

Report of the Examination of
Bankers Reserve Life Insurance Company of Wisconsin
St. Louis, Missouri
As of December 31, 2022

TABLE OF CONTENTS

	Page
I. INTRODUCTION	2
II. HISTORY AND PLAN OF OPERATION.....	4
III. MANAGEMENT AND CONTROL.....	7
IV. AFFILIATED COMPANIES.....	9
V. REINSURANCE.....	14
VI. FINANCIAL DATA	22
VII. SUMMARY OF EXAMINATION RESULTS	32
VIII. CONCLUSION.....	34
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS	35
X. ACKNOWLEDGMENT.....	36



Wisconsin Office of the
COMMISSIONER OF INSURANCE
FINANCIAL REGULATION

Tony Evers, Governor of Wisconsin
Nathan Houdek, Commissioner of Insurance

June 7, 2024

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

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

BANKERS RESERVE LIFE INSURANCE COMPANY OF WISCONSIN
St. Louis, Missouri

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Bankers Reserve Life Insurance Company of Wisconsin (BRLW or the company) was conducted in 2018 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

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

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the

independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

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

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

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

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

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

receiving benefits under Medicaid, Medicare, and Marketplace Exchange. Centene operates health plans in 33 states:

Alabama	Arizona	Arkansas
California	Delaware	Florida
Georgia	Hawaii	Illinois
Indiana	Iowa	Kansas
Kentucky	Louisiana	Michigan
Mississippi	Missouri	Nebraska
Nevada	New Hampshire	New Jersey
New Mexico	New York	North Carolina
Ohio	Oklahoma	Oregon
Pennsylvania	South Carolina	Tennessee
Texas	Washington	Wisconsin

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

In January 2022, the company began administering Medicare Supplement Insurance products (MSI) within various states in which company is licensed in.

As stated previously, the company assumes business from affiliated health maintenance organizations (HMOs) through several reinsurance agreements. In 2022, BRLW assumed reinsurance premium of \$21.7 million from these health plans. Also in 2022, BRLW reported \$3.6 billion of direct premium in Texas under the company’s three agreements with THHS and its ABD, CHIP, and MSI programs. The growth of the company is discussed in the “Financial Data” section of this report.

As of December 31, 2022, BRLW was licensed in the following 43 states and the District of Columbia:

Alabama	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Maryland	Oregon
Colorado	Michigan	Pennsylvania
Delaware	Mississippi	Rhode Island
District of Columbia	Missouri	South Carolina
Florida	Montana	South Dakota
Georgia	Nebraska	Tennessee

Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Wyoming

Nevada
New Hampshire
New Jersey
New Mexico
North Carolina
North Dakota

Texas
Utah
Virginia
Washington
West Virginia
Wisconsin

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of three members. All directors are elected annually by the board of directors to serve a one-year term. Members of the company's board of directors may also be members of other boards of directors in the holding company group.

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

Name	Principal Occupation	Term Expires
Katie N. Casso St. Louis, Missouri	Senior Vice President/Chief Accounting Officer	2025
Christopher A. Koster St. Louis, Missouri	Executive Vice President/Secretary and General Counsel	2025
James E. Snyder III St. Louis, Missouri	Senior Vice President/Corporate Treasurer	2025

Officers of the Company

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

Name	Office
Mark D. Sanders	President
Christopher A. Koster	Vice President and Secretary
James E. Snyder III	Treasurer
Tricia L. Dinkelman	Vice President of Tax

Committees of the Board

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

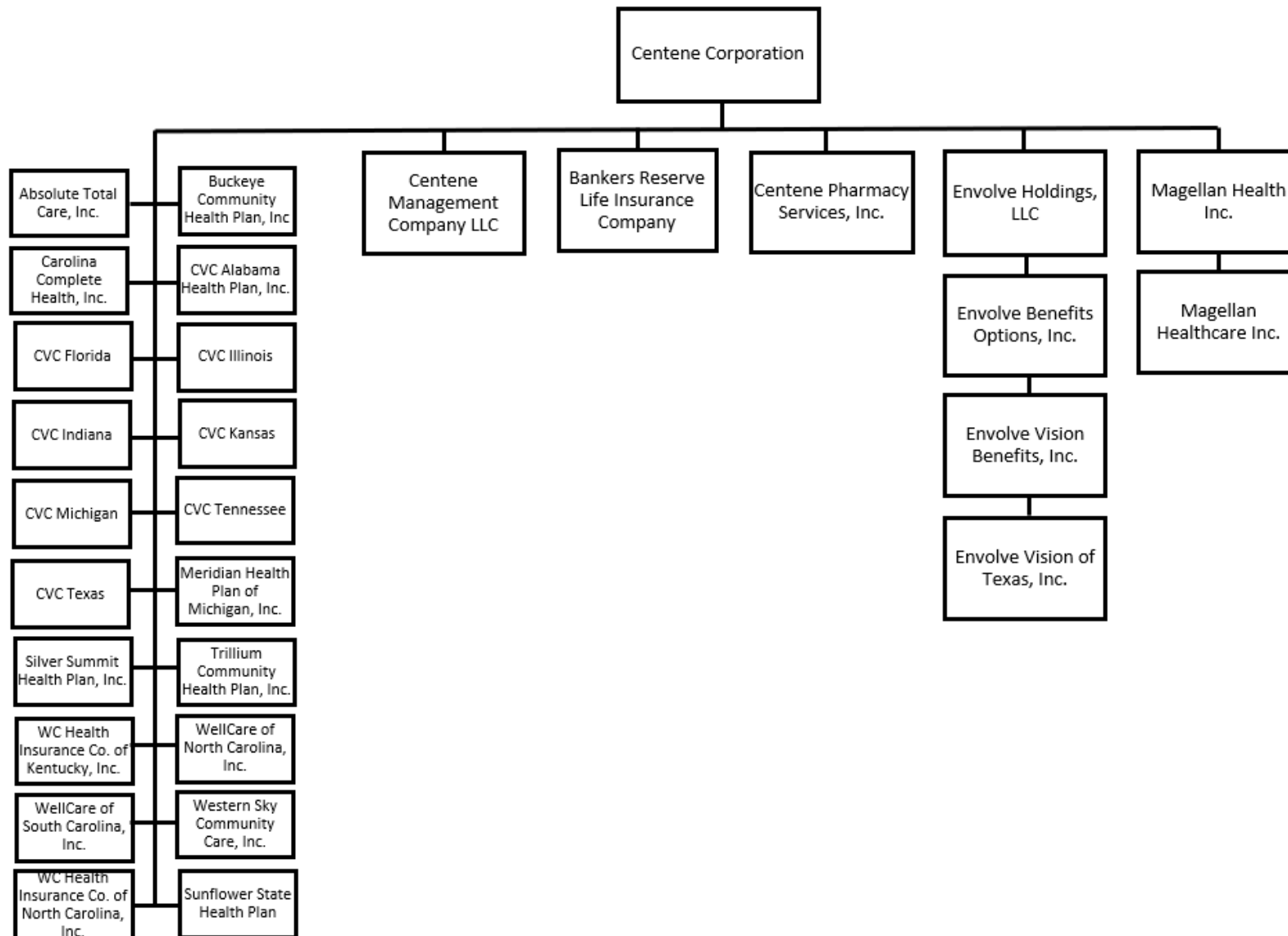
The company has no employees. Necessary staff are provided through a management agreement with Centene Management Company, LLC (CMC), a wholly owned subsidiary of Centene Corporation. Under the agreement, effective September 1, 2004, amended and restated effective January 1, 2023, CMC agrees to provide the company with certain management, administrative services, and financial services necessary to manage the business operations of the company and agrees to assume responsibility for all costs associated therewith. Areas for which CMC assumes responsibility under the terms of the agreement include the following: program planning and development, management information system, financial systems and services, claims administration, provider and enrollee services

and records, utilization review and quality assessment, and marketing services. CMC receives a management fee equal to the actual expenses incurred. This agreement renews automatically for successive one-year renewal terms unless either party gives the other at least 90 days' written notice of termination prior to the end of the term.

IV. AFFILIATED COMPANIES

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

**Abbreviated Organizational Chart
As of December 31, 2022**



Note: Not all the subsidiaries of Centene Corporation have been included in this organizational chart as there were 425 companies in the group on December 31, 2022.

Centene Corporation

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

As of December 31, 2022, the audited financial statements of Centene Corporation reported assets of \$76.8 billion, liabilities of \$52.6 billion, and stockholders' equity of \$24.2 billion. Operations for 2022 produced net earnings of \$1.2 billion.

Centene Management Company LLC

Centene Management Company, LLC (CMC), originally incorporated in 1996 as Coordinated Care Medicaid Management Corporation, was created to provide management and administrative services to Centene Corporation's HMO subsidiaries. CMC, a wholly owned subsidiary of Centene Corporation, is a for-profit corporation that holds management agreements with Centene's subsidiaries and employs all staff, both at corporate headquarters and at the health plans. Licenses and certifications as required by individual state regulations are current. Specifically, in Wisconsin, CMC holds a license as an Employee Benefit Plan Administrator. The unaudited financial results reported assets of \$11.4 billion, liabilities of \$5.8 billion, and stockholders' equity of \$5.6 billion. Operations for 2022 resulted in a net loss of \$145.3 million on revenues of \$9.1 billion.

Agreements with Affiliates

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

- Effective June 14, 2008, the company entered into a tax-sharing agreement with Centene Corporation. Under this agreement, Centene files a consolidated tax return for member companies; member companies, in turn, agree to make quarterly payments to Centene in an

amount equal to the full separate federal, state, and local income tax liability attributable to the net taxable income of each member that would have been paid if such member had filed separate federal, state, and local tax returns.

- Effective September 1, 2004, the company entered into an administrative services agreement with Centene Management Company LLC (CMC). This agreement is discussed in the caption of the report entitled "Management and Control."
- Effective July 1, 2016, the company holds a contract with Envolve Vision of Texas, Inc., under which Envolve Vision of Texas, Inc. provides a vision network and related administrative services to the company's enrollees in Texas.
- Effective April 1, 2008, the company entered into an administrative services agreement with Centene Management Company LLC (CMC) and Centene Company of Texas LP (CTX). CMC contracted with the company to provide certain administrative services for the company's STAR Health Program enrollees. CTX contracted with the company to provide certain administrative services for the company's STAR Health Program enrollees. CMC and CTX hire, maintain, and supervise all personnel necessary to provide the administrative services for the company's STAR Health Program. This agreement was amended and restated effective January 1, 2023.
- Effective March 1, 2012, (last amended June 30, 2016), the company entered into a pharmacy benefit management services agreement with Centene Pharmacy Services, Inc., f/k/a Envolve Pharmacy Solutions, Inc., f/k/a US Script, Inc., where the following services were provided to the company: claims processing, eligibility management, benefits and utilization management, pharmacy network management, call-center services for pharmacies and prescribers, and pharmacy complaints and appeals. Effective January 1, 2023, this agreement was amended and restated with a narrower set of administrative services as an Administrative Pharmacy Services Agreement.
- Effective January 1, 2009, (last amended January 1, 2018), the company entered into a disease management program services agreement with Envolve PeopleCare, Inc., where disease management services are provided for the following conditions: asthma program, COPD program, diabetes program, heart disease program, heart failure program, and puff-free

pregnancy program. In addition, Envolve PeopleCare, Inc., provides services related to the EPC web portal. This agreement was terminated effective December 31, 2021.

- Effective January 1, 2018, the company entered into an agreement with National Imaging Associates, Inc., which was not a related party at the time. The company became a related party with National Imaging Associates in January 2022, and remained related until January 2023. It is no longer a related party. The agreement is for radiology management services.
- Effective February 1, 2022, the company entered into an agreement with Magellan Healthcare, Inc. for the provision of Applied Behavioral Analysis (ABA) services.

V. REINSURANCE

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

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

The strategy of having BRLW assume business from several affiliates and then cede to a single unaffiliated reinsurer is to minimize reinsurance costs across the holding company structure.

Nonaffiliated Ceding Contracts

Type:	Specific Excess of Loss Reinsurance
Reinsurer:	PartnerRe America Insurance Company
Scope:	Medicaid, Medicare, and Exchange covered persons per affiliated agreements.
Retention:	Specific deductible per covered person per agreement term: \$5,000,000 maximum payable per covered person: \$5,000,000
Coverage:	80% of covered expenses in excess of \$5,000,000.
Effective date:	January 1, 2022
Termination:	January 1, 2023

Affiliated Assuming Contracts

1. Type:	Specific Excess of Loss Reinsurance
Reinsured:	Absolute Total Care, Inc.
Scope:	TANF, SSI Non-Dual, Medicare, and Medicaid/Medicare dual covered persons
Retention:	Specific deductible per covered person per agreement term: \$3,000,000
Coverage:	80% of covered expenses in excess of the specific deductible, organ transplant services are reimbursed at 50% if performed by a non-approved transplant provider
Effective date:	January 1, 2022

- Termination: January 1, 2023
2. Type: Specific Excess of Loss Reinsurance
- Reinsured: Buckeye Community Health Plan
- Scope: CFC (TANF), Medicaid expansion, ABD members - adults and children, MMP Opt-Out (Medicaid only), and MMP Opt-in Medicaid and Medicare
- Retention: Specific deductible per covered person per agreement term: \$500,000
- Coverage: 90% of covered expenses in excess of the specific deductible, organ transplant services are reimbursed at 50% if performed by a non-approved transplant provider
- Effective date: January 1, 2022
- Termination: January 1, 2023
3. Type: PHP Reinsurance Agreement
- Reinsured: Carolina Complete Health, Inc.
- Scope: TANF and SSI Non-Dual covered persons
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
4. Type: Specific Excess of Loss Reinsurance
- Reinsured: Centene Venture Company Alabama Health Plan, Inc.
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person per agreement term: \$250,000
Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023

5. Type: Specific Excess of Loss Reinsurance
- Reinsured: Centene Venture Company Florida
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person per agreement term: \$250,000
Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
6. Type: Specific Excess of Loss Reinsurance
- Reinsured: Centene Venture Company Illinois
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person: \$250,000; Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider
- Effective date: January 1, 2022
- Termination: January 1, 2023
7. Type: Specific Excess of Loss Reinsurance
- Reinsured: Centene Venture Company Indiana
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person per agreement term: \$250,000
Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider
- Effective date: January 1, 2022
- Termination: January 1, 2023

8. Type: Specific Excess of Loss Reinsurance
- Reinsured: Centene Venture Company Kansas
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person per agreement term: \$250,000
Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
9. Type: Specific Excess of Loss Reinsurance
- Reinsured: Centene Venture Company Michigan
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person per agreement term: \$250,000
Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
10. Type: Specific Excess of Loss Reinsurance
- Reinsured: Centene Venture Company Tennessee
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person per agreement term: \$250,000
Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider
- Effective date: January 1, 2022
- Termination: January 1, 2023
11. Type: Specific Excess of Loss Reinsurance

- Reinsured: Centene Venture Company Texas
- Scope: Medicare Advantage covered persons
- Retention: Specific deductible per covered person per agreement term: \$250,000.
Maximum payable per covered person: \$3,000,000
- Coverage: 90% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
12. Type: Specific Excess of Loss Reinsurance
- Reinsured: Meridian Health Plan of Michigan, Inc.
- Scope: Medicaid, Medicaid Expansion, SSI Dual, SSI Non-Dual, SSI Kids, MMP Medicare/Medicaid, Medicare Advantage, and Exchange covered persons
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
13. Type: Specific Excess of Loss Reinsurance
- Reinsured: Silver Summit Health Plan, Inc
- Scope: Medicare and Exchange covered persons.
- Retention: Specific deductible per covered person per agreement term: \$200,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses in excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider
- Effective date: January 1, 2022
- Termination: January 1, 2023
14. Type: Specific Excess of Loss Reinsurance

- Reinsured: Trillium Community Health Plan, Inc.
- Scope: Medicaid TANF, CHIP, Foster Care, Medicaid Expansion, SSI Dual, and SSI Non-Dual covered persons.
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider
- Effective date: January 1, 2022
- Termination: January 1, 2023
15. Type: Specific Excess of Loss Reinsurance
- Reinsured: WellCare Health Insurance Company of Kentucky, Inc
- Scope: Medicaid TANF, Medicaid Expansion, SSI Non-Dual, Medicare and Exchange covered persons
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
16. Type: PHP Reinsurance Agreement
- Reinsured: WellCare of North Carolina, Inc.
- Scope: Medicaid TANF and SSI Non-Dual covered persons.
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
17. Type: Specific Excess of Loss Reinsurance

- Reinsured: WellCare of South Carolina, Inc.
- Scope: Medicare covered persons
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
18. Type: Specific Excess of Loss Reinsurance
- Reinsured: Western Sky Community Care, Inc.
- Scope: Medicaid TANF, Medicaid Expansion, SSI Non-Dual, SSI Dual, LTC Non-Dual, and LTC Dual covered persons.
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
19. Type: Specific Excess of Loss Reinsurance
- Reinsured: WellCare Health Insurance Company of North Carolina, Inc
- Scope: Medicare covered persons
- Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000
- Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider.
- Effective date: January 1, 2022
- Termination: January 1, 2023
20. Type: Specific Excess of Loss Reinsurance
- Reinsured: Sunflower State Health Plan, Inc

Scope: Medicaid TANF, Foster Care, CHIP, SSI Dual, SSI Non-Dual, and Medicare covered persons

Retention: Specific deductible per covered person per agreement term: \$3,000,000
Maximum payable per covered person: \$5,000,000

Coverage: 80% of covered expenses excess of the specific deductible. Organ transplant services are reimbursed at 50% if performed at a non-approved transplant provider

Effective date: January 1, 2022

Termination: January 1, 2023

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2022, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Bankers Reserve Life Insurance Company of Wisconsin
Assets
As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$410,449,621	\$	\$410,449,621
Common Stocks	10,293,137		10,293,137
Cash, cash equivalents, and short-term investments	373,607,461		373,607,461
Other invested assets	9,920,780		9,920,780
Investment income due and accrued	4,805,819		4,805,819
Uncollected premiums and agents' balances in course of collection	60,192,956		60,192,956
Amounts recoverable from reinsurers	665,069		665,069
Other amounts receivable under reinsurance contracts	728,917	728,917	
Current federal and foreign income tax recoverable and interest thereon	312,915		312,915
Net deferred tax asset	3,567,083		3,567,083
Receivable from parent, subsidiaries and affiliates	1,874,636	1,874,636	
Health care and other amounts receivable	50,189,455	7,408,170	42,781,285
Write-ins for other than invested assets:			
Prepaid expenses	288,516	288,516	
State income tax receivable	1,181,306		1,181,306
Total assets excluding separate accounts, segregated accounts, and protected cell assets	928,077,671	10,300,239	917,777,432
From separate accounts, segregated accounts, and protected cell assets	<u>413,014</u>	<u> </u>	<u>413,014</u>
Total Assets	<u>\$928,490,685</u>	<u>\$10,300,239</u>	<u>\$918,190,446</u>

**Bankers Reserve Life Insurance Company of Wisconsin
Liabilities, Surplus, and Other Funds
As of December 31, 2022**

Claims unpaid		\$442,992,290
Accrued medical incentive pool and bonus payments		10,767,304
Unpaid claims adjustment expenses		2,506,000
Premiums received in advance		17,794
General expenses due or accrued		39,666,523
Ceded reinsurance premiums payable		2,493,740
Amounts due to parent, subsidiaries, and affiliates		32,196,277
Aggregate write-ins for other liabilities (including \$0 current):		
Separate Accounts Payable		<u>413,014</u>
Total Liabilities		<u>531,052,942</u>
Common capital stock	\$ 2,400,000	
Gross paid in and contributed surplus	389,877,809	
Unassigned funds (surplus)	<u>(5,140,305)</u>	
Total Capital and Surplus		<u>387,137,504</u>
Total Liabilities, Capital and Surplus		<u>\$918,190,446</u>

**Bankers Reserve Life Insurance Company of Wisconsin
Statement of Revenue and Expenses
For the Year 2022**

Net premium income		\$3,655,169,218
Change in unearned premium reserves and reserve for rate credits		<u>(376,591,335)</u>
Total revenues		3,278,577,883
Medical and Hospital:		
Hospital/medical benefits	\$2,329,333,114	
Other professional services	39,454,760	
Emergency room and out-of-area	226,221,055	
Prescription drugs	309,179,619	
Incentive pool, withhold adjustments and bonus amounts	<u>44,591,168</u>	
Subtotal	2,948,779,716	
Less		
Net reinsurance recoveries	<u>(10,375,238)</u>	
Total medical and hospital	2,959,154,954	
Claims adjustment expenses	32,248,982	
General administrative expenses	<u>218,670,071</u>	
Total underwriting deductions		<u>3,210,074,007</u>
Net underwriting gain or (loss)		68,503,876
Net investment income earned	22,970,065	
Net realized capital gains or (losses)	<u>(104,401)</u>	
Net investment gains or (losses)		<u>22,865,664</u>
Net income or (loss) after capital gains tax and before all other federal income taxes		91,369,540
Federal and foreign income taxes incurred		<u>19,216,616</u>
Net Income		<u>\$ 72,152,924</u>

**Bankers Reserve Life Insurance Company of Wisconsin
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2022**

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$389,864,368	\$390,970,088	\$265,730,614	\$230,802,849	\$190,980,589
Net income (loss)	72,152,924	134,076,573	154,964,785	26,132,946	14,142,917
Change in net unrealized capital gains/losses	(813,831)	1,465,332	(3,230,188)	1,796,901	3,244,800
Change in net deferred income tax	147,146	(1,212,506)	1,082,980	(2,680,937)	(2,681,871)
Change in nonadmitted assets	786,897	4,564,881	(7,485,587)	9,678,855	(3,383,586)
Surplus Adjustments: Paid in					28,500,000
Dividends to stockholders	(75,000,000)	(140,000,000)	(25,000,000)		
Aggregate write-ins for gains or (losses) in surplus: Correct prior year income for other invested assets			4,907,484		
Capital and Surplus, End of Year	<u>\$387,137,504</u>	<u>\$389,864,368</u>	<u>\$390,970,088</u>	<u>\$265,730,614</u>	<u>\$230,802,849</u>

Bankers Reserve Life Insurance Company of Wisconsin
Statement of Cash Flow
For the Year 2022

Premiums collected net of reinsurance		\$3,200,773,357
Net investment income		<u>22,767,539</u>
Total		3,223,540,896
Less:		
Benefit- and loss-related payments	\$2,819,952,566	
Commissions, expenses paid and aggregate write-ins for deductions	216,767,495	
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>20,400,461</u>	
Total		<u>3,057,120,522</u>
Net cash from operations		166,420,374
Proceeds from Investments Sold, Matured or Repaid:		
Bonds	\$ 63,283,467	
Other invested assets	1,177,048	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>(12,961)</u>	
Total investment proceeds		64,447,555
Cost of Investments Acquired—Long-term Only:		
Bonds	142,356,999	
Other invested assets	<u>(323,815)</u>	
Total investments acquired		<u>142,033,184</u>
Net cash from investments		(77,585,629)
Cash Provided for/Applied from Financing:		
Dividends to stockholders	(75,000,000)	
Other cash provided (applied)	<u>(1,181,540)</u>	
Net cash from financing and miscellaneous sources		<u>(76,181,540)</u>
Net Change in Cash, Cash Equivalents, and Short-Term Investments		12,653,205
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>360,954,256</u>
End of Year		<u>\$ 373,607,461</u>

Growth of Bankers Reserve Life Insurance Company of Wisconsin

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2022	\$918,190,446	\$531,052,942	\$387,137,504	\$3,278,577,883	\$2,959,154,954	\$ 72,152,924
2021	783,611,440	393,747,066	389,864,374	2,474,291,302	2,078,087,738	134,076,573
2020	720,335,569	329,365,479	390,970,089	2,364,248,715	1,919,142,442	154,964,785
2019	475,136,800	209,406,186	265,730,614	2,157,216,034	1,960,347,419	26,132,946
2018	436,327,355	205,524,502	230,802,852	2,110,231,273	1,907,187,538	14,142,917
2017	409,910,216	218,929,628	190,980,589	1,903,974,246	1,789,855,410	(65,929,304)

Year	Profit Margin	Medical Loss Ratio	Administrative Expense Ratio	Change in Enrollment
2022	2.2%	90.3%	7.7%	17.6%
2021	5.4	84.0	9.6	2.9
2020	6.5	81.2	10.2	16.0
2019	1.2	90.9	8.4	-3.2
2018	0.7	90.4	10.0	-0.0

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2022	696,256	332.14	4.7
2021	592,033	344.80	4.4
2020	575,490	313.98	4.2
2019	496,244	370.76	4.3
2018	512,484	352.28	4.2

Per Member Per Month Information

	2022	2021	Percentage Change
Premiums:			
Comprehensive	\$191.26	\$181.82	5.19%
Medicaid	<u>465.28</u>	<u>378.84</u>	22.82
Expenses:			
Hospital/medical benefits	292.57	221.76	31.99
Other professional services	4.96	4.98	(0.41)
Emergency room and out-of-area	28.41	16.39	73.39
Prescription Drugs	38.83	33.57	15.72
Incentive pool and withhold adjustments	5.60	6.07	(7.66)
Less: Net reinsurance recoveries	<u>(1.30)</u>	<u>(1.34)</u>	(2.79)
Total medical and hospital	371.68	284.11	30.88

	2022	2021	Percentage Change
Claims adjustment expenses	4.05	3.02	34.19
General administrative expenses	<u>27.48</u>	<u>29.31</u>	(6.27)
Total underwriting deductions	<u>\$403.21</u>	<u>\$316.45</u>	27.47

The company's assets increased 110% over the five-year period under examination. The company experienced growth and favorable financial results during the examination period.

Capital and surplus decreased \$2.7 million in 2022 to \$387.1 million from \$389.9 million as of 2021 primarily due to dividends paid to stockholders exceeding net income. Total liabilities increased as of December 31, 2022, to \$531.1 million from \$393.7 million as of 2021 primarily due to a \$106.3 million increase in claims unpaid and claims adjustments payable, a \$40.4 million increase in state overpayments, and a \$5.7 million decrease in aggregate health policy reserves.

Premium revenue increased from \$2.5 billion in 2021 to \$3.3 billion in 2022. Medical expenses incurred increased from \$2.1 billion in 2021 to \$3.0 billion in 2022. The increase in medical expenses was mainly the result of an increase in COVID-19 treatment of Medicaid members. Over the five-year period under examination, premium revenue increased 55.4%

The decrease in net income to \$72.2 million for the year ended December 31, 2022, compared to the net income of \$134.1 million in 2021 was driven by an increase in medical loss year over year due to COVID-19. The medical loss ratio increased to 90.3% for the year ended December 31, 2022, compared to 84.0% for the year ended December 31, 2021, was primarily due to higher utilization.

**Bankers Reserve Life Insurance Company of Wisconsin
Compulsory and Security Surplus Calculation
December 31, 2022**

Assets	\$ 918,190,449	
Less:		
Liabilities	<u>531,052,942</u>	
Assets available to satisfy surplus requirements		\$ 387,137,507
Net premium earned	3,655,169,218	
Compulsory factor	<u>10%</u>	
Compulsory surplus		<u>365,516,922</u>
Compulsory surplus excess/(deficit)		<u>\$ 21,620,585</u>
Assets available to satisfy surplus requirements		\$387,137,507
Compulsory surplus	\$365,516,922	
Security factor	<u>110%</u>	
Security surplus		<u>402,068,614</u>
Security surplus excess/(deficit)		<u>\$ (14,931,107)</u>

Examination Reclassifications

There were no examination reclassifications as a result of this examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three specific recommendations in the previous examination report. The actions taken by the company as a result of the recommendations are as follows:

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

Action—Compliance.

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

Action—Compliance.

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

Action—Noncompliance. See the “Summary of Current Examination Results” for more information.

Summary of Current Examination Results

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

Corporate Governance

A directive of the Office of the Commissioner of Insurance requires that companies complete and maintain a record of the conflict-of-interest statement every year. During the current examination, a review was made of the company's annual conflict-of-interest disclosure forms and the review found that some directors, officers, and key employees were either not completing the conflict-of-interest disclosure forms during the examination period, or the disclosure forms were misplaced. This was an issue that was also present during the last examination period. It is again recommended that the company have its directors, officers, and key employees complete conflict-of-interest disclosure forms annually as required by a directive of the Office of the Commissioner of Insurance and maintain a record of the signed disclosures.

Custodial or Safekeeping Agreement

The investments of the company are held under the safekeeping of The Northern Trust Company. BRLW has a master custody agreement with The Northern Trust Company. To be in compliance, the custodial agreement must contain the following language as required by the NAIC *Financial Condition Examiners Handbook*.

- If the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner.

The examination review of the custodial agreement found there is no provision in the agreement stating the clause above. It is recommended that the custodial agreement be amended to include a provision that notifies the domiciliary commissioner within three business days of termination or withdrawal of account assets as recommended by the NAIC *Financial Condition Examiners Handbook*.

VIII. CONCLUSION

Bankers Reserve Life Insurance Company of Wisconsin initially was licensed to write automobile and other casualty lines, but delays in beginning operations resulted in the withdrawal of those lines in October 1962. In May of 1964, the company was licensed to write disability insurance. Then, in July 1964, the company's license was amended to include life insurance. The company has had several changes in structure and business lines.

The company reported assets of \$918,190,446, liabilities of \$531,052,942, and capital and surplus of \$387,137,504 at December 31, 2022. Premium earned increased 55.4% over the five-year period under examination to \$3,278,577,883. No adjustments were made to the surplus as a result of the examination.

The examination resulted in two recommendations and no examination reclassifications as a result of this examination. The recommendations were related to corporate governance and custodial or safekeeping agreement. The recommendation regarding corporate governance was repeated from the previous examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 29 - Corporate Governance—It is again recommended that the company have their directors, officers, and key employees complete conflict-of-interest disclosure forms annually as required by a directive of the Office of the Commissioner of Insurance and maintain a record of the signed disclosures.
2. Page 29 - Custodial or Safekeeping Agreement—It is recommended that the custodial agreement be amended to include a provision that notifies the domiciliary commissioner within three business days of termination or withdrawal of account assets as recommended by the NAIC *Financial Condition Examiners Handbook*.

X. ACKNOWLEDGMENT

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

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

Name	Title
Kongmeng Yang, AFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Vickie Ostien
Examiner-in-Charge