

Financial Statements and Supplementary Information - Statutory Basis

Blue Cross Blue Shield of Wisconsin

Years Ended December 31, 2022 and 2021
With Reports of Independent Auditors

Blue Cross Blue Shield of Wisconsin

Financial Statements and Supplementary Information - Statutory Basis

Years Ended December 31, 2022 and 2021

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Report of Independent Auditors

Board of Directors
Blue Cross Blue Shield of Wisconsin

Opinion

We have audited the statutory basis financial statements of Blue Cross Blue Shield of Wisconsin (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in capital and surplus and cash flow for the years then ended, and the related notes to the financial statements (collectively referred to as the “financial statements”).

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company at December 31, 2022 and 2021, or the results of its operations or its cash flows for the years then ended.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices described in

Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

April 6, 2023

Blue Cross Blue Shield of Wisconsin

Balance Sheets - Statutory Basis

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Admitted assets		
Cash and invested assets:		
Cash, cash equivalents and short-term investments	\$ (92,102)	\$ (1,643)
Bonds	163,736	160,160
Investment in common stock of subsidiary	331,538	246,849
Real estate	2,232	2,232
Securities lending collateral	9,586	6,180
Total cash and invested assets	<u>414,990</u>	<u>413,778</u>
Accrued investment income	1,250	1,096
Premiums receivable	76,667	68,808
Amounts recoverable from reinsurers	16,274	16,403
Amounts receivable relating to uninsured plans	72,999	65,489
Net deferred tax asset	8,821	8,207
Receivables from affiliates	123,953	56,201
Federal Employee Program receivable	67,772	48,616
Health care and other receivables	500	1,560
Other assets	54	90
Total admitted assets	<u>\$ 783,280</u>	<u>\$ 680,248</u>

Blue Cross Blue Shield of Wisconsin

Balance Sheets - Statutory Basis

	December 31	
	2022	2021
	<i>(In Thousands)</i>	
Liabilities and capital and surplus		
Liabilities:		
Unpaid claims and claims adjustment expenses	\$ 100,180	\$ 97,905
Aggregate policy reserves	68,190	48,876
Premiums received in advance	16,482	12,722
Accounts payable and accrued expenses	10,134	22,539
Current federal income tax payable	2,103	297
Ceded reinsurance premiums payable	17,378	19,067
Remittances and items not allocated	17,037	9,987
Payable for securities lending	9,586	6,180
Liability for amounts held under uninsured plans	41,221	87,643
Amounts withheld or retained for accounts of others	282	194
Other liabilities	4,740	5,117
Total liabilities	<u>287,333</u>	<u>310,527</u>
Capital and surplus:		
Common stock, \$1 par value: 10,000,000 shares authorized, 2,000,000 shares issued and outstanding	2,000	2,000
Additional paid-in surplus	37,689	37,689
Unassigned surplus (deficit)	456,258	330,032
Total capital and surplus	<u>495,947</u>	<u>369,721</u>
Total liabilities and capital and surplus	<u>\$ 783,280</u>	<u>\$ 680,248</u>

Blue Cross Blue Shield of Wisconsin

Statements of Operations - Statutory Basis

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Premium income	\$ 853,921	\$ 825,359
Benefits and expenses:		
Claims and claims adjustment expenses	795,884	728,537
Operating expenses	(17,218)	6,502
Change in reserves for accident and health contracts	—	(1)
Total benefits and expenses	<u>778,666</u>	<u>735,038</u>
Net underwriting gain (loss)	75,255	90,321
Investment gains (losses):		
Net investment income	29,465	41,861
Net realized capital gains (losses), net of taxes (benefits)	(1,028)	(1,809)
Total net investment gains	<u>28,437</u>	<u>40,052</u>
Other income (expense)	<u>1,797</u>	<u>594</u>
Income (loss) before federal income taxes	105,489	130,967
Federal income taxes (benefits)	14,422	19,540
Net income (loss)	<u>\$ 91,067</u>	<u>\$ 111,427</u>

Blue Cross Blue Shield of Wisconsin

Statements of Changes in Capital and Surplus - Statutory Basis

	Common Stock	Additional Paid-in Surplus	Unassigned Surplus (Deficit)	Total Capital and Surplus
	<i>(In Thousands)</i>			
Balance as of January 1, 2021	\$ 2,000	\$ 37,689	\$ 267,797	\$ 307,486
Net income (loss)	—	—	111,427	111,427
Change in net unrealized capital gains and losses, net of taxes (benefits)	—	—	20,080	20,080
Change in net deferred income tax	—	—	(193)	(193)
Change in nonadmitted assets	—	—	921	921
Dividend to shareholder	—	—	(70,000)	(70,000)
Balance as of December 31, 2021	2,000	37,689	330,032	369,721
Net income (loss)	—	—	91,067	91,067
Change in net unrealized capital gains and losses, net of taxes (benefits)	—	—	84,606	84,606
Change in net deferred income tax	—	—	569	569
Change in nonadmitted assets	—	—	(13,116)	(13,116)
Dividend to shareholder	—	—	(36,900)	(36,900)
Balance as of December 31, 2022	\$ 2,000	\$ 37,689	\$ 456,258	\$ 495,947

Blue Cross Blue Shield of Wisconsin

Statements of Cash Flow - Statutory Basis

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Operating activities:		
Premiums collected	\$ 846,995	\$ 813,792
Investment income received	30,055	43,356
Miscellaneous revenue	(54)	118
Claims and claims adjustment expenses paid	(793,609)	(709,991)
General administrative and miscellaneous expenses paid	(55,949)	(124)
Federal income taxes (paid) recovered	(12,368)	(20,555)
Net cash provided by (used in) operating activities	<u>15,070</u>	<u>126,596</u>
Investment activities:		
Proceeds from investments sold, matured or repaid	66,891	90,512
Cost of investments acquired	(72,500)	(98,881)
Changes in securities lending collateral	(3,406)	(876)
Net cash provided by (used in) investment activities	<u>(9,015)</u>	<u>(9,245)</u>
Financing or miscellaneous activities:		
Dividend to shareholder	(36,900)	(70,000)
Changes in securities lending payable	3,406	876
Net transfers from (to) affiliates	(67,752)	(54,199)
Other	4,732	6,570
Net cash provided by (used in) financing or miscellaneous activities	<u>(96,514)</u>	<u>(116,753)</u>
Change in cash, cash equivalents and short-term investments	<u>(90,459)</u>	<u>598</u>
Cash, cash equivalents and short-term investments at beginning of year	<u>(1,643)</u>	<u>(2,241)</u>
Cash, cash equivalents and short-term investments at end of year	<u><u>\$ (92,102)</u></u>	<u><u>\$ (1,643)</u></u>

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis

(Dollars In Thousands)

December 31, 2022

1. Nature of Operations and Significant Accounting Policies

Blue Cross Blue Shield of Wisconsin (the “Company”) is a Wisconsin domiciled stock insurance company that markets and underwrites hospitalization, surgical and medical, major medical, prescription drugs, vision and dental insurance to individuals and group accounts in the State of Wisconsin. The Company also provides administrative services to other health plans and governmental agencies. The Company operates as a licensee of the Blue Cross and Blue Shield Association (“BCBSA”). The Company is a wholly owned subsidiary of Crossroads Acquisition Corp. (“Crossroads”), which is an indirect wholly owned subsidiary of Elevance Health, Inc. (“Elevance Health”), formerly known as Anthem, Inc. The shareholders of Elevance Health, a publicly traded company, approved a proposal to amend its articles of incorporation to change its name to Elevance Health, Inc. from Anthem, Inc. effective June 27, 2022.

The Company has two wholly owned subsidiaries; Compcare Health Services Insurance Corporation (“Compcare”) and Claim Management Services, Inc. (“CMSI”). Compcare operates as a health maintenance organization in Wisconsin. CMSI is a dormant entity with no current operations.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (“OCI”). The OCI has adopted the Statement of Statutory Accounting Principles (“SSAP”) found in the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual* (“NAIC SAP”) as a component of prescribed accounting practices. For the years ended December 31, 2022 and 2021, there were no differences between the Company’s statutory net income or capital and surplus under NAIC SAP and practices prescribed or permitted by the OCI.

Various statutory accounting principles differ from U.S. generally accepted accounting principles (“GAAP”). The more significant differences from GAAP, applicable to the Company, are as follows:

Investments: Investments in bonds are reported at amortized cost or fair value based on their NAIC rating. Changes in value in investments carried at fair value are included in unassigned surplus. Other than temporary impairments (“OTTI”) of bonds result in a permanent write-down in the carrying value of the investment. For GAAP, investments in bonds designated at purchase as available-for-sale are reported at fair value with unrealized holding gains and losses, net of tax, reported as a separate component of capital and surplus. Impairments of

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

bonds are reflected in a valuation allowance, which is adjusted for improvements in the fair value of the investment.

Investments in affiliated entities are valued pursuant to SSAP No. 97, *Investment in Subsidiaries, Controlled, and Affiliated Entities* (“SSAP No. 97”). Equity in earnings of subsidiaries is accounted for as a change in unrealized capital gains or losses in unassigned surplus. Dividends received from subsidiaries are accounted for as a component of net investment income. Unaudited ownership interests are nonadmitted by the Company. For GAAP, investments in affiliated entities are consolidated with the accounts and operations of the Company and equity in earnings of subsidiaries and dividends received from subsidiaries are eliminated.

The Company owned approximately 2.0% of its ultimate parent company’s stock at December 31, 2022 and 2021. The Company’s investment in stock of its ultimate parent company is carried at \$0 for statutory accounting purposes at December 31, 2022 and 2021. Under GAAP, the Company’s investment in the stock of its parent is recorded at its fair value with changes in fair value recognized in income.

Real estate: Company-owned property is included in invested assets, and investment income includes estimated investment income from real estate owned and occupied, with offsetting rental expense included in operating expenses in the statutory statements of operations. For GAAP, Company-owned property is not included in invested assets, and no investment income and offsetting expense is recorded on real estate owned and occupied by the Company.

Receivables: Generally, receivable amounts aged ninety days and older are nonadmitted assets, with the exception of government receivables. For GAAP, these amounts are recorded at the billed amount and are reported net of a valuation allowance based upon historical collection trends and management’s judgment on the expected collectability of these accounts.

Nonadmitted assets: Certain assets designated as nonadmitted, including deferred federal income taxes in excess of certain statutory limits, investments in unaudited subsidiaries, furniture and equipment, leasehold improvements, prepaid expenses, and certain receivables including premiums, amounts due from uninsured plans, and health care and other receivable balances are excluded from the statutory balance sheets by a direct charge to unassigned surplus. These nonadmitted assets totaled \$35,092 and \$21,976 at December 31, 2022 and 2021, respectively. For GAAP, these amounts are carried as assets, net of a valuation allowance, if necessary.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Income taxes: Statutory deferred tax assets are subject to certain statutory limitations with amounts in excess of these limitations being nonadmitted. Changes in deferred taxes are recognized as a separate component in unassigned surplus (“Change in net deferred income tax”). State and city income taxes are included as a component of operating expenses but are not considered in the computation of deferred taxes. In addition, income taxes on investment realized gains and losses are reported as a component of net realized capital gains (losses). For GAAP, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years and a valuation allowance is established for deferred tax assets estimated to be unrealizable. Excluding the tax impact of unrealized investment gains and losses and certain other items, the change in deferred income taxes is recorded as a component of income tax expense. State and city income taxes are considered in the computation of deferred taxes and are included as a component of income tax expense. Income taxes on investment realized gains and losses are reported as a component of income tax expense.

Statements of cash flow: Cash, cash equivalents and short-term investments in the statutory statements of cash flow represent cash balances, and investments with initial maturities of less than one year and more than three months at the date of acquisition. If, in the aggregate, the Company has a negative cash balance, it is reported as a negative asset and not as a liability. For GAAP, the corresponding captions of cash and cash equivalents include cash balances and investments with initial maturities of three months or less. Short-term investments are reported separately, and negative cash balances are reported separately as liabilities.

The statutory statement of cash flows have been prepared with a prescribed format which differs in certain respects from the presentation required by GAAP. In addition, a reconciliation of net income to net cash provided by operating activities is not provided, as is required by GAAP.

Uninsured accident and health plans: The Company provides administrative services to various customers on an uninsured basis. Administrative fees earned under these arrangements are deducted from operating expenses. For GAAP, these administrative fees are reported as revenue in the income statement.

Reinsurance: Any reinsurance balance amounts deemed to be uncollectible are written off through a charge to operations. In addition, a liability for reinsurance balances is provided for unsecured policy reserves ceded to reinsurers not authorized to assume such business. Changes to the liability are credited or charged directly to unassigned surplus. Under GAAP, an allowance for amounts deemed uncollectible is established through a charge to earnings.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Claim and policy liabilities ceded to reinsurers are reported as reductions of the related reserves rather than as assets, as would be required under GAAP.

Leases: Obligations under noncancelable operating leases are not reflected on the statutory balance sheets. Under GAAP, all lease obligations are reported as liabilities along with an asset representing its right to use the underlying assets over the lease terms adjusted for initial direct costs, prepaid lease payments and lease incentives.

The effects of the foregoing variances from GAAP on the accompanying statutory financial statements have not been determined but are presumed to be material.

Other significant accounting policies are as follows:

Use of Estimates

Preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

Bonds not backed by loans are stated at amortized cost, with amortization of premium or discount calculated based on the modified scientific method, using lower of yield to call or yield to maturity. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions for loan-backed securities and structured securities are obtained from broker-dealer survey values or internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all loan-backed securities. Non-investment grade bonds are stated at the lower of cost or fair value.

Unrealized losses on non-investment grade bonds are reflected directly in unassigned surplus, net of federal income taxes, unless there is deemed to be an other-than-temporary decline in value, in which case the loss is charged to income. Realized gains and losses on investments sold are determined using the specific identification method and are included in net realized capital gains (losses), net of taxes (benefits). Investment income is not accrued on bonds with interest payments in default.

In accordance with SSAP No. 26R, *Bonds*, it is the Company's policy to assess for OTTI when fair value falls below amortized cost and record an OTTI when it becomes probable that the

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Company will be unable to collect all amounts due according to the contractual terms of the security in effect at the date of acquisition. In accordance with SSAP No. 43 Revised, *Loan-backed and Structured Securities* (“SSAP No. 43R”), OTTI on loan-backed or structured securities are recorded when fair value of the security is less than its amortized cost basis at the statutory balance sheet date and (1) the Company intends to sell the investment or (2) the Company does not have the intent and ability to retain the investment for the time sufficient to recover the amortized cost basis or (3) if the Company does not expect to recover the entire amortized cost basis of the security, even if it does not intend to sell the investment and the Company has the intent and ability to hold the investment.

Short-term investments include investments with maturities of less than one year and more than three months at the date of acquisition and are reported at amortized cost, which approximates fair value. Cash equivalent investments include money market mutual funds and investments with maturities of less than or equal to three months at the date of acquisition. Money market mutual funds are reported at fair value. Investments with maturities of less than or equal to three months at the date of acquisition are reported at amortized cost, which approximates fair value. Non-investment grade short-term and cash equivalent investments are stated at the lower of amortized cost or fair value.

In accordance with SSAP No. 97, the Company reports its insurance subsidiary at its underlying audited statutory capital and surplus and its noninsurance subsidiaries at their underlying audited GAAP equity. The Company reports the net change in the equity of its subsidiaries as a change in net unrealized capital gains or losses in unassigned surplus and any dividend received as net investment income. The Company nonadmits the investment in its noninsurance subsidiary, as it is unaudited.

The Company’s 100% ownership of Compcare exceeds 10% of the Company’s total admitted assets. At December 31, 2022 Compcare had admitted assets, total liabilities, and statutory capital and surplus of \$910,094, \$578,556, and \$331,538 respectively, and had \$88,991 of statutory net income during the year ended December 31, 2022.

There is no difference between the amount at which Compcare is carried and the amount of the underlying equity in the net assets of Compcare.

The Company participates in a securities lending program whereby marketable securities in its investment portfolio are transferred to independent brokers or dealers in exchange for collateral initially equal to at least 102% of the fair value of the securities on loan, and is thereafter maintained at a minimum of 100% of the fair value of the securities loaned. The fair value of the securities on loan to each borrower is monitored daily and the borrower is required to deliver

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

additional collateral if the fair value of the collateral falls below 100% of the fair value of the securities on loan. The Company has no loaned portfolio securities with terms exceeding one year.

Real Estate

Real estate refers to property occupied or held for sale by the Company. Land is recorded at cost and other real estate occupied by the company is recorded at cost less accumulated depreciation, which is classified as an invested asset. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets. Depreciation expense in 2022 and 2021 was \$0 and \$350, respectively. There was no accumulated depreciation at December 31, 2022 or 2021. Land and real estate held for sale is recorded at fair market value and not depreciated.

During the fourth quarter of 2021, the Company evaluated its future office space needs and determined that the property occupied by the Company located in Waukesha, Wisconsin would no longer meet the needs of the Company. The decision was made to put the property up for sale and relocate associates to a leased space. At December 31, 2021, the property is classified as property held for sale and recorded at its fair value of \$2,232. The fair value was determined by analyzing market comparables and future income analysis. During 2021, the Company recognized an impairment loss of \$1,887, which was recorded in net realized capital gains (losses), net of taxes (benefits) on the statutory statement of operations.

Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are capitalized and depreciated on a straight-line basis over its useful life. The net book value is charged in full to unassigned surplus as a nonadmitted asset. Depreciation expense in 2022 and 2021 was \$49 and \$10, respectively. Accumulated depreciation at December 31, 2022 and 2021 was \$1,234 and \$2,155, respectively.

Health Care Receivables

Health care receivables represent amounts related to pharmacy rebate receivables and other health care related receivables other than premiums. Pharmacy rebate receivables are recorded when earned, based upon actual rebate receivables and an estimate of receivables based upon current utilization of specific pharmaceuticals and provider contract terms. Health care receivables are subject to various admittance tests based on the nature of the receivable balance. Health care receivables relating to insured plans are reported in health care and other receivables. Health care receivables that are not for insured plans are included in amounts receivable relating to uninsured plans on the statutory balance sheets.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Unpaid Claims and Claims Adjustment Expenses

Liabilities for unpaid claims and claims adjustment expenses include estimated provisions for incurred but not paid claims on an undiscounted basis, as well as estimated provisions for expenses related to the processing of claims. Incurred but not paid claims include (1) an estimate for claims that are incurred but not reported, as well as claims reported to the Company but not yet processed through the Company's systems; and (2) claims reported to us and processed through the Company's systems but not yet paid.

Liabilities for both claims incurred but not yet reported and reported but not yet processed through the Company's systems are determined in the aggregate, employing actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. Actuarial Standards of Practice require that the claim liabilities be appropriate under moderately adverse circumstances. The Company determines the amount of the liability for incurred but not paid claims by following a detailed actuarial process that uses both historical claim payment patterns as well as emerging medical cost trends to project the Company's best estimate of claim liabilities. Under this process, historical paid claims data is formatted into "claim triangles," which compare claim incurred dates to the dates of claim payments. This information is analyzed to create "completion factors" that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Completion factors are applied to claims paid through the period-end date to estimate the ultimate claim expense incurred for the period. Actuarial estimates of incurred but not paid claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims.

For the most recent incurred months (typically the most recent two months), the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factor methodology less reliable for such months. Therefore, incurred claims for recent months are not projected from historical completion and payment patterns; rather, they are projected by estimating the claims expense for those months based on recent claims expense levels and healthcare trend levels ("trend factors").

The Company regularly reviews and sets assumptions regarding cost trends and utilization when initially establishing claims and claims adjustment expense liabilities. The Company continually monitors and adjusts the claims and claims adjustment expense liability and expense based on subsequent claims paid activity. If it is determined that the Company's assumptions regarding cost trends and utilization are materially different than actual results, the statutory statement of operations and balance sheet could be impacted in future periods.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

There were no significant changes in methodologies and assumptions used in calculating the liability for unpaid claims and claims adjustment expenses.

Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated claims and claims adjustment expenses that have not been previously expensed in excess of the recorded unearned premium reserve and future premiums on existing policies. The Company does not use anticipated investment income as a factor in the premium deficiency reserve calculation. The Company did not record premium deficiency reserves as of December 31, 2022 or 2021.

Revenue Recognition

Premiums are earned over the coverage term of the related insurance policies and reinsurance contracts. Premiums receivable amounts aged ninety days and older are nonadmitted assets, with the exception of government receivables. Premiums receivable amounts deemed uncollectible are written off and recorded as other expense. Unearned premium reserves, included in aggregate policy reserves, are established to cover the unexpired portion of premiums written and collected. Amounts are computed by pro rata methods for direct business, and are based on reports received by ceding companies for reinsurance assumed. Expenses incurred in connection with acquiring new insurance business, including acquisition costs, such as sales commissions, are charged to operations as incurred. The premiums paid by policyholders prior to the effective date are recorded in the statutory balance sheets as premiums received in advance and subsequently recorded to income as earned during the coverage period. Premium rates for certain lines of business are subject to approval by the OCI.

At December 31, 2022 and 2021, the Company reported admitted assets of \$149,666 and \$134,297, respectively, in premiums receivable and amounts receivable relating to uninsured plans. Based upon the Company's experience, any uncollectible receivables are not expected to exceed \$24,135 that was nonadmitted at December 31, 2022; therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

Reinsurance

Reinsurance premiums and claims and claims adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Certain premiums and benefits are ceded to other insurance companies under various reinsurance contracts. These reinsurance contracts limit the Company's exposure to losses within its capital resources. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Uncollected premiums receivable and unpaid claims are reported net of reinsurance amounts ceded to other insurers. A liability for reinsurance balances is provided for unsecured policy reserves ceded to reinsurers not authorized to assume such business. Changes to the liability are credited or charged directly to unassigned surplus.

Retrospectively Rated Contracts

The Company sells policies where premiums vary based on loss experience or premium stabilization programs. Premium income includes an adjustment for retrospectively rated refunds based on an estimate of incurred claims. A retrospectively rated contract is one that has the final policy premium calculated based on the loss experience of the insured during the term of the policy (including loss development after the term of the policy). Retrospectively rated refunds include Medical loss ratio ("MLR") rebates per the Affordable Care Act ("ACA"). Accrued retrospective premiums are reported in premiums receivable. Reserves for rate credits or policy rating refunds are reported in aggregate policy reserves.

Risk adjustment programs transfer premiums from insurers that enroll members with relatively lower health risks to insurers that enroll members with relatively higher health risks and are recorded as premium income in operations. The Company's risk adjustment payments are subject to review and audit by Centers for Medicare and Medicaid Services ("CMS"), which can potentially take several years to resolve completely. Any adjustment to premium income and the related medical expense for risk-sharing arrangements with providers because of such review and audit would be recorded when estimable.

The Company uses estimates to report in the statutory financial statements to determine the receivable and reserve amounts for these arrangements based on estimates and assumptions at the financial statement date and regulations and guidance available that is subject to change prior to settlement. Accordingly, the Company's use of estimates and assumptions in the preparation of the statutory financial statements and related footnote disclosures may differ from actual results.

The amount of net premiums written by the Company for the years ended December 31, 2022 and 2021 that were subject to retrospective rating features, including MLR rebate regulations, was \$786,238 and \$710,180, which represented 89.9% and 88.7%, respectively, of the total net premiums written.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Federal Employee Health Benefits Program

The Company participates in the Federal Employee Health Benefits Program (“FEHBP”) with other Blue Cross Blue Shield (“BCBS”) plans. This program includes a fully insured experience-rated contract, commonly known as FEP, between the Office of Personnel Management (“OPM”) and BCBSA, which acts as an agent for the participating BCBS plans. In addition, each participating plan, including the Company, executes a contract with BCBSA that obligates each participating plan to underwrite FEP benefits in its service area. The FEP contract renews automatically each year, unless written notice of termination is given by either party.

Premium rates are developed by BCBSA and negotiated with OPM annually. These rates determine the funds that will be available to the participating BCBS plans to provide insurance to Federal employees that enroll with the BCBS FEP. The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is accounted for as a rate stabilization reserve (commonly referred to as the special reserve), as required by the contract between OPM and BCBSA. Each year, OPM also allocates a portion of the premiums to a contingency reserve, which may be utilized by the participating plans in the event that annual premiums paid to the insurance carrier are insufficient or the rate stabilization reserve falls below certain levels prescribed by OPM. Premiums paid to the carrier and available to each participating BCBS plan, including the special reserve and the contingency reserve, are held at the U.S. Treasury, including amounts unused from prior periods. Any premiums that remain in the rate stabilization reserve upon termination of the BCBSA contract after the claims run-out and reimbursement of allowable administrative expenses would be returned to OPM for the benefit of the FEHBP.

In accordance with the FEP contract, premium funds that exceed daily operating needs are held on behalf of the Company in letter of credit accounts at the U.S. Treasury to provide funding for claims, administrative expenses, and other charges to the contract. The Company, along with other BCBS plans who participate in the FEHBP contract, have an unrestricted right to draw funds being held in the U.S. Treasury, other than those allocated to the contingency reserve, for any valid claim or expense. If the balance of the special reserve is exhausted or falls below certain prescribed levels, OPM will transfer funds from the contingency reserve to the special reserve to the extent that funds are available in the contingency reserve. Amounts incurred in excess of the total reserves held at the U.S. Treasury for the FEP would not be reimbursed to the Company.

The Company has recorded its allocable share of the special reserve funds held in the U.S. Treasury as an asset, with an equivalent amount recorded as a rate stabilization reserve. These amounts are \$96,817 and \$69,452 as of December 31, 2022 and 2021, respectively, and are

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

included in Federal Employee Program receivable and in aggregate policy reserves in the accompanying statutory balance sheets. The amounts net of reinsurance are \$67,772 and \$48,616 as of December 31, 2022 and 2021, respectively due to the reinsurance arrangement discussed in Note 6.

FEP represented approximately 79.0% and 85.4% of premiums receivable as of December 31, 2022 and 2021, respectively. FEP represented approximately 56.1% and 53.2% of net premiums written for the years ended December 31, 2022 and 2021, respectively.

Uninsured Accident and Health Plans

The Company provides administrative services to various customers on an uninsured basis. Under these arrangements, the customer retains the risk of funding payments for health benefits provided, and the Company may be subject to credit risk of the customer from the time of the Company's claim payment until the Company receives the claim reimbursement. In accordance with SSAP No. 47, *Uninsured Plans*, these claims payments and subsequent reimbursements are excluded from the Company's statutory statements of operations. Administrative fees for administering these arrangements are recognized as administrative services are performed and recorded as a reduction to operating expenses. Amounts receivable from uninsured plans aged ninety days and older are treated as nonadmitted assets, with the exception of government receivables.

Federal Income Taxes

The Company participates in a tax sharing agreement with Elevance Health and its subsidiaries. Allocation of federal income taxes is based upon separate return calculations with credit for net losses that can be used on a consolidated basis. Intercompany income tax balances are settled based on the Internal Revenue Service ("IRS") due dates.

Deferred tax assets ("DTA") are limited to an amount equal to the sum of: (1) federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year; (2) depending on the Company's Authorized Control Level ("ACL") Risk Based Capital ("RBC") ratio exclusive of the DTA, the lesser of (a) the amount of gross DTAs expected to be realized within three years after the application of (1) or 15% of surplus, if the ratio is greater than 300%, (b) the amount of gross DTAs expected to be realized within one year after the application of (1) or 10% of surplus, if the ratio is between 200% and 300%, or (c) if the ratio is below 200%, no DTA can be realized; and (3) the amount of gross DTAs, after the application of (1) and (2), that can be offset

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

against gross deferred tax liabilities (“DTL”). DTAs in excess of these limitations are nonadmitted.

Deferred taxes do not include amounts for state taxes. Changes in DTAs and DTLs are recognized as a separate component in surplus (“Change in net deferred income tax”).

2. Investments

A summary of the Company’s investments in bonds is as follows:

	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
			Less Than 12 Months	12 Months or Greater	
<i>December 31, 2022</i>					
United States government securities	\$ 5,591	\$ —	\$ (429)	\$ —	\$ 5,162
States, territories and political subdivisions	34,208	81	(859)	(1,399)	32,031
Industrial and miscellaneous	82,101	286	(2,282)	(3,881)	76,224
Loan-backed and structured securities	41,836	50	(2,208)	(1,466)	38,212
Total bonds	<u>\$ 163,736</u>	<u>\$ 417</u>	<u>\$ (5,778)</u>	<u>\$ (6,746)</u>	<u>\$ 151,629</u>
<i>December 31, 2021</i>					
United States government securities	\$ 9,170	\$ 53	\$ (57)	\$ —	\$ 9,166
States, territories and political subdivisions	32,149	1,759	(31)	(19)	33,858
Industrial and miscellaneous	71,038	1,663	(370)	(27)	72,304
Loan-backed and structured securities	47,803	1,499	(254)	(40)	49,008
Total bonds	<u>\$ 160,160</u>	<u>\$ 4,974</u>	<u>\$ (712)</u>	<u>\$ (86)</u>	<u>\$ 164,336</u>

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The statement and fair values of bonds at December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations.

	Statement Value	Fair Value
Due in one year or less	\$ 6,570	\$ 6,576
Due after one through five years	63,337	59,153
Due after five through ten years	35,076	32,122
Due after ten years	16,917	15,566
Loan-backed and structured securities	41,836	38,212
	<u>\$ 163,736</u>	<u>\$ 151,629</u>

The Company owns shares of Elevance Health, which is not recognized as an admitted asset. Elevance Health pays regular dividends to its shareholders. As a result of the investment, the Company earned \$24,893 and \$21,976 during 2022 and 2021, respectively, which is reported as net investment income.

Proceeds from sales of bonds during 2022 and 2021 were \$55,783 and \$58,897, respectively. The Company realized gross gains of \$304 and gross losses of \$1,579, during 2022, and gross gains of \$708 and gross losses of \$429, during 2021.

A significant judgment in the valuation of investments is the determination of when an other-than-temporary decline in value has occurred. The Company follows a consistent and systematic process for recognizing impairments on securities that sustain other-than-temporary declines in value. The Company has established a committee responsible for the impairment review process. The decision to impair a security incorporates both quantitative criteria and qualitative information.

The impairment review process considers a number of factors, including but not limited to (a) the length of time and the extent to which a security's fair value has been less than statement value; (b) the financial condition and near term prospects of the issuer; (c) the intent to sell, and the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in value; (d) whether the debtor is current on interest and principal payments; (e) the reasons for the decline in value (i.e., credit event compared to liquidity, general credit spread widening, currency exchange rate or interest rate factors) and (f) general market conditions and industry or sector specific factors. For securities that are deemed to be other-than-temporarily impaired, the security is adjusted to its fair value or present value of its discounted cash flows, and the resulting losses are recognized in net realized gains or losses in the statutory

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

statements of operations. The new cost basis of the impaired securities is not increased for future recoveries in fair value. The Company did not recognize OTTI on securities for the years ended December 31, 2022 and 2021.

A summary of unaffiliated investments with unrealized losses along with the related fair value, aggregated by the length of time that investments have been in a continuous unrealized loss position, is as follows:

	December 31, 2022			December 31, 2021		
	Number of Securities	Fair Value	Gross Unrealized Loss	Number of Securities	Fair Value	Gross Unrealized Loss
Bonds:						
Less than 12 months	178	\$ 88,713	\$ (5,778)	78	\$ 53,573	\$ (712)
12 months or greater	86	47,823	(6,746)	8	2,641	(86)
Total bonds	264	\$ 136,536	\$ (12,524)	86	\$ 56,214	\$ (798)

The Company's bond portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. Unrealized losses on bonds reported above were primarily caused by the effects of the interest rate environment and the widening of credit spreads on certain securities. The Company currently has the ability and intent to hold these securities until their full cost can be recovered. Therefore, the Company does not believe the unrealized losses represent an OTTI as of December 31, 2022 or 2021.

The Company had 1 and 14 securities sold, redeemed and otherwise disposed as a result of a call feature or tender offer (including make-whole call provisions) during the years ended December 31, 2022 and 2021, respectively. The aggregate investment income generated as a result of prepayment penalties and/or acceleration fees during the years ended December 31, 2022 and 2021 was \$0 and \$637, respectively.

Securities Lending Programs

The Company's investment portfolio includes loaned securities with a carrying value of \$9,827 and \$5,933 at December 31, 2022 and 2021, respectively. The fair value of the loaned securities are \$9,351 and \$6,047 at December 31, 2022 and 2021, respectively.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The Company reinvests the collateral received under the securities lending program. The aggregate amount of cash collateral reinvested at December 31, 2022, categorized by the contractual maturity of the investment, is as follows:

	Amortized Cost	Fair Value
30 days or less	\$ 2,945	\$ 2,945
31 to 60 days	3,474	3,475
61 to 90 days	933	933
91 to 120 days	550	550
121 to 180 days	747	747
181 to 365 days	671	672
Subtotal	<u>9,320</u>	<u>9,322</u>
Securities received	266	266
Total collateral reinvested	<u>\$ 9,586</u>	<u>\$ 9,588</u>

3. Fair Value

Assets and liabilities recorded at fair value in the statutory balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

Level Input	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The following table summarizes the assets and/or liabilities measured and reported at fair value in the statutory balance sheets as of December 31, 2022 and 2021, respectively:

	Level I	Level II	Level III	Total
December 31, 2022				
Industrial and miscellaneous bonds	\$ —	\$ 3	\$ —	\$ 3
Total bonds	—	3	—	3
Industrial and miscellaneous money market funds	19,000	—	—	19,000
Total cash equivalents	19,000	—	—	19,000
Real estate held for sale	—	—	2,232	2,232
Total real estate	—	—	2,232	2,232
Total assets at fair value	\$ 19,000	\$ 3	\$ 2,232	\$ 21,235
December 31, 2021				
Industrial and miscellaneous bonds	\$ —	\$ 3	\$ —	\$ 3
Total bonds	—	3	—	3
Real estate held for sale	—	—	2,232	2,232
Total real estate	—	—	2,232	2,232
Total assets at fair value	\$ —	\$ 3	\$ 2,232	\$ 2,235

Fair values of bonds are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs, for the determination of fair value and to facilitate fair value measurements and disclosures. Level II securities primarily include United States government securities, corporate securities, securities from states, municipalities and political subdivisions, residential mortgage-backed securities and certain other asset-backed securities. For securities not actively traded, the pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. For certain investments in bonds, primarily corporate debt securities, the valuation methodologies may incorporate broker quotes or discounted cash flow analyses using assumptions for inputs such as expected cash flows, benchmark yields, credit spreads, default rates and prepayment speeds that are not observable in the markets. These securities are designated Level III.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The fair value of real estate held for sale is based on analysis of market comparables and future income analysis. Real estate held for sale is designated Level III.

Cash equivalents primarily consist of highly rated money market funds or bonds with original maturities of three months or less. Due to the high ratings and short-term nature of these investments, they are designated as Level I. The fair value of certain bonds purchased with less than three months to maturity are based on quoted market prices obtained from third party pricing services, which may use Level II inputs.

Fair values of securities lending collateral are based on the quoted market prices, where available. These fair values are obtained primarily from third-party pricing services, which generally use Level I or Level II inputs for the determination of fair value, to facilitate fair value measurements and disclosures.

The Company has controls in place to review the pricing services' qualifications and procedures used to determine fair values. In addition, the Company periodically reviews the pricing services' pricing methodologies, data sources and pricing inputs to ensure the fair values obtained are reasonable.

The following table summarizes the investments reported at fair value on the statutory balance sheets using Level III inputs:

	Balance at January 1	Transfers into Level III	Transfers out of Level III	Total gains (losses) included in Net Income	Total gains (losses) included in Surplus	Purchases	Sales	Balance at December 31
2022								
Real estate held for sale	\$ 2,232	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,232
Total real estate	<u>\$ 2,232</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,232</u>
2021								
Real estate held for sale	\$ —	\$ 2,232	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,232
Total real estate	<u>\$ —</u>	<u>\$ 2,232</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,232</u>

Transfers into Level III include securities not previously carried at fair value that have either experienced a decline in fair value over amortized cost or are now required to be carried at fair value due to their rating. Transfers out of Level III include securities no longer carried at fair value that have either experienced improvement in fair value above amortized cost or are no longer required to be carried at lower of cost or market due to their rating. The Company's policy is to recognize transfers between levels, if any, as of the beginning of the reporting period.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

There were no transfers between levels during the years ended December 31, 2022 and 2021.

The following table summarizes the fair value of financial instruments by types:

December 31, 2022					
Type of Financial Instrument	Aggregate Fair Value	Statement Value	Level I	Level II	Level III
Bonds	\$ 151,629	\$ 163,736	\$ —	\$ 151,629	\$ —
Cash equivalents	19,000	19,000	19,000	—	—
Securities lending collateral	9,588	9,586	—	9,588	—
Real estate held for sale	2,232	2,232	—	—	2,232

December 31, 2021					
Type of Financial Instrument	Aggregate Fair Value	Statement Value	Level I	Level II	Level III
Bonds	\$ 164,336	\$ 160,160	\$ —	\$ 164,336	\$ —
Securities lending collateral	6,180	6,180	—	6,180	—
Real estate held for sale	2,232	2,232	—	—	2,232

The Company has no investments measured at net asset value.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

4. Subsidiaries and Affiliates

Statutory financial information of the Company's subsidiary, Compcare, which is at least 10% of admitted assets, is summarized, as filed in the statutory annual statement, as follows:

Summary balance sheets

	December 31	
	2022	2021
Investments	\$ 754,915	\$ 562,441
Other assets	155,179	138,689
Total admitted assets	<u>\$ 910,094</u>	<u>\$ 701,130</u>
Insurance reserves	\$ 357,341	\$ 288,521
Other liabilities	221,215	165,760
Capital and surplus	331,538	246,849
Total liabilities and capital and surplus	<u>\$ 910,094</u>	<u>\$ 701,130</u>

Summary statements of operations

	Years Ended December 31	
	2022	2021
Revenues and investment gains	\$ 2,379,363	\$ 2,097,615
Expenses	2,290,372	2,062,229
Net income	<u>\$ 88,991</u>	<u>\$ 35,386</u>

Compcare follows the accounting practices prescribed or permitted by the OCI. There were no differences between Compcare's statutory capital and surplus or net income under NAIC SAP and practices prescribed or permitted by the OCI.

Included in the Company's change in net unrealized gains (losses) in unassigned surplus for the years ended December 31, 2022 and 2021 is \$84,606 and \$20,067, respectively, related to the change in carrying values of the Company's investments in subsidiaries and affiliates.

The Company did not recognize an impairment write down for its investment in subsidiary during 2022 or 2021.

On September 23, 2021, the Company received an ordinary dividend of \$15,000 from its subsidiary, Compcare, which is recorded as net investment income.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

5. Unpaid Claims and Claims Adjustment Expenses

The following table provides a reconciliation of the beginning and ending balances for unpaid claims and claims adjustment expenses:

	<u>2022</u>	<u>2021</u>
Balances at January 1, net of reinsurance	\$ 97,905	\$ 80,874
Incurred (redundancies) related to:		
Current year	785,596	728,504
Prior years	10,288	33
Total incurred	<u>795,884</u>	<u>728,537</u>
Paid related to:		
Current year	689,473	631,281
Prior years	104,136	80,225
Total paid	<u>793,609</u>	<u>711,506</u>
Balances at December 31, net of reinsurance	<u>100,180</u>	97,905
Ceded unpaid claims and claims adjustment expenses	<u>23,892</u>	23,405
Balances at December 31, gross of reinsurance	<u>\$ 124,072</u>	<u>\$ 121,310</u>

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claim payments becomes known. This information is compared to the originally established year end liability. Positive amounts reported for incurred claims related to prior years are due to claims being settled for amounts greater than originally estimated. This experience is primarily attributable to actual medical cost experience that differs from that assumed at the time the liability was established. The Company had increased estimation uncertainty on its incurred but not reported liability at December 31, 2022 and December 31, 2021. Slowdowns in claims submission patterns and increases in utilization levels for COVID-19 testing and treatment are the primary factors that lead to the increased estimation uncertainty.

The Company took into account estimated anticipated subrogation and other recoveries in its determination of the liability for unpaid claims based on historical recovery patterns.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

6. Reinsurance

The Company has a quota share reinsurance contract to cede direct FEP business to Anthem Insurance Companies, Inc., an affiliated company and an authorized reinsurer. Under this affiliate reinsurance contract, ceded premiums of \$202,060 and \$192,496 and ceded claims of \$193,002 and \$183,928 were included in operating results for the years ended December 31, 2022 and 2021, respectively. Ceded unpaid claims and claims adjustment expenses of \$23,790 and \$23,405 were included in the statutory balance sheets as of December 31, 2022 and 2021, respectively.

The effects of reinsurance on net premiums are as follows:

	Year ended December 31	
	2022	2021
Direct premiums	\$ 1,056,062	\$ 1,018,018
Ceded premiums - affiliated reinsurers	(202,060)	(192,496)
Ceded premiums - unaffiliated reinsurers	(81)	(163)
Net premiums	<u>\$ 853,921</u>	<u>\$ 825,359</u>

The effects of reinsurance on claims and claims adjustment expenses in the accompanying financial statements as follows:

	Year ended December 31	
	2022	2021
Direct claims and claims adjustment expenses	\$ 988,908	\$ 912,526
Ceded claims and claims adjustment expenses - affiliated reinsurers	(193,002)	(183,928)
Ceded claims and claims adjustment expenses - unaffiliated reinsurers	(22)	(61)
Net claims and claims adjustment expenses	<u>\$ 795,884</u>	<u>\$ 728,537</u>

The Company's ceded reinsurance arrangements reduced aggregate policy reserves in the accompanying statutory balance sheets by \$29,894 and \$21,655 as of December 31, 2022 and 2021, respectively. This includes \$29,045 and \$20,836 from affiliate reinsurance as of December 31, 2022 and 2021, respectively.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

7. ACA Risk Adjustment Program

The ACA risk adjustment is a permanent program that transfers premiums from insurers that enroll members with relatively lower health risks to insurers that enroll members with relatively higher health risks and, therefore, is recorded as premium income. ACA premium risk adjustment receivables are reported in premiums receivable. ACA premium risk adjustment payables are reported in aggregate policy reserves. ACA risk adjustment user fee payable is reported in accounts payable and accrued expenses. User fees incurred are reported in operating expenses.

The amounts related to the ACA risk adjustment program are as follows:

	Year ended December 31	
	2022	2021
Premium risk adjustment receivables	\$ —	\$ 381
Premium risk adjustment payables	279	103
User fee payable	5	4
Risk adjustment premiums	(981)	597
User fees incurred	5	4

The following table provides a reconciliation of the ACA risk adjustment program balances (gross of any nonadmission) at December 31, 2021 to any remaining unsettled balance as of December 31, 2022 along with reasons for adjustments to these balances during 2022:

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
	Receivable	(Payable)	Receivable	(Payable)	Prior Year Accrued Less Payments	Prior Year Accrued Less Payments	To Prior Year Balances	To Prior Year Balances	Ref	Cumulative Balance from Prior Years	Cumulative Balance from Prior Years
					Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
Permanent ACA Risk Adjustment Program											
Premium adjustments receivable	\$ 381	\$ —	\$ 5	\$ —	\$ 376	\$ —	\$ (376)	\$ —	A	\$ —	\$ —
Premium adjustments (payable)	\$ —	\$ 103	\$ —	\$ 378	\$ —	\$ (275)	\$ —	\$ 275	A	\$ —	\$ —
Total ACA Permanent Risk Adjustment Program	\$ 381	\$ 103	\$ 5	\$ 378	\$ 376	\$ (275)	\$ (376)	\$ 275		\$ —	\$ —

A. Adjustments were made to reflect the ending balance in the Centers for Medicare & Medicaid Services "Summary Report on Permanent Risk Adjustment Transfers for the 2021 Benefit Year."

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

8. Federal Income Taxes

The Company has a current federal income tax recoverable (payable) of (\$2,103) and (\$297) as of December 31, 2022 and 2021, respectively.

The components of net deferred tax assets (liabilities) at December 31 are as follows:

	2022		
	Ordinary	Capital	Total
Gross deferred tax assets	\$ 9,095	\$ 4,936	\$ 14,031
Gross deferred tax liabilities	2	115	117
Net deferred tax asset before admissibility test	\$ 9,093	\$ 4,821	\$ 13,914

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101, *Income Taxes* (“SSAP No. 101”) as of December 31, 2022 is:

Admitted pursuant to paragraph 11.a.	\$ 8,771	\$ —	\$ 8,771
Admitted pursuant to paragraph 11.b.	50	—	50
Admitted pursuant to paragraph 11.c.	2	115	117
Admitted deferred tax asset	8,823	115	8,938
Deferred tax liability	2	115	117
Net admitted deferred tax asset	8,821	—	8,821
Nonadmitted deferred tax asset	\$ 272	\$ 4,821	\$ 5,093

	2021		
	Ordinary	Capital	Total
Gross deferred tax assets	\$ 8,620	\$ 4,936	\$ 13,556
Gross deferred tax liabilities	105	106	211
Net deferred tax asset before admissibility test	\$ 8,515	\$ 4,830	\$ 13,345

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 as of December 31, 2021 is:

Admitted pursuant to paragraph 11.a.	\$ 8,153	\$ —	\$ 8,153
Admitted pursuant to paragraph 11.b.	54	—	54
Admitted pursuant to paragraph 11.c.	105	106	211
Admitted deferred tax asset	8,312	106	8,418
Deferred tax liability	105	106	211
Net admitted deferred tax asset	8,207	—	8,207
Nonadmitted deferred tax asset	\$ 308	\$ 4,830	\$ 5,138

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The change in the amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 during 2022 is:

	Ordinary	Capital	Total
Admitted pursuant to paragraph 11.a.	\$ 618	\$ —	\$ 618
Admitted pursuant to paragraph 11.b.	(4)	—	(4)
Admitted pursuant to paragraph 11.c.	(103)	9	(94)
Admitted deferred tax asset	511	9	520
Deferred tax liability	(103)	9	(94)
Net admitted deferred tax asset	614	—	614
Nonadmitted deferred tax asset	\$ (36)	\$ (9)	\$ (45)

	2022	2021
Ratio percentage used to determine recovery period and threshold limitation amount	469 %	375 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitations	\$ 487,126	\$ 361,514

The impact of tax planning strategies is as follows:

	2022		2021		Change	
	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
Adjusted gross deferred tax assets amount	\$ 9,095	\$ 4,936	\$ 8,620	\$ 4,936	\$ 475	\$ —
Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0 %	98 %	0 %	98 %	0 %	0 %
Net admitted adjusted gross deferred tax assets amount	\$ 8,823	\$ 115	\$ 8,312	\$ 106	\$ 511	\$ 9
Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0 %	0 %	0 %	0 %	0 %	0 %

The Company's tax planning strategies do not include the use of reinsurance.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Current federal income taxes (benefits) consist of the following major components:

	2022	2021	Change
Federal income taxes (benefits) on operations	\$ 14,422	\$ 19,540	\$ (5,118)
Federal income tax expense (benefit) on net capital gains (losses)	(247)	201	(448)
Federal income taxes	\$ 14,175	\$ 19,741	\$ (5,566)

The components of deferred income taxes are as follows:

	December 31		Change
	2022	2021	
Deferred tax assets:			
Ordinary:			
Accrued future expenses	\$ 1,629	\$ 3,579	\$ (1,950)
Accounts receivable	5,369	3,391	1,978
Claims discount reserve	249	237	12
Fixed assets	248	—	248
Other insurance reserves	252	357	(105)
Prepaid expenses	286	10	276
Unearned premium reserve	698	541	157
Other adjustments	364	505	(141)
Subtotal	9,095	8,620	475
Nonadmitted deferred tax assets	272	308	(36)
Admitted ordinary deferred tax assets	8,823	8,312	511
Capital:			
Affiliated investment write-down	4,936	4,936	—
Subtotal	4,936	4,936	—
Nonadmitted deferred tax assets	4,821	4,830	(9)
Admitted capital deferred tax assets	115	106	9
Admitted deferred tax assets	8,938	8,418	520
Deferred tax liabilities:			
Ordinary:			
Fixed assets	—	100	(100)
Other adjustments	2	5	(3)
Subtotal	2	105	(103)
Capital:			
Investments in securities	18	8	10
Investment partnerships	97	98	(1)
Subtotal	115	106	9
Deferred tax liabilities	117	211	(94)
Net admitted deferred tax asset (liability)	\$ 8,821	\$ 8,207	\$ 614

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The changes in deferred tax assets and deferred tax liabilities are as follows:

	2022	2021	Change
Total deferred tax assets	\$ 14,031	\$ 13,556	\$ 475
Total deferred tax liabilities	117	211	(94)
Net deferred tax asset	\$ 13,914	\$ 13,345	569
Tax effect of unrealized gains (losses)			—
Change in net deferred income tax			\$ 569

The Company has no repatriation transition tax or alternative minimum tax credit.

The Company's income tax expense and change in deferred income taxes differs from the amount obtained by applying the federal statutory income tax rate of 21% for the years ended December 31, 2022 and 2021 as follows:

	2022	2021
Tax expense (benefit) computed using the federal statutory rate	\$ 22,101	\$ 27,545
Change in nonadmitted assets	(2,781)	228
Tax exempt income and dividend received deduction net of proration	(5,342)	(4,731)
Prior year true-ups and adjustments	(618)	41
Tax settlements and contingencies	250	—
Subsidiary dividends	—	(3,150)
Other, net	(4)	1
Total	\$ 13,606	\$ 19,934
Federal income taxes expense (benefit)	\$ 14,175	\$ 19,741
Change in net deferred income taxes	(569)	193
Total statutory income taxes	\$ 13,606	\$ 19,934

At December 31, 2022, the Company has no operating loss carryforwards or tax credit carryforwards.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

	<u>Ordinary</u>		<u>Capital</u>		<u>Total</u>
2022	\$ 14,513	\$	—	\$	14,513
2021	19,629		201		19,830
2020	N/A		89		89

The Company is included in the consolidated federal income tax return of its parent Elevance Health, along with other affiliates, as of December 31, 2022. Allocation of federal income taxes with affiliates subject to the tax sharing agreement is based upon separate income tax return calculations with credit for net losses that can be used on a consolidated basis. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes. Intercompany income tax balances are settled based on the IRS due dates.

The Company is a member of the IRS Compliance Assurance Process (“CAP”) program. The objective of CAP is to reduce taxpayer burden and uncertainty while assuring the IRS of the accuracy of tax returns prior to filing, thereby reducing or eliminating the need for post filing examinations. As of December 31, 2022, the examination of the 2021 and 2022 tax years continues to be in process.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act which includes a new corporate alternative minimum tax (the "Corporate AMT") of 15% on the adjusted financial statement of income ("AFSI") of corporations with average AFSI exceeding one billion dollars over a three-year period. The Corporate AMT is effective beginning after December 31, 2022. The controlled group of corporations, of which the Company is a member, has determined it is an applicable corporation for purposes of determining if the Corporate AMT exceeds the regular federal income tax payable. The controlled group has determined that it does not expect to be subject to the Corporate AMT in 2023. The Company has determined that it would not be an applicable corporation on a stand-alone basis, therefore it does not expect to be subject to the Corporate AMT in 2023.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

9. Capital and Surplus

The OCI requires the Company to maintain a minimum surplus as set forth in the state statutes. In addition, the State of Wisconsin has adopted RBC requirements as specified by the NAIC. Under those requirements, the amount of surplus to be maintained is determined based on various risk factors. The Company also is required to maintain certain capital and liquidity levels in conjunction with its BCBSA licensing. At December 31, 2022 and 2021, the Company's capital and surplus exceeded all regulatory requirements.

Under Wisconsin statutes, the Company is limited in the amount of dividends that can be declared without regulatory approval. The OCI must approve any dividend that, together with all dividends declared during the preceding three years, exceeds the lesser of 10% of statutory surplus existing at the end of the prior calendar year and a limitation based on net income less realized capital gains. In addition, in the calculation of net income, the domestic insurer may carry forward net income less realized capital gains for the previous two calendar years that have not already been paid out as dividends. The Company may pay \$49,595 in dividends during 2023 without prior approval.

The portion of unassigned surplus (deficit) representing cumulative unrealized gains (losses), net of taxes, was \$304,239 and \$219,633 at December 31, 2022 and 2021, respectively.

10. Leases

The Company leases office space and EDP equipment and other miscellaneous items under various non-cancelable operating leases. Certain leases have the right to renew. There are no escalation clauses for any lease. Related lease expense for 2022 and 2021 was \$247 and \$295, respectively.

Obligations under noncancelable operating leases are not reflected on the statutory balance sheets. At December 31, 2022, future lease payments for operating leases with initial or remaining noncancelable terms of one year or more consisted of the following: 2023, \$988.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

11. Contingencies

Litigation and regulatory proceedings

Blue Cross Blue Shield Antitrust Litigation

Elevance Health, Inc. (f/k/a Anthem, Inc.) is a defendant in multiple lawsuits that were initially filed in 2012 against the BCBSA and Blue Cross and/or Blue Shield licensees (the “Blue plans”) across the country. Cases filed in twenty-eight states were consolidated into a single, multi-district proceeding captioned *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the U.S. District Court for the Northern District of Alabama (the “Court”). Generally, the suits allege that the BCBSA and the Blue plans have conspired to horizontally allocate geographic markets through license agreements, best efforts rules that limit the percentage of non-Blue revenue of each plan, restrictions on acquisitions, rules governing the BlueCard[®] and National Accounts programs and other arrangements in violation of the Sherman Antitrust Act (“Sherman Act”) and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers.

In April 2018, the Court issued an order on the parties’ cross motions for partial summary judgment, determining that the defendants’ aggregation of geographic market allocations and output restrictions are to be analyzed under a per se standard of review, and the BlueCard[®] program and other alleged Section 1 Sherman Act violations are to be analyzed under the rule of reason standard of review. With respect to whether the defendants operate as a single entity with regard to the enforcement of the Blue Cross Blue Shield trademarks, the Court found that summary judgment was not appropriate due to the existence of genuine issues of material fact. In April 2019, the plaintiffs filed motions for class certification, which defendants opposed.

The BCBSA and Blue plans approved a settlement agreement and release with the subscriber plaintiffs (the “Subscriber Settlement Agreement”), which agreement required the Court’s approval to become effective. The Subscriber Settlement Agreement requires the defendants to make a monetary settlement payment and contains certain terms imposing non-monetary obligations including (i) eliminating the “national best efforts” rule in the BCBSA license agreements (which rule limits the percentage of non-Blue revenue permitted for each Blue plan) and (ii) allowing for some large national employers with self-funded benefit plans to request a bid for insurance coverage from a second Blue plan in addition to the local Blue plan.

In November 2020, the Court issued an order preliminarily approving the Subscriber Settlement Agreement, following which members of the subscriber class were provided notice of the Subscriber Settlement Agreement and an opportunity to opt out of the class. A small number of

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

subscribers submitted valid opt-outs by the July 2021 opt-out deadline. A fairness hearing was held in October 2021 and the Court took the request for final approval under advisement. In February 2022, the Court ordered the issuance of a supplemental notice to self-funded account class members. The notice process was completed in March 2022.

In August 2022, the Court issued a final order approving the Subscriber Settlement Agreement (the "Final Approval Order"). The Court amended its Final Approval Order in September 2022, further clarifying the injunctive relief that may be available to subscribers who submitted valid opt-outs. In September 2022, an objector filed a motion to amend the Final Approval Order, which the Court denied. In compliance with the Subscriber Settlement Agreement, Elevance Health paid \$506,000 into an escrow account in September 2022, for an aggregate and full settlement payment by Elevance Health of \$596,000. The Company recorded its estimated portion of the Subscriber Settlement Agreement, net of third party insurance cover, in 2020 and paid its remaining portion of the Subscriber Settlement Agreement in 2022.

Four notices of appeal of the Final Approval Order were filed by the September 2022 appeal deadline. Those appeals are proceeding in the United States Court of Appeals for the Eleventh Circuit. In the event that all appellate rights are exhausted in a manner that affirms the Court's Final Approval Order, the defendants' payment and non-monetary obligations under the Subscriber Settlement Agreement will become effective and the funds held in escrow will be distributed in accordance with the Subscriber Settlement Agreement.

In October 2020, after the Court lifted the stay as to the provider litigation, provider plaintiffs filed a renewed motion for class certification, which defendants opposed. In March 2021, the Court issued an order terminating the pending motion for class certification until the Court determines the standard of review applicable to the providers' claims. In May 2021, the defendants and provider plaintiffs filed renewed standard of review motions. In June 2021, the parties filed summary judgment motions not critically dependent on class certification. In February 2022, the Court issued orders (i) granting certain defendants' motion for partial summary judgment against the provider plaintiffs who had previously released claims against such defendants, and (ii) granting the provider plaintiffs' motion for partial summary judgment, holding that *Ohio v. American Express Co.* does not affect the standard of review in this case. In August 2022, the Court issued orders (i) granting in part the defendants' motion regarding the antitrust standard of review, holding that for the period of time after the elimination of the "national best efforts" rule, the rule of reason applies to the provider plaintiffs' market allocation conspiracy claims, and (ii) denying the provider plaintiffs' motion for partial summary judgment on the standard of review, reaffirming its prior holding that the providers' group boycott claims are subject to the rule of reason. In November 2022, the Court issued an order requiring the parties to submit supplemental briefs on certain questions related to providers' renewed motion

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

for class certification. Elevance Health intends to continue to vigorously defend the provider litigation, which it believes is without merit, however, its ultimate outcome cannot be presently determined.

A number of follow-on cases involving entities that opted out of the Subscriber Settlement Agreement have been filed. Those actions are: *Alaska Air Group, Inc., et al. v. Anthem, Inc., et al.*, No. 2:21-cv-01209-AMM (N.D. Ala.); *JetBlue Airways Corp., et al. v. Anthem, Inc., et al.*, No. 2:22-cv-00558-GMB (N.D. Ala.); *Metropolitan Transportation Authority v. Blue Cross and Blue Shield of Alabama et al.*, No. 2:22-cv-00265-RDP (N.D. Ala.); *Bed Bath & Beyond Inc. v. Anthem, Inc.*, No. 2:22-cv-01256-SGC (N.D. Ala.); *Hoover, et al. v. Blue Cross Blue Shield Association, et al.*, No. 2:22-cv-00261-RDP (N.D. Ala.); and *VHS Liquidating Trust v. Blue Cross of California, et al.*, No. RG21106600 (Cal. Super.). Elevance Health intends to continue to vigorously defend these follow-on cases, which it believes are without merit; however, their ultimate outcome cannot be presently determined.

Express Scripts, Inc. Pharmacy Benefit Management Litigation

In March 2016, Elevance Health, Inc. (f/k/a Anthem, Inc.) filed a lawsuit against Express Scripts, Inc. (“Express Scripts”), their vendor at the time for PBM services, captioned *Anthem, Inc. v. Express Scripts, Inc.*, in the U.S. District Court for the Southern District of New York (the “District Court”). The lawsuit seeks to recover over \$14,800,000 in damages for pharmacy pricing that is higher than competitive benchmark pricing under the agreement between the parties (the “ESI PBM Agreement”), over \$158,000 in damages related to operational breaches, as well as various declarations under the ESI PBM Agreement, including that Express Scripts: (i) breached its obligation to negotiate in good faith and to agree in writing to new pricing terms; (ii) was required to provide competitive benchmark pricing to Elevance Health through the term of the ESI PBM Agreement; (iii) has breached the ESI PBM Agreement; and (iv) is required under the ESI PBM Agreement to provide post-termination services, at competitive benchmark pricing, for one year following any termination.

Express Scripts has disputed Elevance Health’s contractual claims and is seeking declaratory judgments: (i) regarding the timing of the periodic pricing review under the ESI PBM Agreement, and (ii) that it has no obligation to ensure that Elevance Health receives any specific level of pricing, that Elevance Health has no contractual right to any change in pricing under the ESI PBM Agreement and that its sole obligation is to negotiate proposed pricing terms in good faith. In the alternative, Express Scripts claims that Elevance Health has been unjustly enriched by its payment of \$4,675,000 at the time they entered into the ESI PBM Agreement. In March 2017, the District Court granted Elevance Health’s motion to dismiss Express Scripts’ counterclaims for (i) breach of the implied covenant of good faith and fair dealing, and (ii) unjust

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

enrichment with prejudice. After such ruling, Express Scripts' only remaining claims were for breach of contract and declaratory relief. In August 2021, Express Scripts filed a motion for summary judgment, which Elevance Health opposed. In March 2022, the District Court granted in part and denied in part Express Scripts' motion for summary judgment. The District Court dismissed Elevance Health's declaratory judgment claim, Elevance Health's breach of contract claim for failure to prove damages and most of Elevance Health's operational breach claims. As a result of the summary judgment decision, the only remaining claims are (i) Elevance Health's operational breach claim based on Express Scripts' prior authorization processes and (ii) Express Scripts' counterclaim for breach of the market check provision of the ESI PBM Agreement. Express Scripts filed a second motion for summary judgment in June 2022, challenging Elevance Health's remaining operational breach claims, which Elevance Health opposed in July 2022. Elevance Health intends to appeal the earlier summary judgment decision at the appropriate time, vigorously pursue its claims and defend against counterclaims, which it believes are without merit; however, the ultimate outcome of this litigation cannot be presently determined.

Other Contingencies

From time to time, the Company and certain of its subsidiaries are parties to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. The Company, like Health Maintenance Organizations ("HMOs") and health insurers generally, exclude certain healthcare and other services from coverage under their HMO, Preferred Provider Organizations and other plans. The Company is, in the ordinary course of business, subject to the claims of their enrollees arising out of decisions to restrict or deny reimbursement for uncovered services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on the Company. In addition, the risk of potential liability under punitive damage theories may increase significantly the difficulty of obtaining reasonable reimbursement of coverage claims.

In addition to the lawsuits described above, the Company is also involved in other pending and threatened litigation of the character incidental to their business and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits, reviews and administrative proceedings include routine and special inquiries by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on the Company's business operations. Any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on the Company's consolidated financial position or results of operations.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The Company has no other known material contingencies.

12. Employee Benefits

The Company participates in the Anthem Cash Balance Plan (the “Plan”), a frozen non-contributory defined benefit pension plan sponsored by ATH Holding Company, LLC (“ATH Holding”), covering most employees of Elevance Health and its subsidiaries. ATH Holding allocates a share of the total accumulated costs of the plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

The Company participates in a postretirement medical benefit plan, sponsored by ATH Holding, providing certain health, life, vision and dental benefits to eligible retirees. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

The Company participates in a deferred compensation plan sponsored by Elevance Health, which covers certain employees once the participant reaches the maximum contribution amount for the Elevance Health 401(k) Plan (the “401(k) Plan”). The deferred amounts are payable according to the terms and subject to the conditions of the deferred compensation plan. Elevance Health allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation plan. The Company has no legal obligation for benefits under this plan.

The Company participates in the 401(k) Plan, sponsored by ATH Holding and covering substantially all employees. Voluntary employee contributions are matched by ATH Holding, subject to certain limitations. ATH Holding allocates a share of the total costs of the plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

The Company participates in a stock incentive compensation plan, sponsored by Elevance Health, providing incentive awards to non-employee directors and employees, consisting of Elevance Health stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares, and performance units. Elevance Health allocates a share of the total share-based compensation expense of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

During 2022 and 2021, the Company was allocated the following costs or (credits) for these retirement benefits:

	2022	2021
Defined benefit pension plan	\$ (148)	\$ (166)
Postretirement medical benefit plan	(92)	(99)
Deferred compensation plan	14	19
Defined contribution plan	1,407	1,464
Stock incentive compensation plan	1,599	2,144

13. Uninsured Accident and Health Plans

The net gain (loss) from operations and total claim payment volume from administrative services only (“ASO”) plans was:

	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
For the year ended December 31, 2022			
Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses	\$ 666	\$ —	\$ 666
Net gain (loss) from operations	\$ 666	\$ —	\$ 666
Total claim payment volume	\$ 466,744	\$ —	\$ 466,744
For the year ended December 31, 2021			
Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses	\$ (1,080)	\$ —	\$ (1,080)
Net gain (loss) from operations	\$ (1,080)	\$ —	\$ (1,080)
Total claim payment volume	\$ 425,684	\$ —	\$ 425,684

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The net gain (loss) from operations from administrative service contract (“ASC”) plans was:

	ASC Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASC
For the year ended December 31, 2022			
Gross reimbursement for medical costs incurred	\$ 1,327,061	\$ —	\$ 1,327,061
Gross administrative fees earned	100,757	—	100,757
Gross expenses incurred (claims and administrative)	(1,401,745)	—	(1,401,745)
Net gain (loss) from operations	\$ 26,073	\$ —	\$ 26,073
For the year ended December 31, 2021			
Gross reimbursement for medical costs incurred	\$ 1,158,774	\$ —	\$ 1,158,774
Gross administrative fees earned	94,104	—	94,104
Gross expenses incurred (claims and administrative)	(1,221,849)	—	(1,221,849)
Net gain (loss) from operations	\$ 31,029	\$ —	\$ 31,029

Amounts receivable relating to uninsured plans include amounts due from the following at December 31:

Receivable from	Related to	2022	2021
Federal government	ACA and Medicare cost sharing and reinsurance programs	\$ 3	\$ —
Uninsured plans	Uninsured business, not including pharmaceutical rebate receivables	\$ 41,079	\$ 41,427

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

14. Health Care Receivables

Pharmaceutical rebate receivables consist of reasonably estimated and billed amounts. Amounts not collected within 90 days of the invoice or confirmation date are nonadmitted. Total admitted and nonadmitted pharmaceutical rebates receivables at December 31 are as follows:

	2022		2021	
	Admitted	Nonadmitted	Admitted	Nonadmitted
Pharmaceutical rebate receivables, reported in health care and other receivables	\$ 500	\$ 680	\$ 1,560	\$ 483
Pharmaceutical rebate receivables, reported in amounts receivable relating to uninsured plans	684	928	1,909	591
Total pharmaceutical rebate receivables	<u>\$ 1,184</u>	<u>\$ 1,608</u>	<u>\$ 3,469</u>	<u>\$ 1,074</u>

Admitted pharmaceutical rebate receivables at December 31, 2022 and 2021, include \$1,184 and \$3,469, respectively, due from IngenioRx, Inc., an affiliated company. In January 2023, IngenioRx, Inc. changed its name to CarelonRx, Inc.

Claim overpayment receivables consist of amounts that have been invoiced and meet the setoff conditions. Amounts that have not been invoiced and do not meet the setoff conditions are nonadmitted. Total admitted and nonadmitted claim overpayment receivables at December 31 are as follows:

	2022		2021	
	Admitted	Nonadmitted	Admitted	Nonadmitted
Claim overpayment receivables, reported in health care and other receivables	\$ —	\$ 1,743	\$ —	\$ 1,238
Claim overpayment receivables, reported in amounts receivable relating to uninsured plans	—	12,708	—	8,342
Total claim overpayment receivables	<u>\$ —</u>	<u>\$ 14,451</u>	<u>\$ —</u>	<u>\$ 9,580</u>

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

15. Related Party Transactions

The Company has entered into administrative services agreements with its affiliated companies. Pursuant to these agreements, various administrative, management and support services are provided to or provided by the Company. The expenses related to these administrative management and support services are allocated to or allocated by the Company in an amount equal to the direct and indirect costs and expenses incurred in providing these services. Costs include expenses such as salaries, benefits, information technology, pharmacy benefits management services, advertising, consulting services, rent, utilities, accounting, underwriting, and product development, which support the operations of the Company. These costs are allocated based on various utilization statistics.

In addition, the Company is party to administrative services agreements with certain affiliated companies for services including behavioral health, palliative care, utilization management, payment integrity services, subrogation services as well as health and wellness programs provided at Fair Market Value (“FMV”). The expenses related to these services are allocated to the Company in an amount equal to the price (“Market Price”) that would be paid for materially similar, stand-alone services purchased by knowledgeable, willing parties in an arm’s length transaction. The Market Price may be determined, for example, through various benchmarking studies and analyses or may be based upon the price at which any providing affiliate provides such services to non-affiliated third parties in the normal course of its business. Under all circumstances, the compensation paid by any receiving company for services under these agreements shall be fair and reasonable.

The Company is party to a cash concentration agreement with its affiliated companies. Under this agreement, any of the Company’s affiliates may be designated as a cash manager to handle the collection and/or payment of funds on behalf of the Company. Conversely, the Company may be designated as a cash manager to handle the collection and/or payment of funds on behalf of its affiliates. Cash services covered under this agreement include the collection of premiums and other revenue, the collection of benefit and administrative expense reimbursements, the payment of policy benefits, payroll expense, operating expense, and accounts payable disbursements.

Net payments to affiliated companies pursuant to the above administrative service agreements were \$126,752 and \$115,176 in 2022 and 2021, respectively, and are included in operating expenses and claims and claims adjustment expenses in the statutory statements of operations.

At December 31, 2022 and 2021, the Company reported \$123,953 and \$56,201 due from affiliates, respectively. At December 31, 2022 and 2021, the Company reported no amounts due

Blue Cross Blue Shield of Wisconsin

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

to affiliates. The receivable balances represent intercompany transactions that are settled in accordance with the settlement terms of the intercompany agreement.

The Board of Directors of the Company declared an ordinary dividend in the amount of \$36,900 on August 22, 2022. The Company paid the dividend to its parent company, Crossroads, on September 26, 2022.

The Board of Directors of the Company declared an extraordinary dividend in the amount of \$70,000 on August 16, 2021. The OCI approved this dividend on September 22, 2021 and the Company paid the dividend to its parent company, Crossroads, on September 23, 2021.

16. Subsequent Events

Management of the Company has evaluated all events occurring after December 31, 2022 through April 6, 2023, the date the financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. It was determined there were no events that require recognition or disclosure in the financial statements through the report date.

Supplementary Information - Statutory Basis



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Report of Independent Auditors on Supplementary Information

Board of Directors
Blue Cross Blue Shield of Wisconsin

We have audited the statutory basis financial statements of Blue Cross Blue Shield of Wisconsin (the Company) as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated April 6, 2023, which contained an adverse opinion with respect to conformity with U.S. generally accepted accounting principles and an unmodified opinion with respect to conformity with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental investment disclosures are presented 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 for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the Company and 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.

April 6, 2023

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	5,619,116	1.353	5,619,116	226,778	5,845,894	1.409
1.02 All other governments	0	0.000	0	0	0	0.000
1.03 U.S. states, territories and possessions, etc. guaranteed	806,063	0.194	806,063	0	806,063	0.194
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	3,920,460	0.944	3,920,460	0	3,920,460	0.945
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	44,724,199	10.768	44,724,199	0	44,724,199	10.777
1.06 Industrial and miscellaneous	108,665,790	26.163	108,665,790	0	108,665,790	26.185
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 Unaffiliated certificates of deposit	0	0.000	0	0	0	0.000
1.12 Total long-term bonds	163,735,628	39.422	163,735,628	226,778	163,962,406	39.510
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)	0	0.000	0	0	0	0.000
3.02 Industrial and miscellaneous Other (Unaffiliated)	0	0.000	0	0	0	0.000
3.03 Parent, subsidiaries and affiliates Publicly traded	0	0.000	0	0	0	0.000
3.04 Parent, subsidiaries and affiliates Other	331,894,866	79.908	331,537,793	0	331,537,793	79.891
3.05 Mutual funds	0	0.000	0	0	0	0.000
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 Exchange traded funds	0	0.000	0	0	0	0.000
3.09 Total common stocks	331,894,866	79.908	331,537,793	0	331,537,793	79.891
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	0	0.000	0	0	0	0.000
5.02 Properties held for production of income	0	0.000	0	0	0	0.000
5.03 Properties held for sale	2,231,912	0.537	2,231,912	0	2,231,912	0.538
5.04 Total real estate	2,231,912	0.537	2,231,912	0	2,231,912	0.538
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	(111,102,378)	(26.749)	(111,102,378)	4,276,470	(106,825,908)	(25.742)
6.02 Cash equivalents (Schedule E, Part 2)	19,000,000	4.574	19,000,000	4,271,540	23,271,540	5.608
6.03 Short-term investments (Schedule DA)	0	0.000	0	811,150	811,150	0.195
6.04 Total cash, cash equivalents and short-term investments	(92,102,378)	(22.175)	(92,102,378)	9,359,160	(82,743,218)	(19.939)
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)	0	0.000	0	0	0	0.000
10. Receivables for securities	0	0.000	0	0	0	0.000
11. Securities Lending (Schedule DL, Part 1)	9,585,938	2.308	9,585,938	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)	0	0.000	0	0	0	0.000
13. Total invested assets	415,345,966	100.000	414,988,893	9,585,938	414,988,893	100.000



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2022
(To Be Filed by April 1)

Of The Blue Cross Blue Shield of Wisconsin.....
ADDRESS (City, State and Zip Code) Waukesha , WI 53188
NAIC Group Code 0671 NAIC Company Code 54003 Federal Employer's Identification Number (FEIN) 39-0138065

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 \$ 783,279,979

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

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Compcare Health Services Insurance Corporation	Investment of Common Stock of Affiliate	\$ 331,537,793	..... 42.3 %
2.02	Public Finance Authority	Bond	\$ 2,560,748	..... 0.3 %
2.03	The Goldman Sachs Group Inc	Bond	\$ 2,334,963	..... 0.3 %
2.04	BANK-2017	Bond	\$ 2,002,491	..... 0.3 %
2.05	Energy Transfer LP	Bond	\$ 1,724,403	..... 0.2 %
2.06	Bank of America Corp	Bond	\$ 1,655,307	..... 0.2 %
2.07	Synchrony Financial	Bond	\$ 1,478,786	..... 0.2 %
2.08	BANK-2021	Bond	\$ 1,466,155	..... 0.2 %
2.09	Township of Irvington NJ	Bond	\$ 1,425,000	..... 0.2 %
2.10	JPMDB Commercial Mortgage Securities	Bond	\$ 1,357,668	..... 0.2 %

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

Bonds		1	2	Preferred Stocks		3	4
3.01	NAIC 1	\$ 95,911,617	..... 12.2 %	3.07	NAIC 1 .....	\$ .....	..... 0.0 %
3.02	NAIC 2	\$ 67,820,904	..... 8.7 %	3.08	NAIC 2 .....	\$ .....	..... 0.0 %
3.03	NAIC 3	\$ 0	..... 0.0 %	3.09	NAIC 3 .....	\$ .....	..... 0.0 %
3.04	NAIC 4	\$ 0	..... 0.0 %	3.10	NAIC 4 .....	\$ .....	..... 0.0 %
3.05	NAIC 5	\$ 3,109	..... 0.0 %	3.11	NAIC 5 .....	\$ .....	..... 0.0 %
3.06	NAIC 6	\$ 0	..... 0.0 %	3.12	NAIC 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 [] No [X]

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..... \$ 22,941,557 2.9 %

4.03 Foreign-currency-denominated investments \$ 0.0 %

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

SUPPLEMENT FOR THE YEAR 2022 OF THE Blue Cross Blue Shield of Wisconsin

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

	<u>1</u>	<u>2</u>
5.01 Countries designated NAIC-1	\$ 22,125,789	2.8 %
5.02 Countries designated NAIC-2	\$ 815,768	0.1 %
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: United Kingdom	\$ 5,083,213	0.6 %
6.02 Country 2: Japan	\$ 2,907,401	0.4 %
Countries designated NAIC - 2:		
6.03 Country 1: Italy	\$ 815,768	0.1 %
6.04 Country 2:	\$	0.0 %
Countries designated NAIC - 3 or below:		
6.05 Country 1:	\$	0.0 %
6.06 Country 2:	\$	0.0 %

	<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 Commonwealth Bank of Australia	2		\$ 1,200,000	0.2 %
10.02 ArcelorMittal SA	2		\$ 999,094	0.1 %
10.03 Flex Ltd	2		\$ 903,524	0.1 %
10.04 Invesco Ltd	2		\$ 899,200	0.1 %
10.05 HSBC Holdings PLC	2		\$ 899,145	0.1 %
10.06 Danske Bank A/S	2		\$ 853,758	0.1 %
10.07 SANTANDER UK PLC SERIES 144A	1		\$ 850,000	0.1 %
10.08 Triton International Ltd	2		\$ 849,822	0.1 %
10.09 Allegion PLC	2		\$ 828,585	0.1 %
10.10 Barclays PLC	2		\$ 827,033	0.1 %

SUPPLEMENT FOR THE YEAR 2022 OF THE Blue Cross Blue Shield of Wisconsin

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 [X] No []

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

	<u>1</u>	<u>2</u>	
11.02 Total admitted assets held in Canadian investments	\$	0.0 %
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 [X] No []

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

	<u>1</u>	<u>2</u>	<u>3</u>	
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 [X]

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

	<u>1</u>	<u>2</u>	<u>3</u>	
	Issuer			
13.02 Compcare Health Services Insurance Corporation	\$	331,537,793	.....	42.3 %
13.03	\$	0.0 %
13.04	\$	0.0 %
13.05	\$	0.0 %
13.06	\$	0.0 %
13.07	\$	0.0 %
13.08	\$	0.0 %
13.09	\$	0.0 %
13.10	\$	0.0 %
13.11	\$	0.0 %

SUPPLEMENT FOR THE YEAR 2022 OF THE Blue Cross Blue Shield of Wisconsin

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.

	1	2	3
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:

	1	2	3	4
	Fund Manager	Total Invested	Diversified	Nondiversified
14.06 Deutsche Bank AG		\$ 19,000,000	\$ 19,000,000	\$
14.07		\$	\$	\$
14.08		\$	\$	\$
14.09		\$	\$	\$
14.10		\$	\$	\$
14.11		\$	\$	\$
14.12		\$	\$	\$
14.13		\$	\$	\$
14.14		\$	\$	\$
14.15		\$	\$	\$

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.

	1	2	3
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 2022 OF THE Blue Cross Blue Shield of Wisconsin

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 %
19.03	\$		0.0 %
19.04	\$		0.0 %
19.05	\$		0.0 %

SUPPLEMENT FOR THE YEAR 2022 OF THE Blue Cross Blue Shield of Wisconsin

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

	At Year End		1st Quarter 3	At End of Each Quarter	
	1	2		2nd Quarter 4	3rd Quarter 5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ 9,826,919	1.3 %	\$ 9,719,566	\$ 10,608,354	\$ 10,481,065
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		3	Written	
	1	2		4	5
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		1st Quarter 3	At End of Each Quarter	
	1	2		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 %	\$	\$	\$
23.03 Replications	\$	0.0 %	\$	\$	\$
23.04 Other	\$	0.0 %	\$	\$	\$

Blue Cross Blue Shield of Wisconsin

Note to Supplementary Information - Statutory Basis

December 31, 2022

Note-Basis of Presentation

The accompanying supplemental schedules present selected statutory financial information as of December 31, 2022 and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual*, and agrees to or is included in the amounts reported in the Blue Cross Blue Shield of Wisconsin's 2022 Annual Statement as filed with the Office of the Commissioner of Insurance of the State of Wisconsin.

The Company has not identified any reinsurance contracts entered into, renewed or amended on or after January 1, 1996 that would require disclosure in the supplemental schedule of life and health reinsurance disclosures as required under SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*.

Captions or amounts that are not applicable have been omitted.