

Report of the Examination of
MercyCare Insurance Company
Janesville, Wisconsin
As of December 31, 2021

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March 15, 2023

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

Commissioner:

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

MERCYCARE INSURANCE COMPANY
Janesville, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of MercyCare Insurance Company (MCIC or the company) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2021, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of MercyCare HMO, Inc. (MCHMO), a Wisconsin-domiciled company.

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

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management

and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

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

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the unpaid claims liability and other reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

MercyCare Insurance Company was organized in 1993 as a for-profit stock insurance corporation organized under ch. 611, Wis. Stat., named MercyCare Health Plan, Inc. MCIC commenced business on September 16, 1993. Initially, the company was limited to writing health maintenance organization (HMO) business. The HMO restriction was removed in 1996. In 1998, the name was changed to the current one. MCIC's direct parent company is Mercy Health System Corporation (MHSC), which is, in turn, a wholly owned subsidiary of Mercy Health Corporation (MHC).

On August 4, 2004, MCIC formed a wholly owned subsidiary, MercyCare HMO, Inc. Effective January 1, 2007, MCIC entered into a program agreement with MCHMO for the provision of offering a combined product. Under the agreement, MCIC and MCHMO offer a Point of Service (POS) benefit in one contract under several liabilities in MCHMO's service areas. MCHMO is responsible for coverage of emergency care, services, and supplies provided by or referred by MCHMO contracted providers, and all coverage under the POS contract issued by MCIC that is assumed by MCHMO under the Assumption Agreement of September 30, 2004, under which MCHMO assumed the HMO coverage portion of the POS contracts issued by MCIC. MCIC provides coverage for non-emergency services and supplies not provided by or referred by an MCHMO contract provider. MCIC and MCHMO allocate the POS contract premiums and costs between them. A separate report describing MCHMO's operations, financial position, and the result of the examination has been issued.

On October 27, 2014, Mercy Health System Corporation (MHSC) announced plans to merge with Rockford Health System to create a five-hospital regional system to provide services to 40 communities in northern Illinois and southern Wisconsin. On November 25, 2015, pursuant to s. 611.72, Wis. Stat., a filing was submitted to this office to restructure the two holding companies. Effective January 1, 2016, the ultimate controlling person of the holding company system became Mercy Health Corporation.

MCIC's PPO product was rolled out in 2014 and was offered through the Federally Facilitated Market (FFM), Small Business Health Options Program (SHOP), as well as off exchange, which created the need for extensive changes to the company's information systems. MCIC underwent a new

information system change with its health system, Mercy Health Corporation in 2017 utilizing Epic Tapestry.

Members are required to select a Primary Care Physician (PCP) at the time of enrollment. Generally, referrals are not necessary if the member sees a specialist in MCIC's approved provider network. Referrals outside the network must be preapproved by MCIC. The company has approximately 128 contracted primary care physicians and 734 specialists.

Most medical care is provided under a contract with MHSC however, the company also contracts with individual physicians and various preferred provider organization networks for primary care and specialty services and for ancillary and mental health services. These contracts include hold-harmless provisions for the protection of policyholders whereby the provider agrees not to seek payment for services from enrollees. In addition, these contracts have a one-year term and may be terminated upon 60 to 180 days' prior written notice by either party.

Hospital inpatient and hospital outpatient services are capitated with MHSC. The provider contract includes a provision that the insurer will not cover certain serious adverse events such as errors made by health care providers. Additionally, the insurer will not pay for services provided by non-health plan approved providers, excluded services defined in the member's group policy, services not provided under the direction of the member's physician in accordance with policies and procedures, and services that are not emergencies or are not medically necessary in the health plan's judgment. Members are responsible for their own errors and for payment for services that are not covered services.

The major products marketed by the company are specific to group insurance. The company uses an internal marketing staff as well as outside agencies and pays a fixed dollar amount of commission based on group size on new and renewal business. There are approximately 146 independent agents and four internal sales staff writing for the company.

The company uses an actuarially determined base as a beginning point in premium determination. This rate is adjusted to reflect the age, sex, occupation, and coverage characteristics for new groups. Experience is reviewed for renewal groups and, based on the review, a recommendation is made regarding adjusting the rate or canceling the group. The base rate is adjusted quarterly for inflation and other trending factors.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of eight members. All directors are elected annually to serve a one-year term. The president and chief executive officer of the company is an ex-officio member. Officers are appointed by the board of directors. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation specific to their service on the company's board.

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

Name and Residence	Principal Occupation	Term Expires
Javon R. Bea Janesville, Wisconsin	President and Chief Executive Officer Mercy Health Corporation	Ex-officio
Mark L. Goelzer, M.D. Janesville, Wisconsin	Medical Consultant	2024
Thomas D. Budd Rockford, Illinois	President Illinois Bank & Trust	2023
Rowland J. McClellan Janesville, Wisconsin	Retired Bank President	2024
Thomas R. Pool Rochester, Minnesota	Retired Division Chair of Information Services Mayo Foundation	2023
Wesley M. Jost Galena, Illinois	Retired Commission Salesman U.S. Energy	2023
Katherine Schack Harvard, Illinois	Retired Owner and Manager Harvard Retirement Home	2025
Dave L. Syverson Rockford, Illinois	Illinois State Senator	2025

Officers of the Company

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

Name	Office
Javon Bea	President and Chief Executive Officer
E. Patrick Cranley	Vice President
Thomas Budd	Secretary/Treasurer

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. MercyCare Insurance Company has not formed any committees; therefore, the company's entire board of directors constitutes the audit committee.

The company has no employees. Necessary staff is provided through a management agreement with MHSC. Under the agreement, effective January 1, 2007, MHSC agrees to provide a full range of administrative services in the following areas:

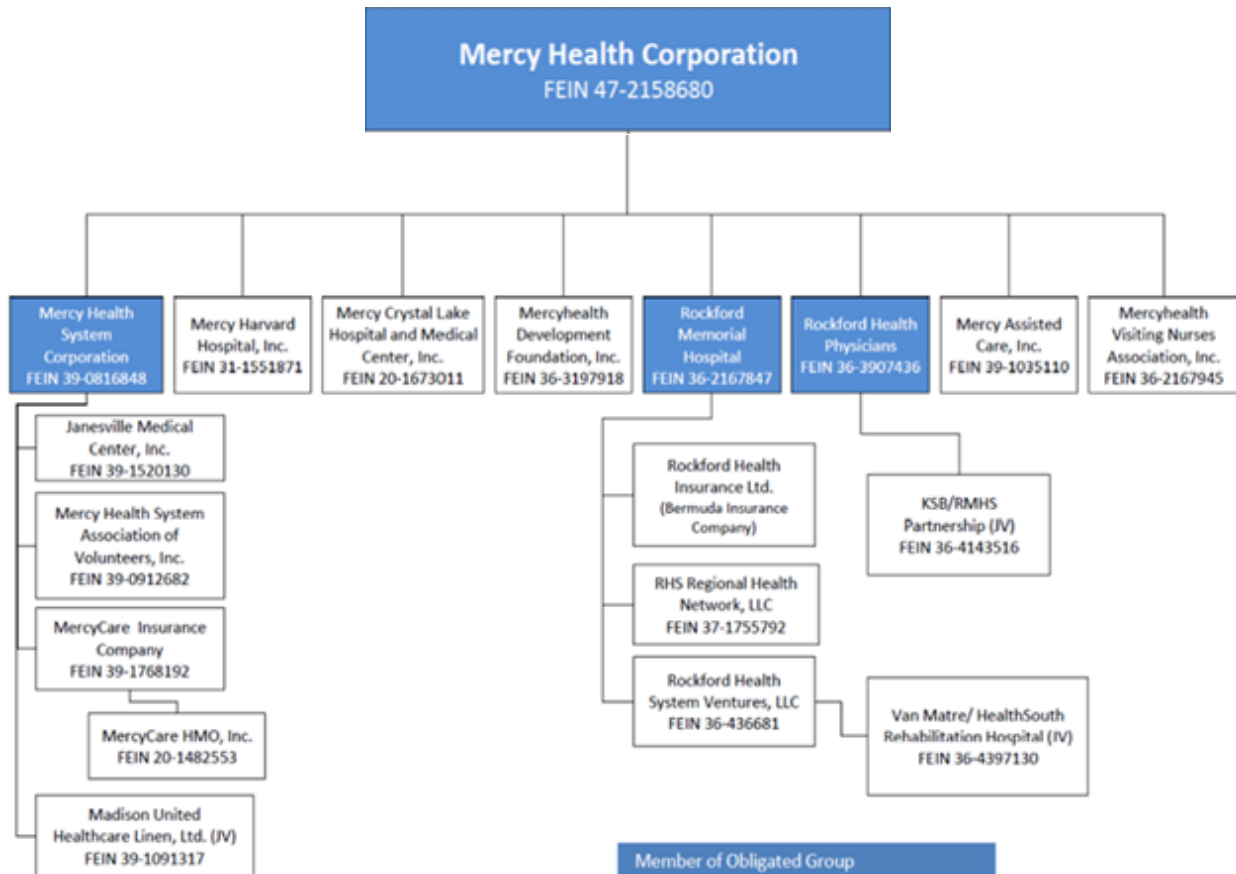
- Financial and medical management
- Provider relations
- Claims and data processing
- General administration
- Marketing and underwriting
- Regulatory relations

The monthly compensation paid to MHSC for providing these services is billed at the actual cost to perform them. MHSC bills MCIC and MCHMO for an estimate of such cost each month, along with any reconciliation of actual amounts due for any prior month, in advance of the month. MCIC shall pay each such bill within 10 days after receipt. MCIC and MCHMO promptly allocate such compensation between them based on their proportionate share of total premiums written by each during the month at issue. The term of the agreement is three years with automatic renewal. The company may terminate the agreement upon 30 days' written notice if the default of standards of performance continues 60 days after notice of such default.

IV. AFFILIATED COMPANIES

The company is a member of a holding company system. Its ultimate parent is Mercy Health Corporation. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of the company follows the organizational chart.

**Holding Company Chart
As of December 31, 2021**



Mercy Health Corporation

Mercy Health Corporation is a not-for-profit corporation that serves as the ultimate parent. MHC is a holding company for the entire group which includes the Mercy Health System, the Rockford Health System, the MercyCare insurers and other affiliates. The company operates on a fiscal year ending June 30. As of June 30, 2022, the company's independent audited financial statement reported assets of \$2.20 billion, liabilities of \$1.08 billion, and net assets of \$1.12 billion. Operations for 2022 produced a net loss of \$80.8 million on revenues of \$1.17 billion.

Mercy Health System Corporation

Mercy Health System Corporation, headquartered in Janesville, Wisconsin, is an integrated multi-specialty health care delivery system serving southern Wisconsin and northern Illinois. MHSC's holdings include three hospitals and two insurance companies. MHSC provides the majority of hospital and medical services for the insurer's members in Wisconsin and for some Illinois members. The hospital services are provided in a provider agreement between MCIC, MCHMO, and MHSC. As of June 30, 2022, MHSC's audited financial statement reported assets of \$806.3 million, liabilities of \$366.5 million, and unrestricted net assets of \$439.8 million. Operations for the fiscal year ending June 30, 2022, produced an increase in net assets of \$39.9 million on revenues of \$627.1 million.

MercyCare HMO, Inc.

MercyCare HMO, Inc. is a Wisconsin-domiciled health maintenance organization that is a wholly owned subsidiary of MCIC. MCIC provides an out-of-network benefit for MCHMO members. The company's 2021 statutory financial statements reported assets of \$57.5 million, liabilities of \$27.9 million, capital and surplus of \$29.5 million, and net income of \$2.3 million. MercyCare HMO provides most of the insurance business.

Javon Bea Hospital (formerly known as Rockford Memorial Hospital)

Javon Bea Hospital operates a 94-bed hospital and another 19-bed hospital providing inpatient, outpatient, and emergency care services to residents in Rockford, Illinois. As of June 30, 2022, the audited financial statements of Javon Bea Hospital reported assets of \$725.0 million, liabilities of \$625.8 million, and total net assets of \$99.3 million. Operations for the fiscal year ending June 30, 2022, produced a decrease in net assets without donor restrictions of \$51.4 million on total revenue of \$388.3 million.

Rockford Health Physicians

Rockford Health Physicians provides physician and ambulatory care services. As of June 30, 2022, the audited financial statements of Rockford Health Physicians reported assets of \$119.4 million, liabilities of \$62.7 million, and unrestricted net assets of \$56.6 million. Operations for the fiscal year ending June 30, 2022, produced a decrease in net assets of \$5.7 million on total revenue of \$127.5 million.

Agreements with Affiliates

MercyCare Insurance Company has entered into several affiliated agreements. These agreements are described below.

Provider Service Agreements

MCIC and MCHMO entered into a provider service agreement with Mercy Health System where MHSC provides various hospital and medical services to MCIC and MCHMO members. This agreement is effective February 7, 2011, and was amended on January 1, 2022. This agreement provides capitation payments which effectively transfer some insurance risk to the provider.

Effective February 7, 2011, the company entered into a provider service agreement with MCHMO and Mercy Assisted Care. Under this agreement, Mercy Assisted Care agrees to deliver or arrange for delivery of certain health care services or benefits to members of MCIC and MCHMO. The agreement also includes an amendment including a professional provider agreement. Under this amendment, the parties agree to include Medicare Advantage participants under the agreement.

Effective February 7, 2011, the company entered into a provider service agreement with MCHMO and Mercy Harvard Hospital. Under this agreement, Mercy Harvard Hospital agrees to deliver or arrange for delivery of certain health care services or benefits to members of MCIC and MCHMO. The agreement also includes an amendment including a professional provider agreement. Under this amendment, the parties agree to include Medicare Advantage participants under the agreement.

Effective November 20, 2015, the company entered into a provider service agreement with MCHMO and Rockford Health Physicians. Under this agreement, Rockford Health Physicians agrees to deliver or arrange for delivery of certain health care services or benefits to members of MCIC and MCHMO.

Effective November 20, 2015, the company entered into a provider service agreement with MCHMO and Javon Bea Hospital (formerly known as Rockford Memorial Hospital). Under this agreement, Javon Bea Hospital agrees to deliver or arrange for delivery of certain health care services or benefits to members of MCIC and MCHMO.

Effective November 24, 2015, the company entered into a provider service agreement with MCHMO and Visiting Nurse Association of the Rockford Area. Under this agreement, the Visiting Nurse

Association of the Rockford Area agrees to deliver or arrange for delivery of certain health care services or benefits to members of MCIC and MCHMO.

Support Services Agreement

MCIC and MCHMO entered into a support services agreement with MHSC. The original agreement dates to January 1, 2007, with an amendment on July 1, 2014. MHSC will provide various financial management functions such as management, clerical staff, accounting and finance systems, maintaining the books and preparing financial reports, preparing insurance filings, and other functions. MHSC will also provide medical management functions and related services. MHSC will perform provider relations functions, claims processing, data processing, general administration, marketing, underwriting, regulatory relations, and provide office space. MHSC's compensation under the agreement is its actual cost for those services.

Program Agreement

MCHMO entered into a program agreement with MCIC effective January 1, 2007. MCIC will provide a point-of-service benefit together whereas the premium is divided between them. Under this agreement, MCIC and the company offer a point-of-service benefit together in one contract in MCHMO's service area. Premium and expenses are allocated based on the following: MCHMO is responsible for HMO coverage and MCIC is responsible for indemnity coverage. This agreement is described in further detail in the section of this report captioned "History and Plan of Operation." MCIC will provide an out-of-network benefit to MCHMO members. It should be noted that the out-of-network indemnity portion is considerably smaller than the HMO portion of the premiums.

Tax Sharing Agreement

MCHMO and MCIC have entered into an agreement to file a consolidated tax return with the holding company system and taxes will be allocated to the insurers. This agreement is effective January 1, 2007.

V. REINSURANCE

The company currently has reinsurance coverage under the contract outlined below:

Reinsurer: American National Insurance Company

Type: Excess of Loss Reinsurance

Effective date: January 1, 2021

Retention:

Commercial: HMO, PPO, EPO, POS-Wisconsin, Small Group (off exchange), Large Group (off exchange) and Individual (off exchange)	\$600,000
Commercial Individual on Exchange	\$600,000
Commercial POS-Illinois	\$100,000
Medicaid: Wisconsin	\$600,000
Medicare Supplement	\$600,000
Specific Member	\$900,000

Coverage: Maximum per member is \$5,000,000 less retention. Coinsurance is 90%

Termination: Agreement will continue until terminated at the earliest as stated for the end of period for which premiums have been paid, the date that court of competent jurisdiction declares a party to be insolvent, a date of material change, or because of misstated data.

The reinsurance policy has appropriate insolvency provisions.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2021, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

MercyCare Insurance Co.
Assets
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 5,448,126	\$	\$ 5,448,126
Stocks:			
Common stocks	29,537,368		29,537,368
Cash, cash equivalents and short-term investments	4,677		4,677
Investment income due and accrued	26,163		26,163
Net deferred tax asset	9,000		9,000
Receivables from parent, subsidiaries and affiliates	<u>90,225</u>	<u>90,225</u>	<u> </u>
Total Assets	<u>\$35,115,559</u>	<u>\$90,225</u>	<u>\$35,025,334</u>

**MercyCare Insurance Co.
Liabilities and Net Worth
As of December 31, 2021**

Claims unpaid		\$ 219,971
Unpaid claims adjustment expenses		3,000
General expenses due or accrued		209
Amounts due to parent, subsidiaries, and affiliates		<u>1,052,445</u>
Total Liabilities		1,275,625
Common capital stock	\$ 1,000,000	
Gross paid in and contributed surplus	20,781,419	
Unassigned funds (surplus)	<u>11,968,290</u>	
Total Capital and Surplus		<u>33,749,709</u>
Total Liabilities, Capital and Surplus		<u>\$35,025,334</u>

MercyCare Insurance Co.
Statement of Revenue and Expenses
For the Year 2021

Net premium income		\$ 537,512
Medical and Hospital:		
Hospital/medical benefits	\$1,983,679	
Prescription drugs	<u>13,033</u>	
Total medical and hospital	1,996,712	
Claims adjustment expenses	19,335	
General administrative expenses	<u>44,969</u>	
Total underwriting deductions		<u>2,061,016</u>
Net underwriting gain or (loss)		(1,523,504)
Net investment income earned	2,225	
Net realized capital gains or (losses)	<u>49,197</u>	
Net investment gains or (losses)		<u>51,422</u>
Net Income (Loss)		<u>(\$1,472,082)</u>

MercyCare Insurance Co.
Capital and Surplus Account
For the Three-Year Period Ending December 31, 2021

	2021	2020	2019
Capital and surplus, beginning of year	\$25,856,600	\$12,818,813	\$10,332,970
Net income (loss)	(1,472,082)	(227,273)	(39,479)
Change in net unrealized capital gains/losses	9,313,139	6,173,706	3,244,057
Change in net deferred income tax			(411,000)
Change in nonadmitted assets	52,052	591,354	(307,735)
Paid in		<u>6,500,000</u>	
Capital and Surplus, End of Year	<u>\$33,749,709</u>	<u>\$25,856,600</u>	<u>\$12,818,813</u>

MercyCare Insurance Co.
Statement of Cash Flow
For the Year 2021

Premiums collected net of reinsurance	\$ 528,268
Net investment income	<u>35,948</u>
Total	564,216
Less:	
Benefit- and loss-related payments	\$ 3,897,321
Commissions, expenses paid and aggregate write-ins for deductions	<u>127,265</u>
Total	<u>4,024,586</u>
Net cash from operations	(3,460,370)
 Proceeds from Investments Sold, Matured or Repaid:	
Bonds	5,630,817
Cost of Investments Acquired—Long-term Only:	
Bonds	<u>2,209,736</u>
Net cash from investments	3,421,081
 Net Change in Cash, Cash Equivalents, and Short- Term Investments	 (39,289)
Cash, cash equivalents, and short-term investments:	
Beginning of year	<u>43,966</u>
End of Year	<u>\$ 4,677</u>

Growth of MercyCare Insurance Co.

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2021	\$35,025,334	\$1,275,625	\$33,749,709	\$537,512	\$1,996,712	\$(1,472,082)
2020	29,223,468	3,366,868	25,856,600	636,577	1,190,252	(227,273)
2019	16,226,454	3,407,640	12,818,813	381,437	464,183	(39,479)
2018	12,332,970	2,000,000	10,332,970	390,856	435,270	261,377

Year	Profit Margin	Medical Loss Ratio	Administrative Expense Ratio	Change in Enrollment
2021	-272.7%	371.5%	12.0%	-0.5%
2020	-30.1%	157.7%	2.5%	-67.6%
2019	-7.9%	131.3%	11.2%	-17.9%
2018	59.5%	21.8%	20.7%	-30.7%

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2021	221	18.3	2.0
2020	222	14.1	1.2
2019	685	95.0	2.5
2018	835	15.8	3.5

Per Member Per Month Information

	2021	2020	Percentage Change
Premiums:			
Commercial	\$204.92	\$124.97	63.9%
Expenses:			
Hospital/medical benefits	756.26	232.16	225.7%
Prescription Drugs	4.97	1.50	231.3%
Total medical and hospital	761.23	233.66	225.8%
Claims adjustment expenses	7.37	3.82	92.9%
General administrative expenses	17.14	-0.75	-2,392.8%
Increase in reserves for accident and health contracts	0.00	-36.61	-100.0%
Total underwriting deductions	<u>\$785.75</u>	<u>\$200.12</u>	292.6%

The company reported net losses during each of the three years under examination. The largest net loss was reported in 2021. The company's losses in 2021 were driven by high costs of care such as chemotherapy, mesothelioma treatment, and other such other cases.

There has been a consistent decline in enrollment during the examination period as indicated in the Enrollment and Utilization table above. Enrollment declined from 2019 to 2020 by about 68%. Since December 31, 2008, enrollment has declined as members move away from the indemnity POS products toward an HMO product in MCHMO.

The company has a history of underwriting losses. The company's premiums are an allocation of premiums from MCHMO to provide an out of network benefit to MCMO enrollees. Capital and surplus increased steadily during the examination period. The company has enough capital to support its ongoing business needs. The company's surplus is largely tied to the financial performance of its subsidiary MCHMO, which has been profitable during the examination period.

**MercyCare Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2021**

Assets		\$35,025,334
Less:		
Liabilities		1,275,625
Investments in Insurance Subsidiaries		29,537,368
Add: Security Surplus Excess of Insurance Subsidiaries		<u>17,134,874</u>
Adjusted Surplus		21,347,215
Net premium earned		
Group Accident & Health	\$537,512	
Factor	<u>10%</u>	
Total		\$ 53,751
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>2,000,000</u>
Compulsory Surplus Excess (Deficit)		<u>\$19,347,215</u>
Adjusted Surplus (from above)		\$21,347,215
Compulsory surplus	\$2,000,000	
Security factor	<u>140%</u>	
Security surplus		<u>2,800,000</u>
Security Surplus Excess (Deficit)		<u>\$18,547,215</u>

Reconciliation of Capital and Surplus per Examination

There were no examination adjustments to surplus. The amount of excess surplus reported as of December 31, 2021 is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were eight specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Custodial or Safekeeping Agreements—It is again recommended that the company obtain a custodial agreement with its investment custodian that includes proper language indemnifying MercyCare Insurance Company against loss, as noted above, and the custodial agreements must include language indicating that the loss of these indemnified securities will be properly replaced or the value of the securities or any loss of rights or privileges will be promptly replaced.

Action—Compliance.

2. Custodial or Safekeeping Agreements—It is again recommended that if a sub-custodian is used, the custodian's indemnification for negligence or dishonesty under the custodial agreement must be extended to apply to any sub-custodian.

Action—Compliance.

3. Annual Statement Reporting—It is recommended that the company report total hospital patient days incurred and the number of inpatient admissions in the annual statement Exhibit of Premiums, Enrollment, and Utilization, in accordance with *NAIC Annual Statement Instructions – Health*.

Action—Compliance.

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

Action—Compliance

5. Corporate Governance—It is recommended that the company's directors, officers, and management employees properly complete and disclose potential conflicts of interest on an annual basis in accordance with the company's Conflict of Interest Policy and the directive of the Wisconsin Office of the Commissioner of Insurance regarding disclosure of conflicts of interest.

Action—Compliance.

6. Biographical—It is recommended that the company timely file biographical information for newly elected or appointed officers and directors in accordance with s. Ins 6.52 (5), Wis. Adm. Code.

Action—Compliance.

7. Information Systems—It is recommended that the company develop or make appropriate modifications to the current information system to capture premium data information.

Action—Compliance.

8. Other Information System Recommendations—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

Action—Partial Compliance.

Summary of Current Examination Results

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

Investment Policy

During a review of the company's investment policy, it was noted that the most recent copy of the policy was from 2013, and that it was updated on an as-needed basis. There was no documentation of a review of the investment policy during the examination period. It is recommended that the company presents the company's investment policy to the board for review and approval at least on an annual basis as a best practice.

Form Filings

A review of the group's Form B and Form C revealed the company did not report the capitation/provider agreement with MHSC as an affiliated agreement. It is recommended that the company include all affiliated agreements in its Holding Company Registration Form B and Form C filings.

Information Systems

The examination completed an information technology general control (ITGC) review. The review resulted in one new recommendation and one repeat recommendation concerning information system controls. The details of these recommendations were presented in a letter to the management. It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

VIII. CONCLUSION

MCIC is a for-profit stock insurance corporation organized under ch. 611, Wis. Stat. and commenced business on September 16, 1993. MCIC's direct parent company is Mercy Health System Corporation, which is a wholly owned subsidiary of Mercy Health Corporation. MCIC contracts with Mercy Care Health System affiliates, individual physicians and various preferred provider organization networks for primary care and specialty services, as well as contracts with other providers for ancillary and mental health services. The company currently markets to groups.

MCIC and MCHMO entered into a provider agreement with Mercy Health System where MHSC provides various hospital and medical services to MCIC and MCHMO members. The company has experienced significant net losses in the past five years. The losses in 2021 were driven by chemotherapy, mesothelioma treatment, and other cases. Decline in enrollment continued throughout the examination period is related to the company's desire to concentrate membership growth into closed network products.

There were no adjustments to surplus as a result of the examination. The company complied with seven out of eight prior examination recommendations. The current examination resulted in three new recommendations and one repeat recommendation regarding information system general controls.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 24 - Investment Policy—It is recommended that the company present the company's investment policy to the board for review and approval at least on an annual basis regardless of a change as a best practice.
2. Page 24 - Form Filings—It is recommended that the company include all affiliated agreements in its Holding Company Registration Form B and C filings.
3. Page 24 - Information Systems—It is recommended that the company strengthen its information system controls in accordance with the recommendations made in the letter to management provided in conjunction with this report.

X. ACKNOWLEDGMENT

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

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

Name	Title
Jacob Burkett	Insurance Financial Examiner
Junji Nartatez	IT Specialist
Kongmeng Yang	Quality Control Specialist
Jerry DeArmond, CFE	Policy and Claim Reserve Specialist

Respectfully submitted,



Vickie Ostien
Examiner-in-Charge