

Financial Statements and Supplementary Information - Statutory Basis

Wisconsin Collaborative Insurance Company

*Years Ended December 31, 2019 and 2018*  
*With Reports of Independent Auditors*

***Wisconsin Collaborative Insurance Company***

**Financial Statements and Supplementary Information - Statutory Basis  
Years Ended December 31, 2019 and 2018**

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## **Report of Independent Auditors**

Board of Directors  
Wisconsin Collaborative Insurance Company

We have audited the accompanying statutory basis financial statements of Wisconsin Collaborative Insurance Company (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, 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.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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

As described in Note 1 to the statutory basis 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 U.S. generally accepted accounting principles. The effects on the financial statements of the variances between these statutory accounting practices and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

### **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 paragraph, the statutory basis financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the Company at December 31, 2019 and 2018, or the results of its operations or its cash flows for the years then ended.

### **Opinion on Statutory Basis of Accounting**

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

*Ernst + Young LLP*

April 16, 2020

# *Wisconsin Collaborative Insurance Company*

## Balance Sheets - Statutory Basis

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<i>(In Thousands)</i>	
<b>Admitted assets</b>		
Cash and invested assets:		
Cash, cash equivalents and short-term investments	\$ 18,321	\$ 15,686
Bonds	245	—
Total cash and invested assets	<b>18,566</b>	15,686
Accrued investment income	2	—
Premiums receivable	352	534
Amounts recoverable from reinsurers	121	960
Amounts receivable relating to uninsured plans	8,535	8,507
Current federal income tax recoverable	600	—
Net deferred tax asset	1,726	—
Health care and other receivables	4	704
Other assets	157	—
Total admitted assets	<b>\$ 30,063</b>	\$ 26,391
<b>Liabilities and capital and surplus</b>		
Liabilities:		
Unpaid claims and claims adjustment expenses	\$ 4,664	\$ 5,612
Premiums received in advance	653	299
Accounts payable and accrued expenses	201	192
Payable to affiliates	130	3,213
Remittances and items not allocated	14	72
Liability for amounts held under uninsured plans	1,255	642
Other liabilities	111	26
Total liabilities	<b>7,029</b>	10,056
Capital and surplus:		
Common stock, \$1 par value, 40,000,000 shares authorized, 3,000,000 issued and outstanding	3,000	3,000
Additional paid-in surplus	29,646	29,646
Unassigned surplus (deficit)	(10,671)	(16,311)
Special surplus funds	1,059	—
Total capital and surplus	<b>23,034</b>	16,335
Total liabilities and capital and surplus	<b>\$ 30,063</b>	\$ 26,391

*See accompanying notes.*

# Wisconsin Collaborative Insurance Company

## Statements of Operations - Statutory Basis

	Year Ended December 31	
	2019	2018
	<i>(In Thousands)</i>	
<b>Premium income</b>	\$ 56,807	\$ 43,724
<b>Benefits and expenses:</b>		
Claims and claims adjustment expenses	46,770	42,035
Operating expenses	520	1,636
Total benefits and expenses	<u>47,290</u>	<u>43,671</u>
<b>Net underwriting gain (loss)</b>	9,517	53
<b>Investment gains (losses):</b>		
Net investment income (losses)	349	—
Total net investment gains (losses)	<u>349</u>	<u>—</u>
<b>Income (loss) before federal income taxes</b>	9,866	53
Federal income taxes (benefits)	900	—
<b>Net income (loss)</b>	<u>\$ 8,966</u>	<u>\$ 53</u>

See accompanying notes.

***Wisconsin Collaborative Insurance Company***

**Statements of Changes in Capital and Surplus - Statutory Basis**

	<b>Common Stock</b>	<b>Additional Paid-in Surplus</b>	<b>Unassigned Surplus (Deficit)</b>	<b>Special Surplus Funds</b>	<b>Total Capital and Surplus</b>
	<i>(In Thousands)</i>				
Balance as of January 1, 2018	\$ 3,000	\$ 17,201	\$ (10,941)	\$ —	\$ 9,260
Net income (loss)	—	—	53	—	53
Change in nonadmitted assets	—	—	(5,423)	—	(5,423)
Capital contributions from parent	—	12,445	—	—	12,445
Balance as of December 31, 2018	\$ 3,000	\$ 29,646	\$ (16,311)	\$ —	\$ 16,335
Net income (loss)	—	—	<b>8,966</b>	—	<b>8,966</b>
Change in net deferred income tax	—	—	<b>3,092</b>	—	<b>3,092</b>
Change in nonadmitted assets	—	—	<b>(5,359)</b>	—	<b>(5,359)</b>
Change in special surplus funds for ACA health insurer fee	—	—	<b>(1,059)</b>	<b>1,059</b>	—
Balance as of December 31, 2019	<b>\$ 3,000</b>	<b>\$ 29,646</b>	<b>\$ (10,671)</b>	<b>\$ 1,059</b>	<b>\$ 23,034</b>

*See accompanying notes.*

**Wisconsin Collaborative Insurance Company**

Statements of Cash Flow - Statutory Basis

	Year Ended December 31	
	2019	2018
	<i>(In Thousands)</i>	
<b>Operating activities:</b>		
Premiums collected	\$ 57,358	\$ 43,474
Investment income received	351	—
Claims and claims adjustment expenses paid	(46,546)	(38,185)
General administrative and miscellaneous expenses paid	(1,012)	(1,001)
Federal income taxes (paid) recovered	(1,500)	—
Net cash provided by (used in) operating activities	<u>8,651</u>	<u>4,288</u>
<b>Investment activities:</b>		
Cost of investments acquired	(249)	—
Net cash provided by (used in) investment activities	<u>(249)</u>	<u>—</u>
<b>Financing or miscellaneous activities:</b>		
Capital contributions from parent	—	12,445
Net transfers from (to) affiliates	(7,174)	(4,705)
Other	1,407	(5,701)
Net cash provided by (used in) financing or miscellaneous activities	<u>(5,767)</u>	<u>2,039</u>
Change in cash, cash equivalents and short-term investments	2,635	6,327
Cash, cash equivalents and short-term investments at beginning of year	15,686	9,359
Cash, cash equivalents and short-term investments at end of year	<u>\$ 18,321</u>	<u>\$ 15,686</u>

See accompanying notes.



# ***Wisconsin Collaborative Insurance Company***

## **Notes to Financial Statements - Statutory Basis**

*(Dollars In Thousands)*

December 31, 2019

### **1. Nature of Operations and Significant Accounting Policies**

Wisconsin Collaborative Insurance Company (the “Company”) is a Wisconsin domiciled stock insurance company that markets and underwrites hospitalization, surgical and medical, major medical, and prescription drugs for group accounts in the State of Wisconsin. The Company is licensed to write business in Wisconsin as a health company and also provides administrative services for certain other health plans. The Company operates as a licensee of the Blue Cross and Blue Shield Association (“BCBSA”). The Company is owned 55% by Crossroads Acquisition Corp. (“Crossroads”), an indirect wholly-owned subsidiary of Anthem, Inc. (“Anthem”), a publicly traded company, and 45% by Advocate Aurora Health, Inc. (“Advocate”), a Wisconsin non-stock not-for-profit corporation with hospitals, medical clinics, doctors and pharmacies located primarily in Wisconsin and Illinois.

### **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. Additionally, the OCI has adopted certain prescribed accounting practices that differ from those found in NAIC SAP, which impact the Company; specifically, the nonadmission of receivables from affiliates. The OCI has the right to permit other specific practices that deviate from prescribed practices. The Company employed no permitted practices in preparing the accompanying statutory financial statements.

A reconciliation of the Company’s statutory capital and surplus as of December 31, 2019 and 2018 between practices prescribed by the OCI and NAIC SAP along with reference of SSAP are shown below:

	<u>SSAP No.</u>	<u>2019</u>	<u>2018</u>
Statutory capital and surplus, OCI	XXX	\$ 23,034	\$ 16,335
State prescribed practices:			
Nonadmitted affiliated receivable balances, pursuant to Insurance 9.10 of the Wisconsin Administrative Code, effective March 1, 2000	4, 25	5,460	—
Statutory capital and surplus, NAIC SAP basis	<u>XXX</u>	<u>\$ 28,494</u>	<u>\$ 16,335</u>

## *Wisconsin Collaborative Insurance Company*

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

For the years ended December 31, 2019 and 2018, there are no differences between the Company's net income under NAIC SAP and practices prescribed 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. 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.

*Premiums receivable:* Premiums receivable are recorded at the billed amount and reduced by any amounts not deemed collectible. Generally, 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 collectability of these accounts.

*Nonadmitted assets:* Certain assets designated as nonadmitted, including deferred federal income taxes in excess of certain statutory limits, prepaid expenses, receivables from parents, intangible assets other than goodwill, certain health care and other receivable balances, and certain premium receivable balances are excluded from the balance sheets by a direct charge to capital and surplus. These nonadmitted assets totaled \$13,440 and \$8,081 at December 31, 2019 and 2018, respectively. For GAAP, these amounts are carried as assets, net of a valuation allowance, if necessary.

*Deferred income taxes:* Statutory 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 against gross deferred tax liabilities ("DTL"). DTAs in excess of these limitations are nonadmitted.

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

Deferred taxes do not include amounts for state taxes. Changes in DTAs and DTLs are recognized as a separate component of gains and losses in surplus (“Change in net deferred income tax”). For GAAP, state income taxes are considered in the computation of deferred taxes, 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 in the statements of operations.

*Statements of cash flow:* Cash, cash equivalents and short-term investments in the 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 also reported separately as liabilities.

*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 statements of operations.

*Reinsurance:* Any reinsurance balance amounts deemed to be uncollectible have been written off through a charge to operations. Policy and contract liabilities ceded to reinsurers have been reported as reductions of the related reserves rather than as assets, as would be required under GAAP.

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.

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

#### **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 other-than-temporary impairments ("OTTI") when fair value falls below amortized cost and record an OTTI when it becomes probable that the 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 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.

#### **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. These 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 and health

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

care receivables that are not for insured plans are included in amounts receivable relating to uninsured plans on the statutory balance sheets.

#### **Other Intangible Assets**

Intangible assets are fully nonadmitted and amortized using the straight-line method over ten years. Intangible asset accumulated amortization was \$3,255 and \$1,708 in 2019 and 2018, respectively.

#### **Unpaid Claims and Claims Adjustment Expenses**

Unpaid claims and claims adjustment expenses include management's best estimate of amounts based on historical claim development patterns and certain individual case estimates. The established liability considers health benefit provisions, business practices, economic conditions and other factors that may materially affect the cost, frequency and severity of claims. Reserves for unpaid claims and claims adjustment expenses are based on assumptions and estimates, and while management believes such estimates are reasonable, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and changes in estimates are incorporated into current operating results.

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

#### **Provider Risk Share and Other Reserves**

The Company contracts with physicians or provider groups to provide medical services to the Company's members. The Company pays capitation or negotiated fees for defined services provided by the physicians. Under the terms of these agreements, certain providers are eligible to receive provider incentives based on qualitative and quantitative factors. Estimated risk-sharing settlements are continually reviewed, and necessary adjustments are included in current operations. Claims and claims adjustment expenses include all amounts incurred by the Company under these arrangements.

#### **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

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

investment income as a factor in the premium deficiency reserve calculation. The Company did not record premium deficiency reserves as of December 31, 2019 or 2018.

#### **Revenue Recognition**

Premiums are earned over the term of the related insurance policies and reinsurance contracts. Unearned premium reserves, included in aggregate policy reserves, are established to cover the unexpired portion of premiums written and collected, and are computed by pro rata methods for direct business, and are based on reports received from 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 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, 2019 and 2018, the Company reported admitted assets of \$8,887 and \$9,041, respectively, in premiums receivable and amounts receivable relating to uninsured plans. Based upon Company experience, any uncollectible receivables are not expected to exceed \$1,199 that was nonadmitted at December 31, 2019; 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.

#### **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. Accrued retrospective premiums are reported in premiums receivable. Reserves for rate credits or policy rating refunds are reported in aggregate policy reserves.

Medical loss ratio ("MLR") rebates per the Affordable Care Act ("ACA") are reported in accordance with SSAP No. 66, *Retrospectively Rated Contracts*. 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) and the stipulated formula set

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

forth in the policy, or in the case of MLR rebates, pursuant to the *Public Health Services Act*, a formula required by law. The Company uses estimates to report in the statutory financial statements the aggregate policy reserve amounts for retrospectively rated contracts based on its underwriting experience, actuarial, tax, and accounting 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, 2019 and 2018 that were subject to retrospective rating features, including MLR rebate regulations, was \$56,807 and \$43,724, which represented 100.0% and 100.0%, respectively, of the total net premiums written.

#### **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, 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.

The Company offers partially insured plans which include coverage for the risks related to the claims and administrative services for some, or all, of the claims paid by the plan. Such plans are treated as two plans: an uninsured plan and an insured plan. The component related to uninsured plan is accounted as outlined in the previous paragraph and the component related to the coverage of claims risk is accounted for as insurance.

#### **Federal Income Taxes**

The Company's Federal Income Tax return is a separate filing. The Company is owned by two unrelated entities and is not includable in either consolidated return. Thus, no tax sharing agreement is in place for federal income taxes.

**Wisconsin Collaborative Insurance Company**

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

**Health Insurer Fee**

ACA Section 9010 imposed a mandatory annual fee on health insurers that write certain types of health insurance on U.S. risks for each calendar year beginning on or after January 1, 2014. The annual fee is allocated to health insurers based on the ratio of the amount of an insurer's premium written during the preceding calendar year to the amount of health insurance for all U.S. health risk for those certain lines of business that were written during the preceding calendar year. This fee is non-deductible for income tax purposes. The health insurer fee is reported in operating expenses in the same year it is paid. The health insurer fee to be paid in the following year is segregated in special surplus funds until the beginning of the year in which it is to be paid. The health insurer fee was suspended for 2019 and has resumed for 2020. The health insurer fee has been permanently eliminated beginning in 2021.

**2. Investments**

A summary of the Company's investments in bonds, excluding cash equivalent and short term 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, 2019</i>					
States, territories and political subdivisions	\$ 245	\$ 4	\$ —	\$ —	\$ 249
Total bonds	<u>\$ 245</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 249</u>

The statement and fair values of bonds, including cash equivalents and short-term bonds, at December 31, 2019, 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 after five through ten years	\$ 245	\$ 249
	<u>\$ 245</u>	<u>\$ 249</u>

Investments with a statement value of \$245 were on deposit with the OCI at December 31, 2019.

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



## *Wisconsin Collaborative Insurance Company*

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

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 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 year ended December 31, 2019.

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, 2019.

### **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:

<b><u>Level Input</u></b>	<b><u>Input Definition:</u></b>
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.

At December 31, 2019 and 2018, the Company did not have any assets or liabilities measured at fair value.

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

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. 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 fair value of financial instruments by types:

<b>December 31, 2019</b>					
<b>Type of Financial Instrument</b>	<b>Aggregate Fair Value</b>	<b>Admitted Assets</b>	<b>(Level I)</b>	<b>(Level II)</b>	<b>(Level III)</b>
Bonds	\$ 249	\$ 245	\$ —	\$ 249	\$ —

The Company has no investments measured at net asset value.

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

#### **4. 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>2019</u>	<u>2018</u>
Balances at January 1	\$ 5,612	\$ —
Incurred (redundancies) related to:		
Current year	48,546	42,035
Prior years	(1,776)	—
Total incurred	<u>46,770</u>	42,035
Paid related to:		
Current year	43,953	36,423
Prior years	3,765	—
Total paid	<u>47,718</u>	36,423
Balances at December 31	<u>\$ 4,664</u>	<u>\$ 5,612</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. The negative amount reported for incurred claims related to the prior year is due to claims being settled for amounts less 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 took into account estimated anticipated subrogation and other recoveries in its determination of the liability for unpaid claims based on historical recovery patterns.

## *Wisconsin Collaborative Insurance Company*

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

#### **5. Reinsurance**

Certain premiums and benefits are ceded to other insurance companies under various reinsurance agreements. These reinsurance agreements 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.

The effects of reinsurance on net premiums are as follows:

	<b>Year ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Direct premiums	\$ 57,803	\$ 44,088
Ceded premiums	(996)	(364)
Net premiums	<u>\$ 56,807</u>	<u>\$ 43,724</u>

The Company's reinsurance arrangements reduced claims and claims adjustment expenses in the accompanying financial statements as follows:

	<b>Year ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Direct claims and claims adjustment expenses	\$ 47,224	\$ 43,471
Ceded claims and claims adjustment expenses	(454)	(1,436)
Net claims and claims adjustment expenses	<u>\$ 46,770</u>	<u>\$ 42,035</u>

**Wisconsin Collaborative Insurance Company**

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

**6. Federal Income Taxes**

The Company has a current federal income tax recoverable (payable) of \$600 and \$0 as of December 31, 2019 and 2018, respectively.

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

	<b>2019</b>		
	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>
Gross deferred tax assets	\$ 3,092	\$ —	\$ 3,092
Statutory valuation allowance	—	—	—
Adjusted gross deferred tax assets	3,092	—	3,092
Gross deferred tax liabilities	—	—	—
Net deferred tax asset before admissibility test	\$ 3,092	\$ —	\$ 3,092

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, 2019 is:

Admitted pursuant to paragraph 11.a.	\$ 900	\$ —	\$ 900
Admitted pursuant to paragraph 11.b.	826	—	826
Admitted pursuant to paragraph 11.c.	—	—	—
Admitted deferred tax asset	1,726	—	1,726
Deferred tax liability	—	—	—
Net admitted deferred tax asset	1,726	—	1,726
Nonadmitted deferred tax asset	\$ 1,366	\$ —	\$ 1,366

	<b>2018</b>		
	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>
Gross deferred tax assets	\$ 3,425	\$ —	\$ 3,425
Statutory valuation allowance	(3,425)	—	(3,425)
Adjusted gross deferred tax assets	—	—	—
Gross deferred tax liabilities	—	—	—
Net deferred tax asset before admissibility test	\$ —	\$ —	\$ —

**Wisconsin Collaborative Insurance Company**

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 as of December 31, 2018 is:

	<b>Ordinary</b>		<b>Capital</b>		<b>Total</b>
Admitted pursuant to paragraph 11.a.	\$ —	\$	—	\$	—
Admitted pursuant to paragraph 11.b.	—		—		—
Admitted pursuant to paragraph 11.c.	—		—		—
Admitted deferred tax asset	—		—		—
Deferred tax liability	—		—		—
Net admitted deferred tax asset	—		—		—
Nonadmitted deferred tax asset	\$ —	\$	—	\$	—

The change in the amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 during 2019 is:

	<b>Ordinary</b>		<b>Capital</b>		<b>Total</b>
Admitted pursuant to paragraph 11.a.	\$ 900	\$	—	\$	900
Admitted pursuant to paragraph 11.b.	826		—		826
Admitted pursuant to paragraph 11.c.	—		—		—
Admitted deferred tax asset	1,726		—		1,726
Deferred tax liability	—		—		—
Net admitted deferred tax asset	1,726		—		1,726
Nonadmitted deferred tax asset	\$ 1,366	\$	—	\$	1,366

	<b>2019</b>	<b>2018</b>
Ratio percentage used to determine recovery period and threshold limitation amount	<b>651%</b>	530%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitations	<b>\$ 21,308</b>	\$ 16,335

**Wisconsin Collaborative Insurance Company**

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The impact of tax planning strategies is as follows:

	2019		2018		Change	
	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
Adjusted gross deferred tax assets amount	\$ 3,092	\$ —	\$ —	\$ —	\$ 3,092	\$ —
Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net admitted adjusted gross deferred tax assets amount	\$ 1,726	\$ —	\$ —	\$ —	\$ 1,726	\$ —
Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	2019	2018	Change
Federal income taxes (benefits) on operations	\$ 2,268	\$ 309	\$ 1,959
Utilization of net operating loss and capital loss carry forwards	(1,368)	(309)	(1,059)
Federal income taxes	\$ 900	\$ —	\$ 900

The components of deferred income taxes are as follows:

	December 31		Change
	2019	2018	
Deferred tax assets:			
Ordinary:			
Accrued future expenses	\$ 63	\$ 37	\$ 26
Amortization	1,777	1,914	(137)
Accounts receivable	1,209	54	1,155
Claims discount reserve	15	18	(3)
Net operating loss carryover	—	1,368	(1,368)
Other insurance reserves	1	22	(21)
Unearned premium reserve	27	12	15
Subtotal	3,092	3,425	(333)
Statutory valuation allowance adjustment	—	(3,425)	3,425
Nonadmitted deferred tax assets	1,366	—	1,366
Admitted ordinary deferred tax assets	\$ 1,726	—	1,726

**Wisconsin Collaborative Insurance Company**

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

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

	December 31		Change
	2019	2018	
Total deferred tax assets	\$ 3,092	\$ —	\$ 3,092
Total deferred tax liabilities	—	—	—
Net deferred tax asset	\$ 3,092	\$ —	3,092
Tax effect of unrealized gains (losses)			—
Change in net deferred income tax			\$ 3,092

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, 2019 and 2018 as follows:

	2019	2018
Tax expense (benefit) computed using the federal statutory rate	\$ 2,072	\$ 11
Change in nonadmitted assets	(839)	(1,139)
Prior year true-ups and adjustments	—	(111)
Valuation allowance	(3,425)	1,128
Other, net	—	111
Total	\$ (2,192)	\$ —
Federal income taxes expense (benefit)	900	—
Change in net deferred income taxes	(3,092)	—
Total statutory income taxes	\$ (2,192)	\$ —

At December 31, 2019, the Company has no operating loss carryforwards or tax credit carryforwards.

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:

	Ordinary	Capital	Total
2019	\$ 900	\$ —	\$ 900
2018	—	—	—
2017	N/A	—	—



## ***Wisconsin Collaborative Insurance Company***

### **Notes to Financial Statements - Statutory Basis (continued)**

*(Dollars In Thousands)*

The Company's federal income tax return is a separate filing. No owner has the required 80% to include them in a consolidated return. Thus, no tax sharing agreement is in place for federal income taxes. As of December 31, 2019, the statute of limitations of the 2017, 2018, and 2019 tax years remain open.

#### **7. Health Insurer Fee**

The Company had \$57,565 of premium written subject to assessment under ACA Section 9010 as of December 31, 2019 and no premiums written subject to assessment under ACA Section 9010 as of December 31, 2018, due to the 2019 suspension of this assessment. The Company paid no annual health insurance industry fee during 2019 or 2018. The Company's estimated portion of the annual Health Insurance Industry Fee to be paid in 2020 is \$1,059 and is segregated in special surplus funds on the balance sheet at December 31, 2019.

#### **8. 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, 2019, 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. Also, any dividend paid from other than earned surplus shall be considered an extraordinary dividend, and will need approval of the Wisconsin Insurance Commissioner. The Company may not pay dividends during 2020 without prior approval.

There was no portion of unassigned surplus (deficit) representing cumulative unrealized gains (losses), net of taxes, at December 31, 2019 and 2018.

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

#### **9. Contingencies**

##### ***Other contingencies***

From time to time, the Company is party to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. The Company, like HMOs and health insurers generally, excludes certain healthcare and other services from coverage under our HMO, PPO, and other plans. The Company is, in the ordinary course of business, subject to the claims of our 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.

The Company is involved in pending and threatened litigation of the character incidental to the business transacted, arising out of its operations and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits and reviews and administrative proceedings include routine and special investigations 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. The Company believes that 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 financial position or results of operations.

The Company has no other known contingencies

**Wisconsin Collaborative Insurance Company**

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

**10. Uninsured Accident and Health Plans**

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

	<b>ASO Uninsured Plans</b>	<b>Uninsured Portion of Partially Insured Plans</b>	<b>Total ASO</b>
<b>For the year ended December 31, 2019</b>			
Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses	\$ —	\$ —	\$ —
Total net other income or expenses (including interest paid to or received from plans)	—	—	—
Net gain (loss) from operations	\$ —	\$ —	\$ —
Total claim payment volume	\$ —	\$ —	\$ —
<b>For the year ended December 31, 2018</b>			
Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses	\$ 283	\$ —	\$ 283
Total net other income or expenses (including interest paid to or received from plans)	—	—	—
Net gain (loss) from operations	\$ 283	\$ —	\$ 283
Total claim payment volume	\$ —	\$ —	\$ —

**Wisconsin Collaborative Insurance Company**

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

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

	<b>ASC Uninsured Plans</b>	<b>Uninsured Portion of Partially Insured Plans</b>	<b>Total ASC</b>
<b>For the year ended December 31, 2019</b>			
Gross reimbursement for medical costs incurred	\$ 342,974	\$ —	\$ 342,974
Gross administrative fees earned	22,080	—	22,080
Gross expenses incurred (claims and administrative fees)	358,018	—	358,018
Net gain (loss) from operations	\$ 7,036	\$ —	\$ 7,036
<b>For the year ended December 31, 2018</b>			
Gross reimbursement for medical costs incurred	\$ 329,590	\$ —	\$ 329,590
Gross administrative fees earned	17,446	—	17,446
Gross expenses incurred (claims and administrative fees)	344,241	—	344,241
Net gain (loss) from operations	\$ 2,795	\$ —	\$ 2,795

The receivables from uninsured plans at December 31 are as follows:

Receivable from	Related to	2019	2018
Uninsured plans	Uninsured business, not including pharmaceutical rebate receivables	\$ 8,462	\$ 7,491

**11. 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:

	2019		2018	
	Admitted	Nonadmitted	Admitted	Nonadmitted
Pharmaceutical rebate receivables, reported in health care and other receivables	\$ 4	\$ 380	\$ 704	\$ 13
Pharmaceutical rebate receivables, reported in amounts receivable relating to uninsured plans	73	990	1,016	75
Total pharmaceutical rebate receivables	\$ 77	\$ 1,370	\$ 1,720	\$ 88

## Wisconsin Collaborative Insurance Company

### Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

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:

	2019		2018	
	Admitted	Nonadmitted	Admitted	Nonadmitted
Claim overpayment receivables, reported in health care and other receivables	\$ —	\$ 67	\$ —	\$ 71
Claim overpayment receivables, reported in amounts receivable relating to uninsured plans	—	151	—	31
Total claim overpayment receivables	\$ —	\$ 218	\$ —	\$ 102

#### 12. Related Party Transactions

The Company has entered into administrative services agreements with Anthem and its subsidiaries. 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.

The Company is party to a cash concentration agreement with Anthem subsidiaries. Under this agreement, any of Anthem's subsidiaries 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 Anthem subsidiaries. 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 Anthem and Anthem subsidiaries pursuant to the above administrative service agreements were \$17,799 and \$18,488 in 2019 and 2018, respectively, and are included in operating expenses and claims and claims adjustment expenses in the statutory statements of operations.

## ***Wisconsin Collaborative Insurance Company***

### Notes to Financial Statements - Statutory Basis (continued)

*(Dollars In Thousands)*

At December 31, 2019, the Company reported \$4,092 due from parents which was nonadmitted per OCI prescribed practice discussed in Note 1. At December 31, 2019 and 2018, the Company reported \$130 and \$3,213 due to parents, respectively. The receivable and payable balances represent intercompany transactions that will be settled in accordance with the settlement terms of the intercompany agreement.

The Company received capital contributions from its parents in the amount of \$3,723, \$3,723, \$2,500, and \$2,500 on January 2, 2018, January 29, 2018, December 18, 2018, and December 26, 2018, respectively.

During 2018, the Company acquired fully-insured members for \$7,200 from Compcare Health Services Insurance Corporation, an affiliated entity.

#### **13. Subsequent Events**

Management of the Company has evaluated all other events occurring after December 31, 2019 through April 16, 2020, the date the financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. Subsequent to December 31, 2019, the spread of the COVID-19 virus caused significant financial market volatility, economic uncertainty, and interruptions to normal business activities. As of the date of issuance of these financial statements, the full impact to the Company is unknown, but management expects continued interruptions to day-to-day business activities, impacts to claim and premium activity, and decreases in the fair value of certain investments, as well as possible impacts to liquidity. As of the date of issuance, the outbreak is still evolving and thus there is significant uncertainty as to its ultimate impacts on the Company. No other material subsequent events were noted other than those already disclosed.

## Supplementary Information



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## Report of Independent Auditors on Supplementary Information

Board of Directors  
Wisconsin Collaborative Insurance Company

We have audited, in accordance with auditing standards generally accepted in the United States, the statutory basis financial statements of Wisconsin Collaborative Insurance Company for the years ended December 31, 2019 and 2018, and have issued 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 thereon dated April 16, 2020. Our audits were conducted 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 audit of the 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. In our opinion, the information is fairly stated, in all material respects, in relation to the statutory basis financial statements as a whole.

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.

*Ernst & Young LLP*

April 16, 2020



**Wisconsin Collaborative Insurance Company**  
**Summary Investment Schedule - Statutory Basis**

*(Dollars In Thousands)*

December 31, 2019

	<b>Gross Investment Holdings</b>		<b>Admitted Assets as Reported in the Annual Statement</b>			
	<b>Amount</b>	<b>Percentage of Gross Investment Holdings</b>	<b>Amount</b>	<b>Securities Lending Reinvested Collateral Amount</b>	<b>Total</b>	<b>Percentage of Total Admitted Invested Assets</b>
Long-Term Bonds:						
U.S. states, territories and possessions, etc. guaranteed	\$ 245	1.3%	\$ 245	\$ —	\$ 245	1.3%
Total long-term bonds	245	1.3%	245	—	245	1.3%
Cash, cash equivalents and short-term investments:						
Cash	18,321	98.7%	18,321	—	18,321	98.7%
Total cash, cash equivalents and short-term investments	18,321	98.7%	18,321	—	18,321	98.7%
Total invested assets	\$ 18,566	100.0%	\$ 18,566	\$ —	\$ 18,566	100.0%

## *Wisconsin Collaborative Insurance Company*

### Investment Risks Interrogatories - Statutory Basis

*(Dollars In Thousands)*

December 31, 2019

1. The Company's total admitted assets as reported on Page 2 of the Annual Statement are: \$ 30,063

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

	Investment	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	Wisconsin State	Bond	\$ 245	0.8%
2.02			\$ —	0.0%
2.03			\$ —	0.0%
2.04			\$ —	0.0%
2.05			\$ —	0.0%
2.06			\$ —	0.0%
2.07			\$ —	0.0%
2.08			\$ —	0.0%
2.09			\$ —	0.0%
2.10			\$ —	0.0%

3. The Company's total admitted assets held in bonds by NAIC designation are:

	Bonds	Amount	Percentage of Total Admitted Assets
3.01	NAIC - 1	\$ 245	0.8%
3.02	NAIC - 2	\$ —	0.0%
3.03	NAIC - 3	\$ —	0.0%
3.04	NAIC - 4	\$ —	0.0%
3.05	NAIC - 5	\$ —	0.0%
3.06	NAIC - 6	\$ —	0.0%

The Company has no investments in preferred stock at December 31, 2019.

## *Wisconsin Collaborative Insurance Company*

### Investment Risks Interrogatories - Statutory Basis (continued)

*(Dollars In Thousands)*

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 [  ]

	Amount	Percentage of Total Admitted Assets
4.02 Total admitted assets held in foreign investments	\$ —	0.0%
4.03 Foreign-currency-denominated investments	\$ —	0.0%
4.04 Insurance liabilities denominated in that same foreign currency	\$ —	0.0%

5. Aggregate foreign investments are less than 2.5% of the total admitted assets.
6. Aggregate foreign investments are less than 2.5% of the total admitted assets.
7. The Company has no unhedged foreign currency exposure.
8. The Company has no unhedged foreign currency exposure.
9. The Company has no unhedged foreign currency exposure.
10. Aggregate foreign investments are less than 2.5% of the total admitted assets.
11. Assets held in Canadian investments are less than 2.5% of the total admitted assets.
12. Assets held in investments with contractual sales restrictions are less than 2.5% of the total admitted assets.
13. Assets held in equity interests are less than 2.5% of total admitted assets.
14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of total admitted assets.
15. Investments in general partnership interests are less than 2.5% of the total admitted assets.
16. The Company has no investments in mortgage loans.
17. The Company has no investments in mortgage loans.
18. The Company has no investments in real estate.

***Wisconsin Collaborative Insurance Company***

**Investment Risks Interrogatories - Statutory Basis (continued)**

*(Dollars In Thousands)*

19. The Company has no potential exposure for mezzanine real estate loans.
20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end		At End of Each Quarter (Unaudited)		
	Amount	Percentage of Admitted Assets	1st qtr	2nd qtr	3rd qtr
20.01 Securities lending	\$ —	0.0%	\$ —	\$ —	\$ —
20.02 Repurchase agreements	\$ —	0.0%	\$ —	\$ —	\$ —
20.03 Reverse repurchase agreements	\$ —	0.0%	\$ —	\$ —	\$ —
20.04 Dollar repurchase agreements	\$ —	0.0%	\$ —	\$ —	\$ —
20.05 Dollar reverse repurchase agreements	\$ —	0.0%	\$ —	\$ —	\$ —

21. The Company held no admitted assets for warrants not attached to other financial instruments, options, caps and floors.
22. The Company held no admitted assets with potential exposure for collars, swaps and forwards.
23. The Company held no admitted assets with potential exposure for futures contracts.

***Wisconsin Collaborative Insurance Company***

Note to Supplementary Information - Statutory Basis

*(Dollars In Thousands)*

December 31, 2019

**Note-Basis of Presentation**

The accompanying supplemental schedules present selected statutory financial information as of December 31, 2019 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 Wisconsin Collaborative Insurance Company's 2019 Annual Statement as filed with the Office of the Commissioner of Insurance of the State of Wisconsin.

Captions or amounts that are not applicable have been omitted.