Investments

The carrying amount for cash and short-term investments is cost or amortized cost which approximates fair value based on the short maturities for the investments held. The Company carries its financial instruments included in short-term investments at amortized cost.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The following tables summarize the Company's financial assets (exclusive of pension assets) as of December 31, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

				2020			
				Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Estimated Market Value
Debt securities:							
U.S. Treasury securities and obligations of U.S. government agencies							
	\$	16,512	\$	6,804	\$	-	\$ 23,317
Political subdivisions of states, territories and possessions							
		-		-		-	-
Issued by foreign governments							
		-		203		-	203
Corporate securities							
		2,091		21,489		-	23,579
Mortgage-backed securities							
		-		16,644		-	16,643
Equity securities:							
Domestic							
		34,068		-		57	34,125
	\$	52,671	\$	45,140	\$	57	\$ 97,867
				2019			
				Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Estimated Market Value
Debt securities:							
U.S. Treasury securities and obligations of U.S. government agencies							
	\$	14,043	\$	-	\$	-	\$ 14,043
Political subdivisions of states, territories and possessions							
		297		7,003		-	7,300
Issued by foreign governments							
		-		177		-	177
Corporate securities							
		2,351		17,595		-	19,946
Mortgage-backed securities							
		-		18,645		-	18,645
Equity securities:							
Domestic							
		28,786		-		54	28,840
	\$	45,477	\$	43,420	\$	54	\$ 88,951

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The following tables summarize the fair value of the WPS Pension Plan's investments, other than cash and unsettled trades of \$0 and \$4,833 for 2020 and 2019, respectively, according to its classification in the fair value hierarchy as of December 31:

		2020			
		Level 1	Level 2	Level 3	Total
Government securities:					
U.S. Treasury securities and obligations of U.S. government agencies					
	\$	91,745	\$ 290	\$ -	\$ 92,035
Corporate bonds and notes					
		-	157,568	-	157,568
Mutual funds					
		<u>122,485</u>	<u>-</u>	<u>-</u>	<u>122,485</u>
Total investments at fair value					
	\$	<u>214,230</u>	\$ <u>157,858</u>	\$ <u>-</u>	
Investment, at net asset value ^(a)					
					<u>52,379</u>
Total investments					
					<u>\$ 424,467</u>
		2019			
		Level 1	Level 2	Level 3	Total
Government securities:					
U.S. Treasury securities and obligations of U.S. government agencies					
	\$	89,424	\$ -	\$ -	\$ 89,424
Foreign debt securities					
		-	17	-	17
Municipal securities					
		-	276	-	276
Corporate bonds and notes					
		-	141,640	-	141,640
Mutual funds					
		<u>107,475</u>	<u>-</u>	<u>-</u>	<u>107,475</u>
Total investments at fair value					
	\$	<u>196,899</u>	\$ <u>141,933</u>	\$ <u>-</u>	338,832
Investment, at net asset value ^(a)					
					<u>44,868</u>
Total investments					
					<u>\$ 383,700</u>

(a) The Martingale Investment Trust Series 1: US Low Volatility LargeCap+ employs a low volatility equity strategy with the objective of earning equity market returns over the long term with lower volatility than the market index. The investment universe consists of US large cap equity securities that trade in the US. Investors are admitted to the trust on the first business day of any given month. Investors wishing to redeem their interests will be permitted to do so as of the close of the calendar month subject to certain requirements in the trust's agreement.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

4. Related Party Transactions

Transactions between the Company and its wholly owned subsidiaries and affiliate include the following:

1. The Company contributed \$2,500 and \$7,000 to HPI during 2020 and 2019, respectively, to ensure the adequacy of HPI's surplus.
2. The Company provides office space, health insurance, claims processing, billing administration, data processing, accounting, financial, marketing and certain management services to EPIC and HPI. The total amount charged to these subsidiaries and affiliate for these reimbursable expenses was \$5,761 and \$8,984 in 2020 and 2019, respectively. In connection with these services:
 - a. These transactions with HPI resulted in accounts receivable from HPI of \$368 and \$463 at December 31, 2020 and 2019, respectively.
 - b. These transactions with EPIC resulted in accounts receivable from EPIC of \$124 and \$221 at December 31, 2020 and 2019, respectively.
4. EPIC provides disability and life insurance services to the Company. Charges to the Company for these services were \$1,284 and \$1,223 in 2020 and 2019, respectively. These transactions resulted in accounts payable to EPIC of \$10 and \$22 at December 31, 2020 and 2019, respectively.
5. The Company has an agreement with EPIC to reinsure 100 percent of EPIC's direct written health insurance in the CORE states (as defined by the reinsurance agreement).

The premiums assumed by the Company were \$1,168 and \$480 in 2020 and 2019, respectively. The claims paid by the Company were \$731 and \$396 in 2020 and 2019, respectively. At December 31, 2020 and 2019, the Company recorded reserves of \$403 and \$165, respectively, related to reinsurance agreements with EPIC.

6. In accordance with the intercompany tax allocation agreement described in Note 8, there is a net payable to HPI and EPIC for federal income taxes totaling \$32 and \$391 at December 31, 2020 and 2019, respectively.
7. The Company has a line of credit agreement with EPIC and HPI. The line of credit allows for a maximum outstanding balance of \$5,000 and bears an interest rate of LIBOR plus 1.50 percent. The line of credit automatically renews for additional one year periods unless the parties agree to a notice of non-renewal. As of December 31, 2020 and 2019, the Company had no amounts outstanding or due to it under the agreement.

5. Reinsurance

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

During 2018, the Company entered into a reinsurance agreement to limit its exposure on larger risks. The coinsurance agreement stipulated under a single layer of coverage that the Company was responsible for all claims up to \$1,000, and the reinsurer was responsible for 100 percent over \$1,000. The agreement was still in effect for 2019 and 2020.

Total reinsurance premiums ceded, which are deducted from premiums earned, were \$1,184 and \$1,147 in 2020 and 2019, respectively. Total ceded claims incurred, which are deducted from hospital and medical claims, were \$3,353 and \$494 in 2020 and 2019, respectively.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The Company is a reinsurer of certain services provided under various health insurance policies issued by other companies, including EPIC. Reinsurance premiums assumed, which are included in premiums earned, were \$7,901 and \$7,646 in 2020 and 2019, respectively. Reinsurance benefits incurred, which are included in hospital and medical benefits, were \$5,148 and \$5,783 in 2020 and 2019, respectively.

Administrative expenses and commissions incurred related to reinsurance were \$1,285 and \$1,227 in 2020 and 2019, respectively.

6. Administrative Services Contracts

Claim payments and administrative expenses charged to governmental units are subject to governmental audit and possible adjustment. Any possible adjustments are not expected to have a material effect on the Company's financial position.

During 2020 and 2019, the Company made no adjustment to revenues as a result of audits of Medicare, Veterans Affairs or TRICARE receivables recorded in the previous period.

Revenue from the Company's Medicare contracts for the years ended December 31, 2020 and 2019 consisted of \$99,679 and \$111,952, respectively, for administrative expenses, which are netted in other income on the statements of revenues and expenses.

Revenues from the Company's Department of Veterans Affairs contract for the years ended December 31, 2020 and 2019 were \$112,535 and \$118,089, respectively, for administrative expenses, which are netted in other income on the statements of revenues and expenses.

Revenue from the Company's TRICARE contracts for the years ended December 31, 2020 and 2019 consisted of \$173,289 and \$180,339, respectively, for administrative expenses, which are netted in other income on the statements of revenues and expenses.

As of December 31, 2020 and 2019, the Company had account balances that are greater than 10 percent of the Company's accounts receivable from uninsured accident and health plans, or \$10,000. These were accounts receivable of \$65,689 and \$102,727, respectively, as of December 31, 2020 and 2019 related to its Medicare, TRICARE and Veterans Affairs contracts.

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2020:

	<u>ASO Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASO</u>
a. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 650	\$ -	\$ 650
b. Total net other income or expenses (including interest paid or received from plans)	-	-	-
c. Net gain or (loss) from operations	650	-	650
d. Total claim payment volume	1,336,735	-	1,336,735

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The gain from operations from Administrative Services Contracts (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2020:

	<u>ASC Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASC</u>
a. Gross reimbursement for medical cost incurred	\$ 317,641	\$ -	\$ 317,641
b. Gross administrative fees accrued	12,381	-	12,381
c. Other income or expenses (including interest paid to or received from plans)	843	-	843
d. Gross expenses incurred (claims and administrative)	328,730	-	328,730
e. Total net gain or loss from operations	1,955	-	1,955

7. Claims Unpaid and Unpaid Claims Adjustment Expenses

The following table provides a reconciliation of claims unpaid and unpaid claims adjustment expenses for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 38,915	\$ 44,740
Incurred related to:		
Current year	273,175	281,696
Prior years	<u>(6,527)</u>	<u>(5,232)</u>
Total incurred	<u>266,648</u>	<u>276,464</u>
Paid related to:		
Current year	(236,736)	(244,606)
Prior years	<u>(30,907)</u>	<u>(37,683)</u>
Total paid	<u>267,643</u>	<u>(282,289)</u>
Balance at December 31	<u>\$ 37,920</u>	<u>\$ 38,915</u>

The liability for reported and estimated claims at January 1, 2020 developed favorably as of the result of decreased services during the year. The liability for reported and estimated claims at January 1, 2019 developed favorably in 2019 due primarily to lower than anticipated health claims.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

8. Income Taxes

The Company is taxed as an insurance company. The Company files consolidated income tax returns with its wholly owned subsidiaries, EPIC and HPI. In accordance with an intercompany tax allocation agreement: (a) the subsidiaries reimburse WPS for federal and state income taxes that would be payable had the subsidiaries filed separate federal and state tax returns; and (b) WPS reimburses the subsidiaries for income tax assets of the subsidiaries that are utilized by WPS.

The method of allocation among companies is subject to a written agreement, approved by the Board of Directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled monthly.

The Company has deferred tax assets and liabilities that consist of the following components as of December 31:

	2020		
	Ordinary	Capital	Total
Total gross deferred tax assets (admitted and non-admitted)	\$ 23,812	\$ -	\$ 23,812
Total gross deferred tax liabilities	<u>(1,355)</u>	<u>(2,213)</u>	<u>(3,568)</u>
	<u>\$ 22,457</u>	<u>\$ (2,213)</u>	20,244
Total deferred tax assets non-admitted			<u>(6,757)</u>
Net admitted deferred tax assets			<u>\$ 13,487</u>
	2019		
	Ordinary	Capital	Total
Total gross deferred tax assets (admitted and non-admitted)	\$ 25,007	\$ -	\$ 25,007
Total gross deferred tax liabilities	<u>(65)</u>	<u>(1,613)</u>	<u>(1,678)</u>
	<u>\$ 24,942</u>	<u>\$ (1,613)</u>	23,329
Total deferred tax assets non-admitted			<u>(9,169)</u>
Net admitted deferred tax assets			<u>\$ 14,160</u>
		2020	2019
Ratio percentage used to determine recovery period and threshold limitation amount		<u>1042 %</u>	<u>757%</u>
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation		<u>\$ 198,698</u>	<u>\$ 153,224</u>

There are no tax planning strategies that have an impact on the determination of adjusted gross deferred tax assets and net admitted deferred tax assets. The use of reinsurance is not included in the Company's tax planning strategies

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The components of federal income taxes were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Federal income tax expense	\$ 4,593	\$ 10,518
Current tax expense (benefit) on realized capital gains	<u>634</u>	<u>151</u>
Federal income tax incurred	<u>\$ 5,227</u>	<u>\$ 10,669</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Ordinary:		
Accruals and allowances	\$ 2,829	\$ 2,612
Premiums collected in advance	1,085	1,093
Discounted unpaid losses	78	68
Retirement plans	3,027	4,135
Sales tax audit and interest	129	140
Deferred policy acquisition costs	11,013	10,207
Rate guarantee reserve	435	504
Long-term incentive plan	951	424
Wisconsin Insurance Security Fund	326	301
Capital loss on sale of AHV	-	1,802
Fixed assets	-	1,110
Non-admitted assets	3,939	3,128
Other	<u>-</u>	<u>9</u>
Total deferred tax assets	23,812	25,533
Non-admitted deferred tax assets:	<u>(6,757)</u>	<u>(9,695)</u>
Net admitted deferred tax assets	<u>17,055</u>	<u>15,838</u>
Deferred tax liabilities:		
Ordinary:		
Fixed Assets	1,339	-
Bond accretion	14	14
Salvage recoverable	2	-
Partnership income difference	<u>-</u>	<u>51</u>
	<u>1,355</u>	<u>65</u>
Capital:		
Unrecognized gains on stocks	2,213	1,613
Unrecognized gains on bonds	<u>-</u>	<u>-</u>
	<u>2,213</u>	<u>1,613</u>
Total deferred tax liabilities	<u>3,568</u>	<u>1,678</u>
Net deferred tax assets	<u>\$ 13,487</u>	<u>\$ 14,160</u>

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The changes in net deferred income taxes from December 31, 2019 to December 31, 2020, were as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Total gross deferred tax assets	\$ 23,812	\$ 25,553	(1,741)
Total gross deferred tax liabilities	<u>(3,568)</u>	<u>(1,678)</u>	<u>(1,890)</u>
Net deferred tax assets	<u>\$ 20,243</u>	<u>\$ 23,875</u>	(3,631)
Tax effect of unrealized gains			<u>1,146</u>
Change in net deferred income tax assets			<u>\$ (2,485)</u>

The provision for federal income taxes incurred and change in deferred income tax assets is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows for the years ended December 31:

	<u>2020</u>		<u>2019</u>	
	<u>Tax Effect</u>	<u>Effective Tax Rate</u>	<u>Tax Effect</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$ 4,418	21.0 %	\$ 6,697	21.0%
Pension	(627)	(3.0)	2,640	8.3
ACA tax	589	2.8	-	-
Fixed assets and non-admitted assets	2,589	12.2	1,877	5.9
Tax credits	(80)	(0.4)	-	-
Accrual adjustments	(300)	(1.4)	26	0.1
Compensation limit	588	2.8	399	1.3
Meals and entertainment	65	0.3	104	0.3
Tax free bond interest	(43)	(0.2)	(54)	(0.2)
Lease up fees	-	-	(78)	(0.2)
AHV loss on sale	-	-	(689)	(2.2)
Other	<u>514</u>	<u>2.4</u>	<u>(65)</u>	<u>(0.3)</u>
Total	<u>\$ 7,713</u>	<u>36.5 %</u>	<u>\$ 10,857</u>	<u>34.0%</u>
Federal income tax expense	\$ 4,593	21.8 %	\$ 10,518	33.0%
Current tax expense on realized capital gains	634	3.0	151	0.5
Change in net deferred income taxes	<u>2,485</u>	<u>11.7</u>	<u>188</u>	<u>0.5</u>
Total statutory income tax expense	<u>\$ 7,713</u>	<u>36.5 %</u>	<u>\$ 10,857</u>	<u>34.0%</u>

At December 31, 2020, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The Company did not use any tax planning strategies in determining the gross and admitted deferred tax assets as of December 31, 2020 and 2019.

In addition, as of December 31, 2020 and 2019, the Company had no tax loss contingencies which meet the more-likely-than-not and reasonably estimated criterion for recognition as described in Statement of Statutory Accounting Principles No. 5R, *Liabilities, Contingencies and Impairments of Assets*.

The following is income tax expense for 2020 and 2019 that is available for recoupment in the event of future net losses, subject to carryback limitations as provided for in the income tax regulations:

<u>Years Ended</u>	<u>Amount</u>
2020	\$ 9,248
2019	10,874

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

9. Employee Benefit Plans

Defined Benefit Pension and Supplemental Executive Retirement Plans

The Company sponsored defined benefit pension plans covering employees who were 21 years or older who had completed at least one year of continuous service. The Wisconsin Physicians Service Insurance Corporation Employees' Pension Plan (WPS Employees' Pension Plan) covered bargaining unit employees. The WPS Managerial Pension Plan covered nonbargaining unit employees. The WPS Employees' Pension Plan was merged into the WPS Managerial Pension Plan effective December 31, 2012, and the merged plans were renamed the WPS Pension Plan (the Plan).

The Company froze the benefits of the WPS Managerial Pension Plan effective December 31, 2009, for participants with less than 10 years of credited service as of January 1, 2009. The Company froze the benefits of the WPS Managerial Pension Plan effective December 31, 2012, for all remaining participants in the plan. The Company elected to freeze the benefits for all previous participants of the WPS Employees' Pension Plan effective December 31, 2013.

The Company's funding policy is to make annual contributions to the Plan as deemed necessary on an actuarial basis in accordance with minimum funding requirements and maximum deductible limitations. The Company expects to make contributions of \$446 to the Plan in 2021. The Company has additional Supplemental Executive Retirement Plans (SERP) for eligible executives that are unfunded.

Company contributions to these plans totaled \$454 and \$454 in 2020 and 2019, respectively. There were no employee contributions in 2020 and 2019. Total benefits paid from these plans were \$18,691 and \$18,430 in 2020 and 2019, respectively.

The Company amortizes the unrecognized gains and losses in excess of a corridor (10 percent of the greater of the projected benefit obligation or the fair value of assets) into expense using an amortization period based on the average future service period of active employees.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

A summary of the funded status of the Company's defined benefit plans is as follows as of December 31, 2020:

	<u>Projected Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Underfunded</u>
WPS Pension Plan	\$ 430,167	\$ 424,467	\$ 5,700
SERP Plans	<u>5,116</u>	<u>-</u>	<u>5,116</u>
Total	<u>\$ 435,283</u>	<u>\$ 424,467</u>	<u>\$ 10,816</u>

A summary of the funded status of the Company's defined benefit plans is as follows as of December 31, 2019:

	<u>Projected Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Underfunded</u>
WPS Pension Plan	\$ 397,381	\$ 388,533	\$ 8,848
SERP Plans	<u>5,054</u>	<u>-</u>	<u>5,054</u>
Total	<u>\$ 402,435</u>	<u>\$ 388,533</u>	<u>\$ 13,902</u>

The Company's defined benefit plans weighted average asset allocations by asset category were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Equity securities	40 %	38 %
Fixed income securities	59	61
Cash and cash equivalents	<u>1</u>	<u>1</u>
Total	<u>100 %</u>	<u>100 %</u>

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

The Company has an investment policy that dictates which asset types are permissible, investment objectives, delegation of specific duties and risk management goals. The Company's overall investment strategy is to achieve a mix of 98 percent of investments for long-term growth and 2 percent for near-term benefit payments, with a wide diversification of asset types, fund strategies and fund managers. The target asset allocation percentages for plan assets were as follows:

	<u>Minimum</u>	<u>Maximum</u>
Equity securities	28.0 %	38.0 %
Fixed income securities	62.0	72.0

Equity securities primarily include investments in companies principally located in the United States. Fixed income securities include corporate bonds of companies in diversified industries, mortgage-backed securities and U.S. Treasury securities. Investment goals include the preservation of capital and attaining investment return benchmarks over a market cycle.

The basis used to determine the overall expected long-term rate of return on assets is developed from historical returns on the investment types held by the Company, current operating results of issuers of equity securities, current interest rates available on fixed-income securities and other current economic conditions.

Assumptions used to determine the benefit obligations, which are used to determine the WPS Pension Plan funded status as of December 31, 2020 and 2019, and to compute pension expense for the period, were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	3.75 %	3.75 %
Expected long-term rate of return on plan assets	5.50	5.50
Rate of increase in compensation levels	N/A	N/A

The following tables set forth the plans' benefit obligations, components of and change in prepaid pension cost, change in the plans' assets, funded status and components of net periodic benefit cost for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation for vested employees	\$ (435,283)	\$ (402,435)
Fair value of plan assets	<u>424,467</u>	<u>388,533</u>
Underfunded accumulated benefits	<u>\$ (10,816)</u>	<u>\$ (13,902)</u>
	<u>2020</u>	<u>2019</u>
Projected benefit obligation	\$ (435,283)	\$ (402,435)
Fair value of plan assets	424,467	388,533
Items not yet recognized in earnings:		
Unrecognized net loss	<u>58,419</u>	<u>55,515</u>
Prepaid pension cost as of December 31	<u>\$ 47,603</u>	<u>\$ 41,613</u>

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Prepaid pension cost at beginning of year	\$ 41,613	\$ 41,203
Net periodic pension cost (benefit)	(5,535)	(43)
Employer contributions	454	454
	<u>\$ 36,532</u>	<u>\$ 41,613</u>

	<u>2020</u>	<u>2019</u>
Projected benefit obligation at beginning of period	\$ 402,435	\$ 361,200
Interest cost	14,694	16,731
Actuarial (gain) loss	36,845	42,934
Benefits paid	(18,691)	(18,430)
	<u>\$ 435,283</u>	<u>\$ 402,435</u>

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at beginning of period	\$ 388,533	\$ 334,296
Actual return on plan assets	54,171	72,213
Employer contributions	454	454
Benefits paid	(18,691)	(18,430)
	<u>\$ 424,467</u>	<u>\$ 388,533</u>

Components of net periodic benefit cost include the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest cost on projected benefit obligation	\$ 14,694	\$ 16,732
Return on plan assets recognized	(20,846)	(17,872)
Net amortization and deferral	617	1,183
	<u>\$ (5,535)</u>	<u>\$ 43</u>

The following table summarizes expected future benefit payments, which reflect expected future service, as of December 31, 2020:

<u>Years ending December 31,</u>	
2021	\$ 19,980
2022	20,440
2023	20,848
2024	21,311
2025	21,925
2026 - 2030	115,363

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

WPS 401(k) Savings Plan and Bargaining Unit 401(k) Plan

The WPS 401(k) Savings Plan covers the Company's nonbargaining unit employees. The Company makes matching contributions equal to 100 percent of the employee's individual contributions up to a percentage of compensation ranging from 0 percent to 6 percent.

The WPS Bargaining Unit Employees 401(k) Plan covers bargaining unit employees. The Company makes matching contributions equal to 100 percent of the employee's individual contributions up to a percentage of compensation ranging from 0 percent to 6 percent, depending on the employee's completed years of service. In addition, non-matching contributions will be made by the Company to certain employees who participated in the WPS Employees' Pension Plan as of October 1, 2008. Non-matching contribution percentages range from 3 percent to 6 percent, depending on the completed years of service.

Company contributions to these plans totaled \$9,114 and \$8,940 in 2020 and 2019, respectively.

Other Post-retirement Employee Benefits

The Company has a long-term deferred compensation plan (DCP) covering certain key employees. The DCP allows these key employees to defer a portion of their base pay into a nonqualified investment trust. The assets of the investment trust were \$1,250 and \$1,099 as of December 31, 2020 and 2019, respectively. These are held by the Company and are included in cash, cash equivalents and short-term investments on the statements of admitted assets, liabilities, capital and surplus. The amounts due to these key employees as of December 31, 2020 and 2019, were \$112 and \$100, respectively, which is included in general expenses due or accrued on the statements of assets, liabilities, capital and surplus. Payments under the plan occur to the individuals in accordance with the plan document. Effective December 31, 2012, there are no individuals contributing to the DCP.

Long-term Incentive Plan

The Company has a long-term incentive plan (LTIP) for certain key employees. The LTIP includes ladders of three-year performance periods, starting with the 2018 to 2020 performance period payable in 2021 based on goal achievement. The Company has accrued \$4,527 and \$2,020 at December 31, 2020 and 2019, respectively, related to the payout of the LTIP in general expenses due or accrued on the statements of assets, liabilities, capital and surplus.

10. Lease Obligations

The Company leases data processing and office equipment, automobiles, and certain office facilities. Total rent expense charged to operations was \$10,935 and \$12,601 in 2020 and 2019, respectively.

The following is a schedule by year of future minimum payments under leases as of December 31, 2020:

<u>Years ending December 31,</u>	
2021	\$ 10,581
2022	6,436
2023	3,229
2024	1,172
2025	1,117
Thereafter	<u>1,222</u>
	<u>\$ 23,757</u>

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

11. Commitments and Contingencies

Legal Matters

The Company is subject to pending and threatened legal actions in the ordinary course of business, principally related to the defense of various liability and other claims related to its business as an insurer. Amounts are established by management to cover estimated losses and related expenses associated with these matters.

It is the opinion of management that the ultimate resolution of these matters will not have a material effect on the Company's financial position or results of operations.

Other

In March 2017, the Company received notification of the insolvency of Penn Treaty Insurance Company. It is expected that the insolvency will result in a retrospective premium-based guaranty fund assessment against the Company. There was \$120 and \$240 charged to operations in 2020 and 2019, respectively, resulting in a liability of \$1,950 and \$1,830 at December 31, 2020 and 2019, respectively, recognized using a discount rate of 4.2 percent.

Line of Credit

At December 31, 2020 and 2019, the Company has \$0 outstanding under a line of credit agreement with Associated Bank. The maximum borrowing capacity was \$30,000 at December 31, 2020 and \$20,000 at December 31, 2019. Interest on the line of credit is at one-month LIBOR plus 1.5 percent (effective rate of 1.62 percent and 3.19 percent at December 31, 2020 and 2019, respectively). The line of credit is unsecured and borrowings, if any, are due May 28, 2021. Management intends to renew this agreement prior to the expiration date at comparable terms.

At December 31, 2020 and 2019, the Company has \$0 outstanding under the line of credit agreement with Federal Home Loan Bank. The maximum borrowing capacity was \$15,000 at both December 31, 2020 and 2019. Interest on the line of credit is a one-month fixed rate advance (effective rate of 0.25 percent and 2.37 percent at December 31, 2020 and 2019, respectively). The line of credit is collateralized by certain securities.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

12. Health Care Receivables

The Company's pharmaceutical rebates receivables are based on current month actuals processed to date and an estimate for the remainder of the month. The estimate is based on paid claims and the underlying pharmaceutical rebate contract provisions. The Company had the following pharmaceutical rebates activity during 2020, 2019 and 2018:

Quarter	Estimated Pharmacy Rebates as Reported by Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Actual Rebates Collected More Than 180 Days After Invoicing / Confirmation
December 31, 2020	\$ 2,721	\$ -	\$ -	\$ -	\$ -
September 30, 2020	2,722	-	-	-	-
June 30, 2020	2,709	-	-	3,868	-
March 31, 2020	2,952	-	-	3,720	69,633
December 31, 2019	3,243	-	-	-	-
September 30, 2019	3,143	-	-	-	-
June 30, 2019	3,192	-	-	3,818	-
March 31, 2019	3,065	-	-	3,500	56
December 31, 2018	3,649	-	-	4,093	31
September 30, 2018	3,072	-	-	3,830	108
June 30, 2018	3,013	-	-	3,871	67
March 31, 2018	3,030	-	-	3,643	33

13. Risk Based Capital Requirements

In its administrative code, the OCI has established compulsory and security levels of surplus. As of December 31, 2020 and 2019, the Company has surplus which management believes are in compliance with these established compulsory and security levels of surplus. The laws of the State of Wisconsin limit dividends to shareholders without prior approval from the OCI. Within these limitations, there are no restrictions placed on the Company's profits that may be paid as ordinary dividends to shareholders. There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

Health insurance companies are subject to certain risk-based capital (RBC) requirements specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a health insurance company is to be determined based on various factors related to it. At December 31, 2020 and 2019, the management of the Company believes that the Company is in compliance with the RBC requirements.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

14. Risks and Uncertainties

The Company's operating results and financial conditions are affected by numerous factors and circumstances unique to the insurance industry, some of which it can neither predict nor control. Among them are (1) statutorily-imposed regulatory capital requirements can limit an insurer's ability to underwrite new business or retain otherwise desirable risks; (2) an insurer's ability to enter into suitable reinsurance agreements is subject to prevailing conditions in reinsurance markets; (3) fluctuations in interest rates affect the value and income yield of an insurer's investment portfolio in the short-term and often affect default and prepayment rates over time; and (4) inflationary pressures and medical costs affect the magnitude of claims and claims adjustment expenses.

The Company has several contracts to process claims for various governmental entities. The contracts expire at various dates through 2022 and are subject to standard termination for convenience provisions by the contracting agency. The Company is in the process of or has completed bidding on several different new contracts for which final award decisions are not yet known. The Company is not assured of maintaining any of its existing contracts upon expiration, and loss of these contracts could have a material effect on the future operations of the Company.

15. Health Care Reform

In connection with the Patient Protection and Affordable Care Act (ACA), the Company pays an annual insurance industry premium-based fee. This annual premium based fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the previous calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. This fee is not deductible for tax purposes and is paid in September of each year. The Continuing Resolution Bill, H.R. 195, enacted on January 22, 2018, included a one-year suspension in 2019 of the health insurer fee, but the fee resumed in calendar year 2020. The amount for 2020 has been included as surplus appropriated in the 2019 statements of admitted assets, liabilities, capital and surplus.

	<u>2020</u>	<u>2019</u>
ACA fee assessment payable	\$ -	\$ 4,271
ACA fee assessment paid	2,806	-
Premium written subject to ACA 9010 assessment	173,287	178,887

Would reporting the ACA assessment as of December 31, 2020, have triggered an RBC action level? No.

The ACA also established risk-spreading premium stabilization programs applicable to certain commercial medical insurance products. These programs, formerly referred to as the 3Rs, included a permanent risk adjustment program, a transitional reinsurance program, and a temporary risk corridors program. The transitional reinsurance and temporary risk corridors programs were for years 2014 through 2016, with potential for additional reinsurance recoveries through 2018 to the extent funds are available.

The Company estimates and recognizes adjustments to premiums revenue for the risk adjustment provision by projecting the ultimate premium for the calendar year separately for individual and group plans. Estimated calendar-year settlement amounts are recognized ratably during the year and are revised each period to reflect current experience, including changes in risk scores derived from medical diagnoses submitted by providers. The Company records receivables or payables at the individual or group level.

Wisconsin Physicians Service Insurance Corporation

Notes to Statutory Financial Statements (\$000's)

December 31, 2020 and 2019

Risk adjustment calculations will be completed and the U.S. Department of Health and Human Services (HHS) will notify the Company of recoveries due or payments owed to/from the Company under the permanent risk adjustment program by June 30 of the year following the benefit year. Payments due to HHS under the permanent risk adjustment program must be remitted within 30 days of notification and will be collected prior to the distribution of recoveries by HHS. All other ACA receivables are included in contracts subject to redetermination on the statements of admitted assets, liabilities, capital and surplus.

The impact of risk sharing provision of the ACA on admitted assets, liabilities and revenue as of and for the year ended December 31, 2020, were as follows:

Permanent ACA Risk Adjustment Program:

Assets:

1. Premium adjustments receivable due to ACA Risk Adjustment \$ 2,591

Liabilities:

2. Risk adjustment user fees payable for ACA Risk Adjustment (7)

3. Premium adjustments payable due to ACA Risk Adjustment -

Operations (Revenue and Expenses):

4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment 2,847

5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid) 3

The following table is a roll forward of the 2019 asset and liability balances related to the ACA risk-sharing provisions.

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		(Received) Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Unsettled Balances as of the Reporting Date	
	1	2	3	4	Prior Year Accrued Less Payment (Col 1-3)	Prior Year Accrued Less Payment (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)
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)
Permanent ACA Risk Adjustment Programs										
1. Premium adjustments receivable	\$ 3,020	\$ -	\$ 3,303	\$ -	\$ (283)	\$ -	\$ 283	\$ -	\$ -	\$ -
2. Premium adjustments	-	(41)	-	(67)	-	27	-	(450)	-	(424)
Total for ACA Risk Sharing Provisions	\$ 3,020-	\$ (41)	\$ 5,302-	\$ (67)	\$ (283)	\$ 27	\$ 283	\$ (450)	\$ -	\$ (424)

17. Subsequent Events

The Company evaluated its December 31, 2020 financial statements for subsequent events through May 27, 2021, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in these statutory financial statements

Independent Auditors' Report on Other Financial Information

To the Board of Directors and Audit Committee of
Wisconsin Physicians Service Insurance Corporation

Our audit was conducted for the purpose of forming an opinion on the statutory financial statements as a whole, as of and for the year ended December 31, 2020. The accompanying summary investment schedule, supplemental investment risks interrogatories, and supplemental schedule regarding reinsurance contracts with risk-limiting features are presented for purposes of additional analysis and to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and are not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Our report is intended solely for the information and use of the Board of Directors, the Audit Committee, management of the Company, the Wisconsin Office of the Commissioner of Insurance and other state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

Milwaukee, Wisconsin
May 27, 2021

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1 Amount	2 Percentage of Column 1 Line 13	3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	13,878,712	5.190	13,878,712	0	13,878,712	5.195
1.02 All other governments	0	0.000	0	0	0	0.000
1.03 U.S. states, territories and possessions, etc. guaranteed	0	0.000	0	0	0	0.000
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	0	0.000	0	0	0	0.000
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	20,760,757	7.763	20,760,757	0	20,760,757	7.771
1.06 Industrial and miscellaneous	24,046,936	8.992	24,046,936	0	24,046,936	9.001
1.07 Hybrid securities	0	0.000	0	0	0	0.000
1.08 Parent, subsidiaries and affiliates	0	0.000	0	0	0	0.000
1.09 SVO identified funds	0	0.000	0	0	0	0.000
1.10 Unaffiliated Bank loans	0	0.000	0	0	0	0.000
1.11 Total long-term bonds	58,686,405	21.945	58,686,405	0	58,686,405	21.967
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)	0	0.000	0	0	0	0.000
2.02 Parent, subsidiaries and affiliates	0	0.000	0	0	0	0.000
2.03 Total preferred stocks	0	0.000	0	0	0	0.000
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	3,277,492	1.226	3,277,492	0	3,277,492	1.227
3.02 Industrial and miscellaneous Other (Unaffiliated)	36,978	0.014	36,978	0	36,978	0.014
3.03 Parent, subsidiaries and affiliates Publicly traded	51,195,003	19.143	51,195,003	0	51,195,003	19.163
3.04 Parent, subsidiaries and affiliates Other	0	0.000	0	0	0	0.000
3.05 Mutual funds	30,810,211	11.521	30,810,211	0	30,810,211	11.533
3.06 Unit investment trusts	0	0.000	0	0	0	0.000
3.07 Closed-end funds	0	0.000	0	0	0	0.000
3.08 Total common stocks	85,319,684	31.903	85,319,684	0	85,319,684	31.936
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages	0	0.000	0	0	0	0.000
4.02 Residential mortgages	0	0.000	0	0	0	0.000
4.03 Commercial mortgages	0	0.000	0	0	0	0.000
4.04 Mezzanine real estate loans	0	0.000	0	0	0	0.000
4.05 Total valuation allowance	0	0.000	0	0	0	0.000
4.06 Total mortgage loans	0	0.000	0	0	0	0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company	26,894,313	10.057	26,894,313	0	26,894,313	10.067
5.02 Properties held for production of income	0	0.000	0	0	0	0.000
5.03 Properties held for sale	0	0.000	0	0	0	0.000
5.04 Total real estate	26,894,313	10.057	26,894,313	0	26,894,313	10.067
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	(10,502,256)	(3.927)	(10,502,256)	0	(10,502,256)	(3.931)
6.02 Cash equivalents (Schedule E, Part 2)	106,757,897	39.920	106,757,897	0	106,757,897	39.961
6.03 Short-term investments (Schedule DA)	0	0.000	0	0	0	0.000
6.04 Total cash, cash equivalents and short-term investments	96,255,641	35.993	96,255,641	0	96,255,641	36.030
7. Contract loans	0	0.000	0	0	0	0.000
8. Derivatives (Schedule DB)	0	0.000	0	0	0	0.000
9. Other invested assets (Schedule BA)	274,873	0.103	0	0	0	0.000
10. Receivables for securities	0	0.000	0	0	0	0.000
11. Securities Lending (Schedule DL, Part 1)	0	0.000	0	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)	0	0.000	0	0	0	0.000
13. Total invested assets	267,430,916	100.000	267,156,043	0	267,156,043	100.000



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2020
(To Be Filed by April 1)

Of The Wisconsin Physicians Service Insurance Corporation
ADDRESS (City, State and Zip Code) Madison, WI 53713-1895
NAIC Group Code 0068 NAIC Company Code 53139 Federal Employer's Identification Number (FEIN) 39-1268299

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement \$ 381,975,142

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	JP MORGAN CHASE BANK NA	Bond	\$ 1,299,002	0.3 %
2.02	WELLS FARGO COML TR 2015-C26	Bond	\$ 629,905	0.2 %
2.03	MINNEAPOLIS & ST PAUL MINN MET	Bond	\$ 527,550	0.1 %
2.04	WASHINGTON ST FOR ISSUES DTD P	Bond	\$ 513,911	0.1 %
2.05	CALIFORNIA ST PUB WKS BRD LEAS	Bond	\$ 513,780	0.1 %
2.06	DALLAS FORT WORTH TEX INTL ARP	Bond	\$ 511,720	0.1 %
2.07	LOUISIANA LOC GOVT ENVIRONMENT	Bond	\$ 510,991	0.1 %
2.08	NEW YORK ST TNY AUTH GEN REV	Bond	\$ 507,629	0.1 %
2.09	CHICAGO IL O'HARE INTL REV SER D	Bond	\$ 506,832	0.1 %
2.10	OHIO ST TPK COMM TPK REV	Bond	\$ 504,176	0.1 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds		Preferred Stocks	
	1	2	3	4
3.01	NAIC-1 \$ 45,360,996	11.9 %	3.07 P/RP-1 \$	0.0 %
3.02	NAIC-2 \$ 13,178,090	3.4 %	3.08 P/RP-2 \$	0.0 %
3.03	NAIC-3 \$ 147,320	0.0 %	3.09 P/RP-3 \$	0.0 %
3.04	NAIC-4 \$ 0	0.0 %	3.10 P/RP-4 \$	0.0 %
3.05	NAIC-5 \$ 0	0.0 %	3.11 P/RP-5 \$	0.0 %
3.06	NAIC-6 \$ 0	0.0 %	3.12 P/RP-6 \$	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02 Total admitted assets held in foreign investments \$ 153,427 0.0 %

4.03 Foreign-currency-denominated investments \$ 0.0 %

4.04 Insurance liabilities denominated in that same foreign currency \$ 0.0 %

SUPPLEMENT FOR THE YEAR 2020 OF THE Wisconsin Physicians Service Insurance Corporation

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	<u>1</u>	<u>2</u>
5.01 Countries designated NAIC-1 .....	\$ .....	.....0.0 %
5.02 Countries designated NAIC-2 .....	\$ .....	.....0.0 %
5.03 Countries designated NAIC-3 or below .....	\$ .....	.....0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	<u>1</u>	<u>2</u>
Countries designated NAIC - 1:		
6.01 Country 1: .....	\$ .....	.....0.0 %
6.02 Country 2: .....	\$ .....	.....0.0 %
Countries designated NAIC - 2:		
6.03 Country 1: .....	\$ .....	.....0.0 %
6.04 Country 2: .....	\$ .....	.....0.0 %
Countries designated NAIC - 3 or below:		
6.05 Country 1: .....	\$ .....	.....0.0 %
6.06 Country 2: .....	\$ .....	.....0.0 %

7. Aggregate unhedged foreign currency exposure

	<u>1</u>	<u>2</u>
7. Aggregate unhedged foreign currency exposure .....	\$ .....	.....0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

	<u>1</u>	<u>2</u>
8.01 Countries designated NAIC-1 .....	\$ .....	.....0.0 %
8.02 Countries designated NAIC-2 .....	\$ .....	.....0.0 %
8.03 Countries designated NAIC-3 or below .....	\$ .....	.....0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

	<u>1</u>	<u>2</u>
Countries designated NAIC - 1:		
9.01 Country 1: .....	\$ .....	.....0.0 %
9.02 Country 2: .....	\$ .....	.....0.0 %
Countries designated NAIC - 2:		
9.03 Country 1: .....	\$ .....	.....0.0 %
9.04 Country 2: .....	\$ .....	.....0.0 %
Countries designated NAIC - 3 or below:		
9.05 Country 1: .....	\$ .....	.....0.0 %
9.06 Country 2: .....	\$ .....	.....0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	Issuer	NAIC Designation		
10.01	\$0.0 %
10.02	\$0.0 %
10.03	\$0.0 %
10.04	\$0.0 %
10.05	\$0.0 %
10.06	\$0.0 %
10.07	\$0.0 %
10.08	\$0.0 %
10.09	\$0.0 %
10.10	\$0.0 %

SUPPLEMENT FOR THE YEAR 2020 OF THE Wisconsin Physicians Service Insurance Corporation

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? _____ Yes No

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11.

	1	2
11.02 Total admitted assets held in Canadian investments	\$ 1,053,347	0.3 %
11.03 Canadian-currency-denominated investments	\$	0.0 %
11.04 Canadian-denominated insurance liabilities	\$	0.0 %
11.05 Unhedged Canadian currency exposure	\$	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? _____ Yes No

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02 Aggregate statement value of investments with contractual sales restrictions	\$	0.0 %
Largest three investments with contractual sales restrictions:			
12.03	\$	0.0 %
12.04	\$	0.0 %
12.05	\$	0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? _____ Yes No

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

	1	2	3
	Issuer		
13.02 VANGUARD GROWTH INDEX FDS INSTL	\$ 10,514,466	.....	2.8 %
13.03 TIAA-CREF L/C VAL INDX-INST	\$ 8,610,880	.....	2.3 %
13.04 VANGUARD S&P SMALL CAP 600 INDEX	\$ 6,492,889	.....	1.7 %
13.05 VANGUARD DEVELOPED MARKETS INDEX	\$ 5,191,975	.....	1.4 %
13.06 ISHARES TR MSCI USA MIN VOL FA ETF	\$ 3,172,711	.....	0.8 %
13.07 .....	\$ .....	.....	0.0 %
13.08 .....	\$ .....	.....	0.0 %
13.09 .....	\$ .....	.....	0.0 %
13.10 .....	\$ .....	.....	0.0 %
13.11 .....	\$ .....	.....	0.0 %

SUPPLEMENT FOR THE YEAR 2020 OF THE Wisconsin Physicians Service Insurance Corporation

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

	<u>1</u>		<u>2</u>		<u>3</u>
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities .....	\$	.....	\$	.....0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:				
14.03	.....	\$	.....	\$	.....0.0 %
14.04	.....	\$	.....	\$	.....0.0 %
14.05	.....	\$	.....	\$	.....0.0 %

Ten largest fund managers:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
	Fund Manager	Total Invested	Diversified	Nondiversified
14.06	\$0	\$	\$
14.07	\$0	\$	\$
14.08	\$0	\$	\$
14.09	\$0	\$	\$
14.10	\$0	\$	\$
14.11	\$0	\$	\$
14.12	\$0	\$	\$
14.13	\$0	\$	\$
14.14	\$0	\$	\$
14.15	\$0	\$	\$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No []

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	<u>1</u>		<u>2</u>		<u>3</u>
15.02	Aggregate statement value of investments held in general partnership interests .....	\$	.....	\$	.....0.0 %
	Largest three investments in general partnership interests:				
15.03	.....	\$	.....	\$	.....0.0 %
15.04	.....	\$	.....	\$	.....0.0 %
15.05	.....	\$	.....	\$	.....0.0 %

SUPPLEMENT FOR THE YEAR 2020 OF THE Wisconsin Physicians Service Insurance Corporation

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? _____ Yes [X] No []

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1	2	3
	Type (Residential, Commercial, Agricultural)		
16.02	\$		0.0 %
16.03	\$		0.0 %
16.04	\$		0.0 %
16.05	\$		0.0 %
16.06	\$		0.0 %
16.07	\$		0.0 %
16.08	\$		0.0 %
16.09	\$		0.0 %
16.10	\$		0.0 %
16.11	\$		0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Loans		
16.12	\$		0.0 %
16.13	\$		0.0 %
16.14	\$		0.0 %
16.15	\$		0.0 %
16.16	\$		0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan to Value	Residential		Commercial		Agricultural	
	1	2	3	4	5	6
17.01 above 95%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.02 91 to 95%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.03 81 to 90%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.04 71 to 80%	\$	0.0 %	\$	0.0 %	\$	0.0 %
17.05 below 70%	\$	0.0 %	\$	0.0 %	\$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? _____ Yes [X] No []

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	1	2	3
	Description		
18.02	\$		0.0 %
18.03	\$		0.0 %
18.04	\$		0.0 %
18.05	\$		0.0 %
18.06	\$		0.0 %

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? _____ Yes [X] No []

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3
19.02	\$		0.0 %
Largest three investments held in mezzanine real estate loans:			
19.03	\$		0.0 %
19.04	\$		0.0 %
19.05	\$		0.0 %

SUPPLEMENT FOR THE YEAR 2020 OF THE Wisconsin Physicians Service Insurance Corporation

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year End		At End of Each Quarter		
	1	2	1st Quarter 3	2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ .....	.....0.0 %	\$	\$	\$
20.02 Repurchase agreements	\$ .....	.....0.0 %	\$	\$	\$
20.03 Reverse repurchase agreements	\$ .....	.....0.0 %	\$	\$	\$
20.04 Dollar repurchase agreements	\$ .....	.....0.0 %	\$	\$	\$
20.05 Dollar reverse repurchase agreements	\$ .....	.....0.0 %	\$	\$	\$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	1	2	3	4
21.01 Hedging	\$ .....	.....0.0 %	\$ .....	.....0.0 %
21.02 Income generation	\$ .....	.....0.0 %	\$ .....	.....0.0 %
21.03 Other	\$ .....	.....0.0 %	\$ .....	.....0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year End		At End of Each Quarter		
	1	2	1st Quarter 3	2nd Quarter 4	3rd Quarter 5
22.01 Hedging	\$0	.....0.0 %	\$0	\$0	\$0
22.02 Income generation	\$0	.....0.0 %	\$0	\$0	\$0
22.03 Replications	\$0	.....0.0 %	\$0	\$0	\$0
22.04 Other	\$0	.....0.0 %	\$0	\$0	\$0

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year End		At End of Each Quarter		
	1	2	1st Quarter 3	2nd Quarter 4	3rd Quarter 5
23.01 Hedging	\$0	.....0.0 %	\$0	\$0	\$0
23.02 Income generation	\$0	.....0.0 %	\$0	\$0	\$0
23.03 Replications	\$0	.....0.0 %	\$0	\$0	\$0
23.04 Other	\$0	.....0.0 %	\$0	\$0	\$0

Wisconsin Physicians Service Insurance Corporation
FOR THE YEAR ENDED DECEMBER 31, 2020
SUPPLEMENTAL SCHEDULE REGARDING REINSURANCE CONTRACTS WITH RISK-LIMITING
FEATURES

Reinsurance contracts subject to *Appendix A-791—Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual*:

The Company has no reinsurance contracts subject to Appendix A-791 – *Life and Health Reinsurance Agreements* (“A-791”) that includes a provision which limits the reinsurer’s assumption of significant risk.

Reinsurance contracts NOT subject to *Appendix A-791—Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual*:

The Company has no reinsurance contracts not subject to A-791, for which reinsurance accounting was applied and which include a provision that limits the reinsurer’s assumption of risk.

Payments to reinsurers (excluding reinsurance contracts with a federal or state facility):

The Company’s reinsurance contracts do not contain features which result in delays in payment in form or in fact.

Reinsurance contracts NOT subject to *Appendix A-791—Life and Health Reinsurance Agreements of the NAIC Accounting Practices and Procedures Manual* and NOT yearly-renewable term that meet the risk transfer requirements under SSAP No. 61R:

The Company has not reflected a reinsurance accounting credit for any contracts not subject to Appendix A-791 and not yearly renewable term, which meet the risk transfer requirements of SSAP No. 61R, *Life, Deposit-Type, and Accident and Health Reinsurance* (“SSAP No. 61R”).

The Company did not cede any risk which is not subject to A-791 and not yearly renewable term reinsurance, under any reinsurance contract during the period covered by these financial statements, for which the statutory accounting treatment and GAAP accounting treatment were not the same.

The Company’s ceded reinsurance contract which are not subject to A-791 and not yearly renewable term reinsurance, is treated the same for GAAP and statutory accounting principles.